UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Texas Gas Transmission Corporation

Docket Nos. RP00-495-003, RP01-97-002, RP00-495-004 RP01-97-003 and RP03-211-000

# ORDER ON COMPLIANCE FILINGS

(Issued May 22, 2003)

1. On September 30, 2002, Texas Gas Transmission Corporation (Texas Gas) filed, in Docket Nos. RP00-495-003 and RP01-97-002, revised tariff sheets[1] to comply with the Commission's August 27, 2002, "Order on Order Nos. 637, 587-G and 587-L Settlement." On January 23, 2003, Texas Gas filed, in Docket Nos. RP00-495-004 and RP01-97-003, tariff sheets[2] to comply with the Commission's December 24, 2002, "Order on Rehearing." On December 20, 2002 Texas Gas filed, in Docket No. RP03-211-000, to comply with the Commission's October 31, 2002 Order On Remand[3] (the Remand Order) in response to the decision by the United States Court of Appeals in Interstate Natural Gas Association of America v. FERC (INGAA).[4] The tariff sheets generally comply with the Commission's orders and are accepted effective on the dates set forth in Appendix, and are subject to Texas Gas filing within 10 days of the date of this order revised tariff sheets containing the modifications discussed herein.

## I. BACKGROUND

[1]See Appendix A.

[2]See Appendix A.

[3]101 FERC ¶ 61,127 (2002), reh'g pending.

[4]Interstate Natural Gas Ass'n of America v. FERC, 285 F.3d 18 (D.C. Cir 2002).

2. On August 16, 2000, Texas Gas Transmission Corporation (Texas Gas) filed in Docket No. RP00-495-000 pro forma tariff sheets in compliance with Order No. 637.[5] On May 24, 2002, Texas Gas filed an "Offer of Settlement" (Settlement) and on August 27, 2002, the Commission issued its order on "Order Nos. 637, 587-G and 587-L Settlement" which accepted the settlement subject to some modifications.[6] On September 30, 2002, Texas Gas filed, in Docket Nos. RP00-495-003 and RP01-97-002, revised actual tariff sheets in compliance with the August 27 order. On December 24, 2002, the Commission issued its "Order on Rehearing" of the August 27 order.[7] On January 23, 2003, Texas Gas filed revised tariff sheets in Docket Nos. RP00-495-004 and RP01-97-003 to comply with the December 24 rehearing order.

## II. PROTESTS, COMMENTS AND ANSWER

3. Proliance Energy, LLC (Proliance) and the New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation and Rochester Gas and Electric Corporation (jointly, the New York Customer Group) filed protests of Texas Gas' filing to comply with the August 27, 2002 order. Memphis Light, Gas and Water Division (Memphis) submitted comments on that filing. On November 8, 2002, Texas Gas filed a motion to file an answer to the protests. The Commission accepts Texas Gas' answer as it will assist the Commission by creating a more complete record.[8]

4. Proliance also filed a protest of Texas Gas' filing to comply with the December 24, 2002 rehearing order.

## III. ISSUES

### A. SEGMENTATION ON LATERALS

[5]Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services, FERC Stats. & Regs., Regulations Preambles (July 1996 - December 2000) ¶ 31,091 (Feb. 9, 2000); order on rehearing, Order No. 637-A, FERC Stats. & Regs., Regulations Preambles (July 1996 - December 2000) ¶ 31,099 (May 19, 2000); order on rehearing, Order No. 637-B, 92 FERC ¶ 61,062 (July 26, 2000); aff'd in part and remanded in part, Interstate Natural Gas Association of America v. FERC, 285 F.3d 18 (D.C. Cir. Apr. 5, 2002).

[6]100 FERC ¶ 61,218 (2002).

[7]101 FERC ¶ 61,359 (2002).

[8]18 C.F.R. § 213 (a)(2)(2002); East Tennessee Natural Gas Co., 81 FERC ¶ 61,219 (1997); KN Interstate Gas Transmission Co., 74 FERC ¶ 61,054 (1996).

