

134 FERC ¶ 61,238
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Transcontinental Gas Pipe Line Company, LLC

Docket No. CP11-4-000

ORDER GRANTING ABANDONMENT AUTHORITY

(Issued March 28, 2011)

1. On October 7, 2010, Transcontinental Gas Pipe Line Company, LLC (Transco) filed an application pursuant to section 7(b) of the Natural Gas Act (NGA) requesting an order approving Transco's abandonment of natural gas storage service and related firm transportation service provided to Atlanta Gas Light Company (Atlanta Gas). This order grants the requested abandonment authority, as discussed below.

I. Background

2. Transco is a natural gas company as defined in the NGA and is subject to the jurisdiction of the Commission. Transco is engaged in the business of transporting natural gas on its natural gas transmission system extending from Texas, Louisiana, Mississippi, and Alabama and the offshore Gulf of Mexico area, through the states of Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania, and New Jersey, to its terminus in the New York City metropolitan area.

3. On August 18, 1987, the Commission issued an order granting case-specific certificate authority for Transco to provide a bundled storage service under Rate Schedule SS-1.¹ Pursuant to a Storage Service Agreement dated January 23, 1987, as amended (1987 Storage Service Agreement), Transco purchases firm storage service at the Tioga Storage Pool in Tioga County, Pennsylvania from UGI Central Penn Gas, Inc. (CPG)² to provide the storage component of its SS-1 service.

¹ *Transcontinental Gas Pipe Line Corp.*, 40 FERC ¶ 61,185 (1987), *reh'g denied*, 42 FERC ¶ 61,354 (1988).

² CPG, a local distribution company, is the successor in interest to North Penn Gas Company. CPG currently provides the NGA-jurisdictional interstate storage service for Transco pursuant section 284.224 of the Commission's regulations under a limited jurisdiction certificate issued in *North Penn Gas Co.*, 59 FERC ¶ 61,137 (1992).

4. Because the Tioga Storage Pool is not connected directly to Transco's system, Transco's Rate Schedule SS-1 customers contract with Dominion Transmission, Inc. (Dominion) to provide transportation from the Tioga Storage Pool to the point of interconnection between Transco's and Dominion's systems at Leidy in Potter County, Pennsylvania (Leidy-Dominion). The transportation of storage injections and withdrawals between the SS-1 customers' city gates and Leidy-Dominion comprises the transportation component of Transco's SS-1 service.

5. In an order issued April 16, 1999, the Commission affirmed an Administrative Law Judge's directive in Transco's rate case proceeding in Docket Nos. RP95-197-000 and RP97-71-000 that Transco unbundle its SS-1 service since Transco did not use the SS-1 service volumes for system flexibility or to support its no-notice service, and the SS-1 customers, not Transco, had full control over the gas stored under SS-1 service.³ On November 19, 2002, Transco made a compliance filing in which it proposed to unbundle its Rate Schedule SS-1 service into two separate rate schedules under its NGA section 7(c) authority: a firm storage service under Rate Schedule SS-1 Section 7(c) Storage Service and a firm transportation service under Rate Schedule SS-1 Section 7(c) Transportation Service.

6. On November 20, 2002, Transco made another filing in Docket No. RP03-84-000 to offer its existing SS-1 customers the option to elect an open-access unbundled storage service under Transco's Part 284 open-access blanket certificate and a new Rate Schedule SS-1 Open Access Storage Service. Any SS-1 customers electing to convert to Part 284 storage service could also sign up for separate transportation service under Transco's Part 284 blanket certificate and existing Rate Schedule FT.

7. On December 18, 2002, the Commission issued an order approving Transco's new rate schedules filed in Docket Nos. RP95-197-000 and RP97-71-000 for unbundled SS-1 storage and transportation services under case-specific certificate authority and Transco's new Part 284 rate schedule filed in Docket No. RP03-84-000 for open-access SS-1 storage service under its blanket certificate.⁴

8. Atlanta Gas was the only Rate Schedule SS-1 customer who elected to continue storage and transportation services under case-specific certificate authorization and the new Rate Schedules SS-1 Section 7(c) Storage Service and SS-1 Section 7(c) Transportation Service. Atlanta Gas and Transco executed the storage and service agreements, effective January 1, 2003. All of Transco's other SS-1 customers elected to convert to unbundled storage services under Transco's new Part 284 Rate Schedule SS-1

³ See *Transcontinental Gas Pipe Line Corp.*, 87 FERC ¶ 61,087, at 61,390 (1999), *reh'g denied*, 94 FERC ¶ 61,362 (2001).

