

138 FERC ¶ 61,244
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 30, 2012

In Reply Refer To:
Tennessee Gas Pipeline Company
Docket No. RP12-450-000

Tennessee Gas Pipeline Company
1001 Louisiana Street
Houston, TX 77002

Attention: Milton Palmer Jr., Director, Rates & Regulatory Affairs

Reference: Annual Fuel Adjustment Filing

Dear Mr. Palmer:

1. On March 1, 2012, Tennessee Gas Pipeline Company, LLC (Tennessee) submitted tariff records¹ to implement revised fuel and loss retention percentages (F&LR) and revised electric power cost rates (EPCR) pursuant to Article XXXVII of the General Terms and Conditions (GT&C) of its Tariff. As discussed below, the Commission accepts Tennessee's tariff records listed in the Appendix, to be effective April 1, 2012, as proposed.

2. Tennessee proposes to revise its F&LR and EPCR pursuant to Article XXXVII of the GT&C of its Tariff. Tennessee states that the fuel and losses, electric power costs, and the estimated volumes it used to derive the proposed F&LR and EPCR in this filing are based on twelve months of actual data ending December 31, 2011 (Base Period). Tennessee also states that the F&LR percentages proposed in this filing for transportation and storage services are higher, relative to those reflected in Tennessee's currently effective Tariff, due to higher Fuel and Losses incurred during the Base Period combined with under-recovery of Fuel and Losses for the period June 1, 2011 through December 31, 2011. Likewise, Tennessee asserts that the EPCR it proposes for transportation

¹ See Appendix.

services is higher, relative to those reflected in Tennessee's currently effective Tariff, due to higher Electric Power Costs incurred during the Base Period combined with under-recovery of Electric Power Costs for the period June 1, 2011 through December 31, 2011. However, in any case, Tennessee maintains that these increased costs are potentially offset by a higher projection of transportation volumes based in increased throughput during the base period.

3. Public notice of Tennessee's filing was issued on March 2, 2012. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2011). Pursuant to Rule 214, 18 C.F.R. § 385.214, all timely filed motions to intervene and any unopposed 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. A protest was filed by the Tennessee Customer Group (TCG). Subsequently, Atmos Energy Corporation (Atmos), Piedmont Natural Gas (Piedmont), and the Chattanooga Gas Company (Chattanooga) filed an answer stating that they shared the concerns raised by TCG. On March 20, 2012 Tennessee filed an answer to TCG's protest.² The Commission finds good cause to accept the answers filed in this proceeding because they will not delay the proceeding, and will assist the Commission in understanding the issues raised based upon a complete record.

4. TCG asserts that Tennessee's filing does not provide sufficient support to verify the claimed losses and that the filing is not transparent. TCG states that the lack of separate calculations for transportation losses and storage losses precludes parties from verifying the accuracy of the instant filing. TCG also argues that Tennessee's revised loss figures are unreasonable because they conflict with Tennessee's historical loss figures, which show a downward trend in losses for the Tennessee system.³ TCG suggests that Tennessee's new fuel figures may reflect an improper attempt to recover storage migration losses from Bear Creek Storage Facility. TCG requests that the Commission accept the tariff records subject to refund and direct Tennessee to: (a) provide complete workpapers that calculate separately the losses associated with transportation and the losses associated with storage, and with respect to storage losses, to provide a further breakdown by storage field; (b) explain fully and justify the claimed losses associated with its proposed .21 percent loss factor; and (c) demonstrate that none of the claimed losses are associated with storage gas migration or, alternatively, to reduce the

² The Commission's Rules of Practice and Procedure do not permit answers to protests unless otherwise ordered by the decisional authority. 18 C.F.R. § 385.213(a)(2) (2011).