5. Texas Gas proposed in the May 2002 settlement offer to restrict segmentation outside a shipper's primary path through a Lowest Unused Quantity (LUQ) rule and a one-foot-in-bounds rule.[9] The August 27 order allowed Texas Gas to implement these rules on its laterals in order to reflect the operational complexities thereon but rejected the proposal to implement these restrictions on the mainline. The December 24 rehearing order reaffirmed these holdings, and stated that the bi-directional market laterals on which the one-foot-in-bounds and LUQ rules will be in effect are the Indiana market laterals and the Western Kentucky market laterals as shown in Appendix F of the Stipulation and Agreement. The December 24 rehearing order also required Texas Gas to include a description of the market laterals in its tariff and to specify that these are the laterals to which the one-foot-in-bounds and LUQ rules apply. The December 24 rehearing order further directed Texas Gas to keep records of all segmentation transactions on its system and any operational problems associated with them for a period of one year following the effectiveness of the segmentation provisions. Texas Gas was also directed to file a report of these transactions with the Commission within 45 days of the end of the one-year period.

### 1. Texas Gas' Proposal

6. Texas Gas, in its September 30 filing to comply with the August 27 order, incorporated a new Section 39 (pertaining to segmentation) into its GT&C. Section 39.1 permits a shipper to segment its capacity for its own use or for releasing it to replacement shippers. Section 39.2 pertains to segmentation on market laterals by a customer for its own use. Section 39.2(a) contains the one-foot-in-bounds rule and permits a customer to nominate up to its contract demand on the market lateral in any number of combinations of receipt and delivery points as long as at least one point in the nominated transaction is within its primary path, the quantity nominated in any segment does not exceed the contract demand and the points are in the rate zones traversed in whole or in part by the customer's primary path. Section 39.2(a) also requires that nominated quantities in excess of a customer's contract demand in any segment be nominated, scheduled and billed as authorized overrun service. Section 39.2(b) contains the LUQ rule and provides that a

[9] On Texas Gas' system, the one foot-in-bounds rule and the LUQ rule apply to segmentation on certain defined market laterals as discussed in this order. The one-foot-in-bounds rule permits segmentation that has at least a receipt or a delivery point within the shipper's primary path. The LUQ rule provides that if the segmented transaction is wholly outside the primary path, then the pipeline will add the segmented use to the shipper's highest use of capacity on any segment within the primary path in the same rate zone. If the volumes exceed contract demand, the pipeline will schedule the excess as authorized overrun. 100 FERC ¶ 61,218 P 19.

customer may nominate a segmented transaction on a market lateral entirely outside its primary path but within the same rate zone as the primary path. The LUQ rule also provides that, in order to determine whether the use of this secondary capacity outside of the path exceeds the customer's contract demand in any zone within its primary path, Texas Gas will add the use in any zone (including released capacity) to the highest use of capacity in any segment within the customer's primary path in the zone. Quantities in excess of the contract demand must be nominated, scheduled and billed as authorized overrun service.

7. Section 39.3 pertains to segmentation by release to a replacement shipper. Section 39.3(a) states that a customer may segment any or all of the capacity in its primary path by releasing such capacity to a replacement shipper. Section 39.3(b) states that the total firm capacity used in any segment by the customer and all replacement customers, including re-releases, may not exceed the firm capacity rights under the original contract.

8. In its January 23, 2003 compliance filing to the rehearing order in Docket Nos. RP00-495-004 and RP01-97-003, Texas Gas revised Section 39.2 to state that the market lateral one-foot-in-bounds and LUQ segmentation provisions apply to the Hardinsburg-Indianapolis lateral, the Slaughters-Montezuma lateral, the Slaughters-Evansville lateral, the Slaughters-Nortonville lateral and the Slaughters-Bowling Green lateral. The revised Section 39.2 also includes a description of these laterals.[10]

### 2. Protests

9. In its protest to Texas Gas' filing to comply with the August 27 order, Proliance argues that it is unclear whether the new segmentation provisions will be workable and states that the tariff does not adequately address issues such as primary paths for laterals. Proliance urges the Commission to reject the new tariff as unworkable, unjust and unreasonable.