⁴ *Transcontinental Gas Pipe Line Corp.*, 101 FERC ¶ 61,298 (2002).

Open Access Storage Service and transportation service under Transco's existing Part 284 Rate Schedule FT.⁵

9. On September 23, 2009, CPG notified Transco of its intent to terminate service under the 1987 Storage Service Agreement, effective March 31, 2010, the end of the primary term of the agreement. Thereafter, Transco notified all of its SS-1 storage customers, including Atlanta Gas, by letter dated September 29, 2009, of its intent to terminate their SS-1 storage and related transportation services, effective March 31, 2010, which was also the end of the primary terms of those agreements. Subsequent to issuing these termination notices, Transco engaged in extensive discussions with its SS-1 storage customers regarding continuation of service beyond March 31, 2010.

10. The negotiations resulted in a March 10, 2010 Letter Agreement between Transco and Atlanta Gas and the SS-1 Open Access Storage Service customers which addressed certain transitional issues, including the conditions pursuant to which Transco would agree to provide SS-1 storage service for one additional year through March 31, 2011.⁶ In accordance with the terms of this agreement, Transco (1) exercised its one-time right to extend the storage service it was receiving from CPG for one year through March 31, 2011, and (2) extended its service agreements with Atlanta Gas and the SS-1 Open Access Storage Service customers for one more year, through March 31, 2011.

11. The March 10 Letter Agreement provides that "AGL [Atlanta Gas] and Transco agree to negotiate in good faith toward a resolution, which may include a termination, for storage and transportation service to AGL, if any, that would be effective April 1, 2011."⁷ The March 10 Letter Agreement also provided that if Atlanta Gas and Transco were not able to reach an agreement by October 1, 2010, "Transco may file for abandonment of the certificated service to Atlanta Gas under Rate Schedule SS-1 Section 7(c) Storage Service and/or Rate Schedule SS-1 Section 7(c) Transportation Service."⁸

⁵ The six customers who received bundled SS-1 storage service consisted of five customers in Transco's Zone 6 – Public Service Electric and Gas Company, Long Island Lighting Company, The Brooklyn Union Gas Company, South Jersey Gas Company, and Elizabethtown Gas Company, and one customer in Zone 4, Atlanta Gas Light.

⁶ The March 10 Letter Agreement was accepted for filing by Commission letter order issued June 10, 2010, in Docket No. RP10-734-000.

⁷ March 10 Letter Agreement at page 5, paragraph 5. The agreement also provides that after March 31, 2011, Transco will have no further obligations to provide storage service to customers under Rate Schedule SS-1 Open Access Storage Service.

⁸ *Id.*

12. On September 24, 2010, CPG notified Transco that service under their 1987 Storage Service Agreement would terminate effective March 31, 2011. Transco and Atlanta Gas could not reach agreement on the continuation of service, either under Transco's Part 284 blanket certificate or otherwise, effective April 1, 2011. Transco notified Atlanta Gas, by letter dated September 28, 2010, of its intent to terminate, effective March 31, 2011, the SS-1 services being provided for Atlanta Gas under case-specific certificate authority and Rate Schedule SS-1 Section 7(c) Storage Service and Rate Schedule SS-1 Section 7(c) Transportation Service and, since no other customers are served under these rate schedules, to cancel the rate schedules.⁹

13. On October 21, 2010, the Commission issued an order¹⁰ granting, among other things, authority for CPG to abandon its storage service for Transco using capacity at the Tioga Storage Pool, effective April 1, 2011. Hence, the storage rights used by Transco to provide storage service for its SS-1 customers, including Atlanta Gas, will expire on April 1, 2011. The October 21 Order also issued a certificate authorizing UGI Storage Company (UGI Storage) to acquire and operate CPG's storage facilities at the Tioga Storage Pool, effective April 1, 2011. Upon acquisition, UGI Storage will provide jurisdictional open-access storage services at market-based rates with these facilities under a Part 284 blanket certificate issued pursuant to section 284.221 of the Commission's regulations.

II. Transco's Applications

A. Services to be Abandoned

14. Transco proposes to terminate and abandon service under the Atlanta Gas SS-1 Section 7(c) Storage Service Agreement and the Atlanta Gas SS-1 Section 7(c) Transportation Service Agreement, effective March 31, 2011. Transco states that the termination of the Atlanta Gas's SS-1 storage service agreement and the rate schedule under which the storage service is being provided under case-specific certificate authority necessarily requires the simultaneous termination of the related transportation service agreement, because the transportation service is tied to storage service under that rate

⁹ The SS-1 Open Access Storage Service customers were also notified, by letters dated September 29, 2010, of Transco's intent to terminate its Part 284 storage services under Rate Schedule SS-1 Open Access Storage Service effective March 31, 2011.