³ TCG Protest at p. 3.

proposed .21 percent surcharge to reflect the elimination of gas losses associated with storage gas migration.⁴

5. In its answer Tennessee states that it has provided the detailed information as requested by TCG.⁵ First, Tennessee represents that the total base period losses of 4,074,051 Dth do not include any gas migration losses from Bear Creek storage gas.⁶ Second, Tennessee submits workpapers that show: (1) the F&LR data broken out between transportation and storage; and (2) the storage F&LR broken out by storage field. Lastly, Tennessee claims that the data reflects that overall F&LR only includes a small portion of F&LR directly attributable to storage.⁷

6. TCG contends that Tennessee's revised F&LR figures are unreasonable because they conflict with Tennessee's historical Form 2 fuel loss figures, which show a downward trend in F&LR figures on the Tennessee system.⁸ However, as Tennessee asserts the operating conditions on the pipeline may change from year to year. Therefore, the Commission cannot find that an increase of F&LR amounts from a historical average is unjust and unreasonable based solely upon a difference with historical losses.

7. TCG also requests that the Commission require Tennessee to submit additional information differentiating storage fuel losses and transportation fuel losses. Tennessee's March 20, 2012 answer appears to address this request. Tennessee's workpapers differentiate transportation and storage losses and storage losses by storage fields. Tennessee also states that its total base period fuel losses of 4,074,051 Dth do not include any gas migration losses from Bear Creek storage gas.⁹

8. Lastly, as set forth by TCG, Tennessee's proposed loss percentage is premised on its proposal to recover 5,047,362 Dth of gas attributable to its projections that it will incur losses of 4,074,501 Dth during the next year and the deferred FL&R balance (972,861 Dth). Tennessee's recovery mechanism requires Tennessee to project future losses based upon its actual losses during the prior

⁴ TCG Protest at p. 5.

⁵ Tennessee Answer at Exhibit 10.

⁶ Tennessee Answer at p. 3.

⁷ Tennessee Answer at p. 4 (citing 18 C.F.R. §154.403).

⁸ TCG Protest at p. 3.

⁹ Tennessee Answer at p. 3.

year which in this case were 4,074,051 Dth. Subsequently, such projected future losses will be “trued up” or reconciled with actual amounts. Consistent with Article XXVII of the Tennessee’s FERC Gas Tariff,¹⁰ Tennessee will reconcile any over-collection or under-collection with its shippers. Therefore, the Commission finds that TCG’s suggestion that the filing must be accepted subject to refund is unnecessary, because Tennessee’s true –up mechanism requires that any excess recoveries of fuel losses be returned to the customers.

9. Given Tennessee’s answer, the Commission concludes that Tennessee’s revisions to its fuel and loss retention percentages and its revised electric power cost rates are just and reasonable. Accordingly, the Commission accepts the tariff records contained in the appendix effective April 1, 2012, as proposed.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

¹⁰ Tennessee Gas Pipeline Company, LLC, FERC NGA Gas Tariff, TGP Tariffs, Sheet No. 400, Fuel and Loss Retention (FL&R) Adjustment, 2.0.

Appendix

Tennessee Gas Pipeline Company, L.L.C.
FERC NGA Gas Tariff
TGP Tariffs

Sheet No. 15, , 7.0.0

Sheet No. 16, , 7.0.0

Sheet No. 19, FT-A Rates - Recourse Incremental Expansion, 11.0.0

Sheet No. 21, , 7.0.0

Sheet No. 22, , 7.0.0

Sheet No. 24, , 7.0.0

Sheet No. 25, , 7.0.0

Sheet No. 26, FT-GS Rates, 8.0.0

Sheet No. 27, , 7.0.0

Sheet No. 29, NET Rates, 7.0.0

Sheet No. 30, NET-284 Rates, 7.0.0

Sheet No. 32, Fuel and EPCR, 6.0.0

Sheet No. 44, IT Rates - Interruptible Transportation, 9.0.0

Sheet No. 61, FS Storage Rates - Firm Storage, 7.0.0

Sheet No. 62, IS Storage Rates - Interruptible Storage, 7.0.0