10. In its protest to Texas Gas' filing to comply with the December 24 rehearing order, Proliance protests the identification and composition of the laterals subject to the LUQ and one-foot-in-bounds rules. Proliance states that without further information it cannot be sure of the operational basis of Texas Gas' description and whether the described laterals are the appropriate sections of Texas Gas' system which would be subject to the LUQ and one-foot-in-bounds rules. Proliance also states that it is unclear whether the proposed market lateral descriptions would allow Texas Gas to maintain operational flexibility and that it is concerned about the impact of the lateral designations on no-notice contracts.

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[10] See Appendix B.

### 3. Commission Ruling

11. The Commission finds that Texas Gas's proposed Section 39.3 is contrary to its policies concerning segmentation. Those policies require that segmentation through capacity release must take place pursuant to the same rules as segmentation for a shipper's own use. The Commission has held that releasing shippers may release segments either partly or wholly outside their primary path, where operationally feasible. CenterPoint Energy-Mississippi River Transmission, 102 FERC ¶ 61,216 P 14 (2003). Consequently, Texas Gas must permit releasing shippers to release capacity outside of their primary path. Texas Gas is required to remove the first sentence in Section 39.3(a) -- "A customer may also segment any or all of the capacity in its primary path by releasing such capacity to a replacement shipper."

12. The Commission has permitted Texas Gas to impose limitations on segmentation that takes place on the defined market laterals. Releases to replacement shippers on these market laterals could be subject to the same restrictions if Texas Gas includes these restrictions in its tariff.

13. Proliance argues that it needs further information to determine whether the described laterals are the proper ones for the LUQ and one-foot-in-bounds rules. However, the Commission accepts the proposed descriptions of the laterals. Proliance does not identify any specific points it is concerned about, nor does it state what additional information it would need. Proliance instead makes a generalized statement concerning all of the proposed descriptions. The December 24 order specifically stated that the rules apply to the market laterals as shown in Appendix F of the Stipulation and Agreement.[11] The December 24 order also described the operational complexities which support restrictions on segmentation on the specified market laterals.[12] In addition, there is information in addition to Appendix F, such as the system flow diagrams in Texas Gas' Form 567, which Proliance could have used to determine whether it agrees with the proposed descriptions of the market laterals.

14. Proliance states that it is unsure whether the new tariff provisions will be workable and whether Texas Gas can maintain its operational flexibility. Proliance further states that it is concerned about the impact of the lateral designations on no-notice contracts. The

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[11] Appendix F is also the same as materials showing Texas Gas' system in graphic form that Texas Gas presented at a technical conference on its compliance filing on May 24, 2001, which Proliance attended.

[12] 100 FERC ¶ 61,218 P 30.

Commission has required Texas Gas to keep detailed records of all segmentation transactions and any operational problems associated with them for one year and to file a report with the Commission within 45 days of the end of the one-year period. The Commission believes this will protect Texas Gas' customers while permitting Texas Gas to implement segmentation on its system.

15. Proliance's protests are denied for the reasons discussed above.

## B. DISCOUNT PROVISIONS

16. The August 27, 2002 order directed Texas Gas to modify its proposal, as it agreed, to: (1) place the Trunkline language[13] in its tariff pertaining to additional requests for discounts that are initially denied; and (2) add language to its tariff requiring it to state the specific reason for denying a discount.[14] The August 27 order also directed Texas Gas to modify its discount proposal, in which Texas Gas proposed that, if it ceased offering a discount in a similarly situated transaction at an alternate point, then the shipper shall revert to the maximum rate. The Commission stated in the August 27, 2002 order that a pipeline must decide at the time a shipper requests to retain its discount whether the segmented or secondary point transaction is similarly situated with the transaction already receiving the discount at the secondary point. The Commission further stated therein that in making its determination, the pipeline must weigh all relevant factors rather than applying a hard and fast rule.[15]

### 1. Texas Gas' Proposal

17. Texas Gas modified Section 31.3(c)(iii) to include the Trunkline language and has modified Section 31.3(c)(iv) to require that it will provide the specific reason for rejecting a customer's request for a discount. Texas Gas has also modified Sections 31.3(c) and (d)

[13] The Trunkline settlement provides that, if Trunkline has denied a shipper's request for a discount at the same point within the past 6 months, then Trunkline does not have to respond to a new request unless: (1) it has provided amended discount rates to an existing shipper at the point or a discount to a new shipper at the point; (2) the shipper's request differs materially from the previous request in terms of quantity or term for which a discounted rate is requested; or (3) maximum rates applicable to that point have changed

[14] 100 FERC ¶ 61,218 P 53.