¹⁰ *UGI Storage Co.*, 133 FERC ¶ 61,073 (2010) (October 21 Order). Contemporaneously with this order, the Commission is issuing an order denying rehearing and clarifying the October 21 Order and amending the certificate issued therein. See *UGI Storage Co.*, 134 FERC ¶ 61,239.

schedule.¹¹ Moreover, Transco states that its abandonment proposal is consistent with the terms of the March 10 Letter Agreement.

15. Transco's and Atlanta Gas's SS-1 storage service agreement, as amended, specifies a Storage Demand of 20,918 dekatherms per day (dts/day) and a Storage Capacity Quantity of 1,568,850 dts. The agreement for Atlanta Gas's related transportation service provides for the firm transportation of a maximum quantity of 20,918 dts/day during the SS-1 storage withdrawal season and up to a total quantity of 1,568,850 dts during the SS-1 storage injection season. During the withdrawal season, the receipt point for quantities transported by Transco is Leidy-Dominion and the delivery point is Atlanta Gas's city gate in Transco's Zone 4. During the injection season, the receipt point is Atlanta Gas's city gate and the delivery point is Leidy-Dominion. The primary term of Atlanta Gas's transportation service agreement extended through March 31, 2010, and continues thereafter, subject to termination by either party upon not less than six months prior written notice.

B. Proposed Replacement Services

16. Transco states that Atlanta Gas will have the option to contract directly with UGI Storage for replacement service for the storage service to be abandoned by Transco. Additionally, Atlanta Gas will be able to obtain Part 284 firm transportation service from Transco to replace the transportation service Atlanta Gas is currently receiving under case-specific certificate authority and rate schedule for that service.

17. Transco states that the Part 284 firm transportation service it has offered Atlanta Gas as replacement service would be provided on a winter-only basis from November 1 of each year through March 31 of the following year, as specified in section 2.7 of Rate Schedule FT and consistent with the Part 284 firm transportation service that is provided to current SS-1 Open Access Storage Service customers. The firm contract path will provide for a receipt point at Leidy-Dominion and a delivery point at the interconnection of the Leidy Line with Transco's mainline, referred to as the Princeton Junction. Transco states that the winter-only firm transportation service reflects the seasonal nature of both its current SS-1 storage services, with firm withdrawal rights only during the winter, and that the contract path reflects the firm transportation capacity created by the facilities constructed to provide the original bundled Rate Schedule SS-1 service.¹²

¹¹Section 1 of Rate Schedule SS-1 Section 7(c) Transportation Service provides, among other things, that service is available under the rate schedule when "... Buyer is a purchaser of service under Seller's Rate Schedule SS-1 Section 7(c) Storage Service."

¹² Transco's bundled SS-1 storage and transportation service, and facilities constructed in order for Transco to be able to provide the service, were certificated by the Commission in 1987. At the time, Transco had 20-year firm storage service agreements with six existing LDC customers. In order to provide the nine Bcf of bundled SS-1 service using nine Bcf of storage capacity reserved on North Penn's system at it Tioga

18. Transco states that as a Part 284 firm transportation customer, Atlanta Gas will have the same flexibility as all other Rate Schedule FT shippers. The rates and fuel charges will be the generally applicable maximum rates and fuel charges under Rate Schedule FT for Zone 6 to Zone 6 transportation, as such rates and fuel charges may be revised from time to time. Transco states that it has informed Atlanta Gas that Transco would also be willing to enter into a discounted interruptible transportation backhaul agreement under Rate Schedule IT for transportation from the Princeton Junction to Atlanta Gas's city gate in order to deliver storage gas and/or other gas supply to Atlanta Gas's city gate.

19. Transco notes that in the event Atlanta Gas contracts directly with UGI Storage for continued storage service using capacity at the Tioga Storage Pool, Atlanta Gas would have the ability to inject gas into storage using transportation services on other pipelines in the area, not just Transco's system. Also, states Transco, Atlanta Gas could buy gas in Zone 6 from Marcellus producers or others and use firm transportation capacity in Transco's Zone 6 to have the gas delivered to Transco's interconnection with Dominion at Leidy for Dominion's further transportation to UGI Storage's storage facilities. According to Transco, Atlanta Gas could also transport storage injection volumes on Transco's system from Atlanta Gas's city gate to Leidy-Dominion using available interruptible transportation and/or by obtaining firm capacity released by Transco's other shippers. Transco claims that it cannot provide firm transportation service from Atlanta Gas's Zone 4 city gate on a stand-alone basis at this time because there is no available firm capacity on that portion of Transco's system. The facilities constructed pursuant to the 1987 certificate authorizing Transco's bundled SS-1 service did not increase the capacity of Transco's mainline south of Princeton Junction.¹³ Transco states that in order to comply with the Commission's 2002 requirement that it continue to provide the same service to Atlanta Gas on an unbundled basis that it had been providing as its bundled SS-1 service, Transco has had to rely on "its role as the system operator and its ability to access available system flexibility as it may exist from time to time during the summer"

complex, Transco constructed 41.02 miles of pipeline looping in New Jersey and Pennsylvania. Consolidated Gas Transmission Corporation transported the storage gas between Transco's system and North Penn's storage facilities. *Transcontinental Gas Pipe Line Corp.*, 40 FERC ¶ 61,185. *See also Transcontinental Gas Pipe Line Corp.*, 87 FERC at 61,390-91. The six original SS-1 customers included five LDCs in Transco's Zone 6: Public Service Electric and Gas Company, Long Island Lighting Company, The Brooklyn Union Gas Company, South Jersey Gas Company, and Elizabethtown Gas Company. The sixth original SS-1 customer, Atlanta Gas, is in Zone 4. *Transcontinental Gas Pipe Line Corp.*, 101 FERC ¶ 61,298, at n.4 (2002).

¹³ *Transcontinental Gas Pipe Line Corp.*, 40 FERC ¶ 61,185.

to ensure that it can transport Atlanta Gas's summer season injection quantities on a firm basis.¹⁴

C. Transco's Supporting Arguments

20. Transco asserts that the requested abandonment authorizations are consistent with the public convenience and necessity and should be granted. First, Transco states that the storage service that it purchases from CPG to provide storage service to Atlanta Gas and its SS-1 Open Access Storage Service customers terminates on March 31, 2011, and it is not contracting with UGI Storage in order to retain the capacity at market-based rates. Second, Transco states that the transportation service it provides to Atlanta Gas under a case-specific certificate and rate schedule is, as explained above, inextricably related to, and contingent upon, Atlanta Gas's continuing to receive SS-1 storage service from Transco. Third, Transco states that the rate schedule for Atlanta Gas's SS-1 storage service and the rate schedule for Atlanta Gas's SS-1 transportation service both provide at section 2 that Transco's obligation to provide service under those rate schedules shall be reduced in the event that CPG does not provide service to Transco.

21. Because CPG will no longer provide service to Transco effective March 31, 2011, Transco asserts that it can no longer provide service to Atlanta Gas under the Atlanta Gas Light SS-1 Section 7(c) Storage Service Agreement and the Atlanta Gas Light SS-1 Section 7(c) Transportation Service Agreement. Further, as described above, the primary term of the Atlanta Gas Light SS-1 Section 7(c) Storage Service Agreement expires on March 31, 2011, and the primary term of the Atlanta Gas Light SS-1 Section 7(c) Transportation Service Agreement expired on March 31, 2010. Transco states that it has provided proper notice to terminate those agreements in accordance with the terms thereof.

22. Moreover, Transco claims that there is no other basis for requiring the continuation of the Rate Schedule Section 7(c) Storage Service and Rate Schedule SS-1 Section 7(c) Transportation Service to Atlanta Gas, as it has already been determined that Transco does not use the SS-1 storage service for system flexibility or to support its no-notice service, and that the SS-1 customers, not Transco, had full control over the gas stored under SS-1 service. Finally, as described above, Atlanta Gas would be able to

¹⁴ Transco's application at p. 12. In directing Transco to unbundle its SS-1 service, the Commission stated:

The intent of unbundling the SS-1 service was to require Transco to provide the same service to the same customers with the same revenue requirement as previously provided, but now under separate rate schedules. The orders did not direct or authorize Transco to alter the SS-1 service or change the rates for the service. *Transcontinental Gas Pipe Line Corp.*, 101 FERC ¶ 61,154, at P 14 (2002).

obtain service similar to that provided under Rate Schedule SS-1 Storage Service and Rate Schedule SS-1 Section 7(c) Transportation Service by “stepping into Transco’s shoes” and contracting directly with UGI Storage to retain storage service up to its current SS-1 storage entitlement with Transco, and by obtaining Part 284 firm transportation service from Transco under Rate Schedule FT.