[15] 100 FERC ¶ 61,218 P54.

to state that Texas Gas must determine that a customer is not similarly situated before refusing to permit the customer to retain its discount.

**2. Commission Ruling**

18. Texas Gas' discount provision modifications comply with the directives contained in the August 27, 2002 order and are accepted.

**C. RATE SCHEDULE HOT SERVICE**

19. In its September 30, 2002 filing, Texas Gas proposed to add a new Hourly Overrun Transportation Service (Rate Schedule HOT), which permits delivery operators to contract for authorized hourly overrun service. The August 27, 2002 order directed Texas Gas to revise its tariff to state that it will provide Rate Schedule HOT service when it is operationally feasible.[16]

**1. Texas Gas' Proposal**

20. In its September 20, 2002 filing, Texas Gas modified Section 2.2 of Rate Schedule HOT to provide that it will provide Rate Schedule HOT service to the extent it is operationally feasible.

**2. Commission Ruling**

21. Texas Gas' tariff revisions, which state that it will provide Rate Schedule HOT service when it is operationally feasible, comply with the directive contained in the August 27, 2002 order and are accepted.

**D. PRIORITY ALLOCATION FOR RATE SCHEDULE SNS**

22. In Section 4.1 of Rate Schedule HOT, Texas Gas proposed to allocate both Rate Schedule HOT service and the existing Rate Schedule SNS (summer no notice service) on a highest unit paid basis. Since Rate Schedule SNS is currently allocated on a pro rata basis, this represented a change in the allocation of that service. The August 27, 2002 order stated that the priority allocation methodology is not an Order No. 637 issue, rejected the

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[16] 100 FERC ¶ 61,218 P. 79.

proposal to change the Rate Schedule SNS priority allocation method and directed Texas Gas to eliminate the reference to Rate Schedule SNS in Section 4.1 of Rate Schedule HOT. The August 27, 2002 order also stated that Texas Gas could submit a separate Section 4 filing to change the Rate Schedule SNS priority allocation method if it believes that Rate Schedule SNS should have the same priority allocation method as Rate Schedule HOT.[17]

### 1. Texas Gas' Proposal

23. Texas Gas, in its September 30, 2002 filing, deleted the reference to Rate Schedule SNS in Section 4.1 of Rate Schedule HOT, which pertains to the allocation of service.

### 2. Commission Ruling

24. Texas Gas complied with the directive contained in the August 27, 2002 order by removing the reference to Rate Schedule SNS from Section 4.1 of Rate Schedule HOT.

## E. PENALTIES

### 1. Unauthorized Overrun Penalties

25. The August 27 order directed Texas Gas to devise a nominal penalty for unauthorized overruns not to exceed twice the interruptible rate for non-critical situations or, in the alternative, retain its existing unauthorized overrun penalties of $5/MMBtu for unauthorized overruns from 102% to 105% of contract demand and $10/MMBtu for unauthorized overruns over 105% of contract demand, but required Texas Gas to waive the unauthorized overrun penalty if the unauthorized overrun does not cause operational problems.[18]

#### a. Texas Gas' Proposal

26. The tariff sheets tendered with Texas Gas' filing to comply with the August 27 order reduce Texas Gas' first tier overrun penalty for unauthorized daily overruns above 102% of the contract demand to a Nominal Overrun Penalty equal to twice the FT Overrun Rate, a daily rate, and retain Texas Gas' discretion to waive this penalty. Currently, the FT Overrun

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[17] 100 FERC ¶ 61,218 P. 77.

[18] 100 FERC ¶ 61,218 P 97.