23. Transco states that with the March 31, 2011 termination of Transco’s and CPG’s 1987 Storage Service Agreement, Transco will not be able to continue providing the case-specific section 7(c) storage service to Atlanta Gas. Correspondingly, Transco’s case-specific section 7(c) storage and transportation service contracts with Atlanta Gas also expire on March 31, 2011, and Transco has provided the termination notice to Atlanta Gas required under those agreements. Transco maintains that under these circumstances, Commission policy and precedent support its proposed abandonment. According to Transco, the Commission’s policy is to allow case-specific section 7(c) arrangements to continue so long as contracts are in effect in order that the contracting parties’ reasonable expectations can be fulfilled. However, once the contracts have expired and have been terminated according to their terms, it is reasonable, unless shown otherwise under the particular circumstances, that any future service be performed under open-access, Part 284 rate schedules.¹⁵ Transco adds that the Commission has further found that allowing the shipper to continue the arrangement under the existing terms after the contract expires may allow the shipper to obtain favorable treatment not available to other shippers.¹⁶

III. Notice, Interventions, Protest and Answers

24. Notice of Transco’s application was published in the *Federal Register* on October 25, 2010 (75 Fed. Reg. 65,469). Piedmont Natural Gas Company, Inc., PSEG Energy Resources & Trade LLC, National Grid Gas Delivery Companies, Southstar Energy Services, LLC, Consolidated Edison Company of New York, Inc. and Philadelphia Gas Works, Public Service Company of North Carolina and South Carolina Electric & Gas Company, and Atlanta Gas filed timely, unopposed motions to intervene. The timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission’s Rules of Practice and Procedure.¹⁷

25. Atlanta Gas’s pleading includes a protest asserting that Transco’s application should be rejected for failing to demonstrate that Transco’s proposed abandonment of its storage service and related transportation services are permitted by the public

¹⁵ Citing *Transcontinental Gas Pipe Line Corp.*, 55 FERC ¶ 61,446, at 62,363-64 (1991).

¹⁶ Citing *Tennessee Gas Pipeline Co.*, 71 FERC ¶ 61,207, *reh’g denied*, 72 FERC ¶ 61,251 (1995).

¹⁷ 18 C.F.R. § 385.214 (2010).

convenience and necessity. Specifically, Atlanta Gas Light claims that Transco has failed in its application to overcome a presumption in favor of continued service.

26. Transco filed an answer to Atlanta Gas's protest, to which Atlanta Gas filed an answer. Although the Commission's Rules of Practice and Procedure do not permit answers to protests or to answers, the Commission finds good cause to waive Rule 213(a) to admit these pleadings, as they have provided information that assists in the decision making process.¹⁸ In order to ensure a complete record upon which to base its decision, the Commission will grant waiver as provided for in Rule 213 of the Commission's Rules of Practice and Procedure¹⁹ to accept Transco's answer. Atlanta Gas's protest is more particularly described and addressed below.

27. In its protest, Atlanta Gas contends that Transco, in seeking to abandon the storage and transportation services it is providing to Atlanta Gas under case-specific section 7(c) certificate authority, must overcome the presumption in favor of continued service, and that Transco has failed to do so.

28. Atlanta Gas emphasizes that when Transco unbundled its SS-1 storage service in 2002, all of the other SS-1 customers chose to convert to Part 284 storage and transportation service and Atlanta Gas was the only SS-1 storage customer who chose to continue receiving individually certificated transportation and storage services rather than Part 284 service. Atlanta Gas asserts it made that decision because Part 284 provides for pre-granted abandonment authority at the end of contracts and the potential benefits of Part 284 service were less important to Atlanta Gas than ensuring that it would continue to receive its services indefinitely, and thereby ensure its ability to meet peak day needs of its customers.²⁰ Atlanta Gas recognizes that Transco's storage services for its SS-1 customers have relied until now on the storage service Transco receives from CPG. However, Atlanta Gas asserts Transco's service obligations to Atlanta Gas under case-specific certificate authority require that Transco take all reasonable steps to continue to contract for storage service so that Transco, in turn, can continue to provide its storage service for Atlanta Gas when Transco's storage service contract with CPG expires.

29. Noting UGI Storage has been authorized to acquire and operate CPG's storage facilities, including the Tioga storage capacity that Transco has used to provide its SS-1 service, Atlanta Gas claims UGI Storage is willing to offer Transco a right of first refusal to permit it to retain its existing storage service. Therefore, Atlanta Gas argues, there is

¹⁸ 18 C.F.R. § 385.213(a)(2) (2010).

¹⁹ 18 C.F.R. § 385.213 (2010).