Rate is a maximum of $0.3578/MMBtu.[19] Texas Gas asserts that it used twice the FT rate instead of the IT rate to avoid having seasonal penalties due to its seasonal IT rates.[20] Texas Gas further asserts that the FT Overrun Rate is the annualized IT rate. The tariff sheets tendered with the September 30 filing also include a $10.00 per MMBtu Excess Overrun Penalty for unauthorized daily overruns in excess of 105% of the contract demand. Texas Gas must waive the Excess Overrun Penalty if the contract demand overrun occurs during a non-critical situation and does not cause operational problems.

27. The tariff sheets tendered with the September 30 filing retain Texas Gas' existing seasonal penalties in its rate schedules.[21] Texas Gas charges the daily reservation rate for all gas taken in excess of the seasonal quantity level. It also charges a penalty of $5.00 per MMBtu for all quantities in excess of 102% of the Seasonal Quantity Level and a $10.00 per MMBtu penalty for all quantities in excess of 105% of the Seasonal Quantity Level. Texas Gas has the right, but not the obligation, to waive the seasonal penalties.

### b. Protests

28. Proliance and the New York Customer Group argue that Texas Gas added a new Excess Overrun Penalty provision and a Nominal Overrun Penalty wherein a shipper can be penalized both a Nominal Overrun Penalty for any quantities over 102% of the contract demand and a $10.00 per MMBtu Excess Overrun Penalty for any quantities in excess of 105% of the contract demand, thus resulting in a double penalty for quantities over 105% of contract demand. The New York Customer Group asserts that Texas Gas can rectify the double penalty situation by crediting any amounts collected as a Nominal Overrun Penalty against amounts collected as an Excess Overrun Penalty if a customer is in the "over 105%" category. Proliance also argues that the Nominal Overrun Penalty is twice the FT Overrun Rate instead of twice the IT Rate.

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[19]Twenty-Fifth Revised Sheet No. 11B, Texas Gas Transmission Corporation, FERC Gas Tariff, First Revised Volume No. 1.

[20]Texas Gas asserts that the FT Overrun Rate, which is a daily rate, is the same as the rate that would be obtained if the IT rate had been the same throughout the year at the time of the compliance filing. Instead, Texas Gas had seasonal IT rates at that time which would have resulted in different penalties if Texas Gas had used them to calculate the Nominal Unauthorized Overrun Penalty.

[21]See, for example, First Revised Sheet No. 80D (SNS, Summer No-Notice Service; Second Revised Sheet No. 92 (FT-SL, FT-1, FT-2, FT-3, and FT-4 Firm Transportation Service) .

### c. Texas Gas' Answer

29. Texas Gas responds that it did not intend to increase the unauthorized overrun penalties above the current $10.00 per MMBtu penalty and states that it is willing to modify its tariff to implement the solution proposed by the New York Customer Group. Texas Gas also responds that, under normal rate design, the FT Overrun Rate and the IT Rate would be equal but, due to its experiment with short-term firm service, current IT rates are seasonal and include a premium for term differentiation. Texas Gas argues that using the FT Overrun Rate maintains the penalty at a nominal rate, consistent with Commission policy, without entangling the penalty in the interruptible service experimental rates.

### d. Commission Ruling

30. The Commission accepts Texas Gas' use of twice the FT Overrun Rate for the Nominal Overrun Penalty and $10/MMBtu for the Excess Overrun Penalty with mandatory waiver if the contract demand overrun occurs during a non-critical situation and does not cause operational problems. These revisions ensure that the unauthorized overrun penalty will be nominal during non-critical periods. The Commission accepts the crediting solution proposed by the New York Customer Group for correcting the possible double penalty situation and directs Texas Gas to file tariff sheets implementing the crediting solution within 10 days of the date of this order.

31. The Commission finds that Texas Gas' seasonal penalties are permissible under the Commission's Order No. 637 policies and regulations, but that they are contrary to these policies in one respect. Texas Gas' service agreements indicate that the pipeline and the customer agree on a seasonal quantity level for the summer and the winter seasons, as appropriate. The seasonal quantity can be less than the sum of the daily contract demands for each day of the season. Thus, the seasonal quantity penalty relates to a different requirement than the unauthorized daily overrun penalty. Since that is the case, the Commission finds that the seasonal penalty and the unauthorized daily overrun penalty are based on different considerations and are not penalties for the same volumes. The Commission does not permit more than one penalty on the same volumes. But, a shipper on Texas Gas could be within its daily contract quantity, yet still exceed its seasonal quantity. Consequently, the Commission finds that Texas Gas' seasonal penalty does not violate the policy prohibiting more than one penalty on the same volumes.

32. However, some of Texas Gas' seasonal penalties are applied without regard to whether a critical situation exists at the time they are incurred. The Commission notes that

Texas Gas collects a nominal penalty, the daily reservation rate, for all volumes in excess of the seasonal quantity. It also imposes substantial penalties, $5.00/MMBtu for quantities in excess of 102% of the seasonal level and $10.00/MMBtu for quantities in excess of 105% of the seasonal level, without regard to the effect of these excesses on its system. Texas Gas may thus charge substantial seasonal penalties when there is no critical situation on the pipeline and there is no adverse impact on its operations. This is contrary to the Commission's regulations and policies on penalties. Consequently, the Commission will require Texas Gas to modify its seasonal penalties either by proposing that only the nominal penalty will apply during non-critical periods or by waiving the penalties of $5.00/MMBtu for quantities in excess of 102% of the seasonal level and $10.00/MMBtu for quantities in excess of 105% of the seasonal level when these unauthorized seasonal overruns do not cause operational problems.[22] Texas Gas must also make clear that seasonal penalties are charged only for unauthorized seasonal overruns.

### 2. Penalty Revenue Crediting, Penalty Waivers and Cash-Out Surcharge

33. The August 27, 2002 order directed Texas Gas to modify its proposed penalty revenue crediting mechanism to permit interruptible shippers, as well as firm shippers, to share in any net penalty revenues.[23] The August 27, 2002 order further directed Texas Gas to reinstate shippers with penalty waivers as non-offending shippers eligible to share in penalty revenue credits.[24] The August 27, 2002 order also accepted Texas Gas' cash-out imbalance revenue crediting provisions as being in accordance with Order No. 637, subject to Texas Gas modifying Section 17 of the General Terms and Conditions of its tariff

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[22] Williston Basin Interstate Pipeline, 99 FERC ¶ 61,327 at 62,396 (2002)

[23] 100 FERC ¶ 61,218 P 99.

[24] 100 FERC ¶ 61,218 P 102.

(GT&C) to clearly state that the surcharge[25] will be applied to both the firm and interruptible rate schedules.[26]

**a. Texas Gas' Proposal**

34. In its September 30, 2002 filing Texas Gas added, in a new Section 35 to its GT&C, language stating that Texas Gas will credit, on a yearly basis, penalty revenues in excess of $250,000 to all its customers pro rata based on the transportation charges paid during each applicable month when a penalty was collected.[27] The new Section 35 also provides that, if Texas Gas waives a penalty, that penalty will not be considered as "charged" for purposes of the penalty crediting section of the tariff. Texas Gas also added, in the September 30, 2002 filing, language in Section 17.3(n)(i) to its GT&C stating that the cash-out volumetric surcharge is applicable to both the FT and IT rate schedules.

**b. Commission Ruling**

35. Texas Gas' proposals with respect to the penalty revenue crediting, penalty waivers and the IT cash-out surcharge comply with the directives contained in the August 27, 2002 order and are accepted.

**E. RATE SCHEDULE PAL RETAINED GAS**

**1. Texas Gas' Proposal**

36. The August 27 order directed Texas Gas to implement a mechanism, consistent with Algonquin,[28] to credit the value of gas it retains pursuant to Section 7.2 of Rate Schedule

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[25]The Settlement states that cash-out penalty revenues will be credited in accordance with the existing Section 17 cash-out provisions, which provides that annual overrecoveries (revenues in excess of costs) will be returned through an annual surcharge (which is calculated on the projected FT and IT quantities for the surcharge period) over the following twelve months.

[26]100 FERC ¶ 61,218 P100.

[27]Penalty revenues less than $250,000 are carried forward to the next calendar year reporting period.

[28]Algonquin Gas Transmission Company, 98 FERC ¶ 61,211 (2002).