²⁰ According to Atlanta Gas, the 20,918 dts/day of peak day capacity represented by Transco's SS-1 storage and transportation service represents 4.2 percent of its total peak day demand, the loss of which could force Atlanta Gas to curtail firm service to between 12,000 and 15,000 customers.

no reason that Transco cannot continue to contract for the storage service to continue to provide SS-1 storage service to Atlanta Gas.

30. However, Atlanta Gas is even more concerned that the Part 284 replacement transportation service Transco proposes to offer Atlanta Gas is “drastically inferior” to the present firm service that Transco presently provides for Atlanta Gas under case-specific certificate authority. Whereas Transco’s current transportation service includes firm service from Leidy-Dominion to Atlanta Gas’s city gate during the winter season, the Part 284 replacement transportation service offered by Transco would be firm only from Leidy-Dominion to Princeton Junction, and Atlanta Gas would only be entitled to non-firm backhaul service from Princeton Junction to its city gate, since that segment of Transco’s system is already fully-subscribed on a firm basis.

31. Atlanta Gas asserts that Transco has not adequately explained why there is an operational impediment to it continuing to provide the same, existing firm transportation service all the way to Atlanta Gas’s city gate. Atlanta Gas disputes Transco’s assertion that termination of their storage service agreement necessarily requires termination of their transportation service agreement providing for firm service to Atlanta Gas’s city gate during the winter.

32. In response to Atlanta Gas’s protest, Transco reiterates that its request for abandonment authorization is supported by the explicit terms of its service agreements with Atlanta Gas. Transco also emphasizes that when an old, long-term agreement for service under a case-specific certificate and rate schedule finally expires, the Commission’s general policy and precedents require that any future service should be performed by the interstate pipeline under its blanket certificate and its open-access Part 284 rate schedules.

33. Transco adds that, in addition to the non-firm backhaul service proffered as a replacement transportation service in its application, Atlanta Gas has the option of requesting Part 284 *firm* backhaul transportation service under Transco’s Rate Schedule FT. Transco states that it may be able to offer this backhaul service on a firm basis during the winter from November 1 through March 31, with Dominion-Leidy as the receipt point and Atlanta Gas’s city gate as the delivery point, with rates and fuel at the applicable maximum rates and fuel under Rate Schedule FT for Zone 6 to Zone 4 transportation. Transco acknowledges, however, that it has to evaluate requests for this firm primary-to-primary point backhaul service on a case-by-case basis, and will agree to provide the service on a firm basis only if Transco determines that it is operationally feasible. Transco notes, however, that Atlanta Gas Light has not yet made such a request.

IV. Discussion

34. Since the storage and transportation services proposed to be abandoned involve the transportation of natural gas in interstate commerce subject to the jurisdiction of the Commission, the abandonments thereof are subject to the requirements of subsection (b) of section 7 of the NGA.

35. Transco's storage and transportation service agreements with Atlanta Gas and its other SS-1 customers will expire on March 31, 2011, under the terms of the respective contracts. It is undisputed that in accordance with the terms of the contracts, Transco furnished proper notice of its intent to terminate service under the contracts effective March 31, 2011. Additionally, as stated above, the Commission has granted authority for CPG to abandon the storage service it provides for Transco using capacity at the Tioga storage complex, effective April 1, 2011.²¹ Transco has not contracted for continued service from UGI Storage, which has been authorized to acquire CPG's storage assets and to provide storage services at market-based rates. Thus, as of April 1, 2011, Transco will no longer be able use the storage service that it has relied upon in order to provide its storage services for its SS-1 customers, including Atlanta Gas.

36. The Commission does not agree with Atlanta Gas's assertion that Transco had a right of first refusal to match offers for storage service from UGI Storage during UGI Storage's recent open season for service during the next storage cycle²² and an obligation to exercise that right in view of Transco's service obligations to its SS-1 customers. As is discussed in the Commission's contemporaneous order on rehearing in UGI Storage's proceeding in Docket No. CP10-23-000, the right of first refusal which UGI Storage referenced in its application in Docket No. CP10-23-000 was offered in conjunction with an open season for 2010-2011 service and intended as a transitional measure to ensure that existing CPG customers would be able to maintain their existing levels of storage service during that storage season without interruption should the proposed asset transfer from CPG to UGI Storage occur in that time period.²³ As things transpired, UGI Storage did not receive a certificate in time to provide service during the 2010 storage season. There is no record support for Atlanta Gas's assertion that UGI Storage offered CPG's existing customers a right of first refusal during UGI Storage's more recent open season for service during the storage cycle beginning April 1, 2011.

37. In addition, we do not find that there was any obligation on the part of Transco to acquire capacity from UGI Storage in order that it might be able to continue service to Atlanta Gas. While Transco does not have *preganted* authorization to abandon its case-specific Part 157 storage and transportation service to Atlanta Gas, that does not mean, as Atlanta Gas would suggest, that Transco is obligated to continue to provide the case-specific service to Atlanta Gas indefinitely. Rather, it means that Transco is required to file for, as it has done here, and receive, specific Commission authority before abandoning the services.

²¹ See October 21, 2010 Order in Docket No. CP10-23-000, October 21 Order, 133 FERC ¶ 61,073 (2010).

²² The injection period for that storage cycle will begin on April 1, 2011.

²³ See Applicants' January 6, 2011 Response, in Docket No. CP10-23-000 at 4-7.

38. Atlanta Gas's reliance on *Transcontinental Gas Pipe Line Corp. v. FPC (Transco v. FPC)*²⁴ in support of its claim that an applicant for abandonment of Part 157 service must overcome a presumption in favor of continuation of that service is misplaced. First, we note, as did the court in *Transco v. FPC*, that the issue there involved the proper standard to be applied in natural gas abandonment proceedings for the foreseeable future at a time, in the early 1970s, in which the nation was experiencing a critical natural gas shortage and preceding the Commission's development of its open-access policies. Thus, that decision addressed the appropriate standard for evaluating applications by interstate pipelines to abandon their bundled gas sales services to local distribution companies and other customers at a time when the customers were dependent on the interstate pipelines to find and secure their gas supplies. As a consequence of the Commission's unbundling requirements and other open-access policies, Atlanta Gas and the other SS-1 customers now locate their own supplies and can utilize an open-access interstate transportation grid to access a large number of different supply sources. Thus, an application by an interstate pipeline to abandon unbundled transportation or storage pipeline services today generally does not raise the same concerns as applications to abandon bundled sales services did in the past when the regulatory scheme at the time worked to maintain customers' dependence on their current providers of bundled sales service.

39. The Commission is statute-bound under section 7(b) of the NGA to allow an abandonment of jurisdictional service only if the "public convenience or necessity permit." The factors that the Commission must evaluate in order to determine the overall public interest are dictated by needs and demands at the time the abandonment authorization is sought. The Commission no longer presumes that service under case-specific Part 157 authority should continue after expiration of the service contracts. In *Transcontinental Gas Pipe Line Corporation*,²⁵ wherein we held that, although we would not require customers under Part 157 contracts to convert to Part 284 service prior to the termination of the existing transportation agreements, termination of Part 157 service upon expiration of those contracts would be appropriate unless shown otherwise under the particular circumstance. In reaching that conclusion, we recognized that many Part 157 certificates were designed to address the special circumstances which existed at the time the contracts were executed and that it is thus appropriate, within broad limits, to give effect to these arrangements as long as the contracts are in effect so that the parties' reasonable expectations on entering the contract can be relied on. However, once the contracts have expired, allowing the shipper to continue the arrangement under existing terms may allow the shipper to continue receiving favorable treatment not available to other shippers. With respect to service provided pursuant to case-specific Part 157 certificates, the Commission now, in essence, presumes that the conversion of that service to service under the open-access regime of Part 284 is appropriate, unless it is

²⁴ 488 F.2d 1325, 1330 (D.C. Cir. 1973), *cert. denied sub nom, Natural Gas Pipeline Co. v. Transcontinental Gas Pipe Line Corp.*, 417 U.S. 921 (1974)

²⁵ 55 FERC ¶ 61,446 (1991).

otherwise demonstrated in a given case that such conversion would be unreasonable. Hence, it is incumbent on Atlanta Gas to demonstrate why it would not be reasonable for the Commission to allow Transco to abandon its present services for Atlanta Gas under case-specific certificate authority.

40. We find that Atlanta Gas has failed to show why it would be unreasonable for Atlanta Gas to secure replacement storage and transportation services under Part 284. While this order's grant of abandonment authority will eliminate Transco's obligation to continue its present services to Atlanta Gas after March 31, 2011, UGI Storage will be providing open-access storage service utilizing the same storage facilities in which Transco has heretofore reserved storage capacity to provide service to Atlanta Gas. Atlanta Gas could have participated itself in UGI Storage's open season and taken Transco up on its offer to discuss the operational feasibility of firm backhaul service by Transco to ensure that Atlanta Gas can receive its storage withdrawals during the winter. However, Atlanta Gas has not pursued this possibility for continued use of the same storage and transportation facilities currently being used to meet its needs.

41. The Commission accepts that Atlanta Gas objects to the fact that it would have to pay market-based rates for service from UGI Storage. However, in our orders in Docket No. CP10-23-000, we have found that competition is sufficient to insure that UGI Storage will not be able to exercise market power in order to charge anti-competitive rates. Atlanta Gas, like any other customer of a jurisdictional interstate pipeline company, is entitled to a just and reasonable rate. As a matter of law, a properly granted market-based rate authority can be a just and reasonable rate.²⁶ Beyond that, Atlanta Gas has no entitlement to a quality of service beyond that available to others. Atlanta Gas has not shown why the Commission's finding in Docket No. CP10-23-000 that customers have reasonable alternatives to UGI Storage's storage is not valid when considering Atlanta Gas's service needs specifically. Therefore, the fact that Atlanta Gas would have to pay market-based rates to continue using this storage capacity does not make it unreasonable for the Commission to decline from requiring that Transco continue its current services for Atlanta Gas under case-specific certificate authority upon expiration of the underlying contract.

42. In a March 2, 2011 data response, Atlanta Gas states that it has entered into a storage service agreement with National Fuel Gas Supply Corporation (National Fuel) that will fully replace the storage service currently provided under Rate Schedule SS-1 Section 7 (c) Storage Service. As a result, Atlanta Gas states that in order to transport gas both for injection, from Atlanta Gas's city gate to Leidy-Dominion for delivery to National Fuel, and for withdrawal from Leidy-Dominion to Atlanta Gas's city gate, Atlanta Gas will still require the transportation service that Transco has historically provided under Rate Schedule SS-1 Section 7 (c) Transportation Service, except that the

²⁶ See *Elizabethtown Gas Co. v. FERC*, 10 F.3d 866, at 871 (1993).

delivery/receipt point would be changed from Transco's interconnection with Dominion to Transco's interconnection with National Fuel at Leidy.

43. Transco, in a March 2, 2011 data response, states that if requested by Atlanta Gas, Transco can provide Part 284 *firm* backhaul transportation service under Transco's Rate Schedule FT during the winter (from November 1 through March 31), with Dominion-Leidy as the receipt point and Atlanta Gas's city gate as the delivery point. Such service would be provided at the applicable maximum rates and fuel charges under Rate Schedule FT for Zone 6 to Zone 4 transportation. Transco asserts this service would essentially be identical to the transportation service for withdrawals currently provided under Rate Schedule SS-1 Section 7(c) Transportation Service. The Commission finds that the service option described by Transco sufficiently addresses Atlanta Gas's concern that Transco's proposed replacement transportation service during the winter season is "drastically inferior" to the winter service currently being provided.

44. With respect to the summer injection season, as noted above, Transco states that during the period since 2003, it has had to rely on "its role as the system operator and its ability to access available system flexibility as it may exist from time to time during the summer" to ensure that it can transport Atlanta Gas's summer season injection quantities on a firm basis under the present case-specific authority and rate schedule.²⁷ Thus, the Commission's evaluation of whether it is in the public interest to authorize Transco's continuation of the present transportation service under the same terms and conditions needs to take into consideration whether too much of Transco's system flexibility is being devoted to insuring the delivery of Atlanta Gas's summer injection volumes at the expense of other customers. The Commission finds that Atlanta Gas has failed to demonstrate why the public convenience or necessity require that it continue to receive a quality of service beyond that available to other shippers on Transco's system.

45. Consistent with the above discussion, the Commission finds that Transco's abandonment of natural gas storage service and related firm transportation service provided to Atlanta Gas under case-specific certificate authority and rate schedules is permitted by the present or future public convenience or necessity. The Commission therefore grants Transco's abandonment proposal.

²⁷ Transco's application at p. 12. In directing Transco to unbundle its SS-1 service, the Commission stated:

The intent of unbundling the SS-1 service was to require Transco to provide the same service to the same customers with the same revenue requirement as previously provided, but now under separate rate schedules. The orders did not direct or authorize Transco to alter the SS-1 service or change the rates for the service. *Transcontinental Gas Pipe Line Corp.*, 101 FERC ¶ 61,154, at P 15 (2002).

46. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) Transco is authorized under section 7(b) of the NGA to abandon its natural gas storage service and related firm transportation service provided to Atlanta Gas under Transco's Rate Schedule SS-1 Section 7(c) Storage Service and Rate Schedule SS-1 Section 7(c) Transportation Service.

(B) Transco shall make a filing under section 4 of the NGA to cancel these rate schedules.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.