PAL.[29] The tariff sheets submitted with the September 30 filing propose to credit the retained gas to Texas Gas' fuel tracker. Texas Gas maintains that this method is consistent with Algonquin and credits the value of the retained gas to Texas Gas' customers without resorting to an arbitrary method for determining a cash value.

### 2. Commission Ruling

37. The Commission finds that Texas Gas' proposal to credit the retained gas to its fuel tracker is consistent with Algonquin, in which the Commission stated that Algonquin could explain whether it intended to credit the retained gas under Rate Schedule PAL to its deferred fuel reimbursement account.

## F. OVERRUN REVENUE CLARIFICATION

### 1. Texas Gas' Proposal

38. Texas Gas, in response to the August 27 order's directive to clarify whether the overrun revenue is reconciled against gas purchase costs, states that the overrun revenue and gas purchase costs are unrelated and are therefore not reconciled.

### 2. Commission Ruling

39. The Commission accepts Texas Gas' clarification.

## G. COMPLIANCE WITH REMAND ORDER

40. In Interstate Natural Gas Association of America v. FERC, 285 F.3d 18 (D.C. Cir. 2002)(INGAA), the United States Court of Appeals for the District of Columbia Circuit remanded aspects of Order No. 637 to the Commission. On October 31, 2002 the Commission responded to the Court's remand and, in ordering paragraph B directed that, pipelines that the Commission has found must permit segmentation on their systems, file revised tariff sheets to expressly permit segmented transactions consisting of forward

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[29] Section 7.2 states that any parked quantity not removed within the time frame specified by Texas Gas' notice becomes the property of Texas Gas at no cost to Texas Gas and free and clear of any adverse claims.

hauls up to contract demand and backhauls up to contract demand to the same point at the same time.[30]

41. On December 20, 2002 in Docket No. RP03-211-000, Texas Gas filed certain tariff sheets[31] in compliance with the Commission's Order on Remand. Specifically, Texas Gas proposes to add the following tariff language in Section 39.2 of its GT&C:

> Texas Gas will permit nominations of forward hauls up to the contract demand and backhauls up to the contract demand to the same point at the same time, to the extent operationally feasible.

42. Public notice of Texas Gas' December 20, 2002 compliance filing was issued on December 26, 2002, with comments and interventions due as provided by the Commission's regulations. No adverse comments or protests were filed.

#### 1. Commission Ruling

43. The Commission finds that Texas Gas' tariff revision allowing forward hauls and backhauls to the same point complies with the Commission's Order on Remand. The tariff sheets are accepted effective June 1, 2003.

## H. MISCELLANEOUS ISSUES

### 1. Superceded Tariff Sheets

#### a. Comments

44. Memphis does not contest the substance of the filings, but is concerned that Texas Gas has three sets of live tariff sheets purporting to implement Section 39 of the GT&C, which pertains to segmentation. Memphis asserts that none of the tariff sheets included in any one of the filings complies with all of the three orders and asks that the Commission

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[30] Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Transportation Services, Docket No. RM98-10-011, 101 FERC ¶ 61,127 (2002).

[31] Sixth Revised Sheet No. 193, First Revised Sheet No. 193A, Sixth Revised Sheet No. 236 and First Revised Sheet No. 237 to Texas Gas' FERC Gas Tariff, First Revised Volume No. 1.

direct Texas Gas to file a revised Section 39 that reflects all of the provisions in each of the three filings.

**b. Commission Ruling**

45. The Commission rejects as moot the two tariff sheets[32] pertaining to Section 39 of the GT&C, which were tendered with the September 30, 2002 filing and which were superceded by the tariff sheets tendered with the January 23, 2003 filing. Texas Gas is directed to file revised tariff sheets to make conforming changes to its tariff to incorporate the accepted tariff language in its January 23, 2003 and December 20, 2002 compliance filings.

**2. Typographical Errors**

**a. Texas Gas' Proposal**

46. Texas Gas, in its answer, asserts that three of the tariff sheets[33] tendered with the September 30, 2002 filing contain a typographical error referring to the wrong overrun rate. Texas Gas states that Sections 8.1(a) and (b) of Rate Schedule NNS (sheet no. 55), Rate Schedule SNS (sheet no. 80C) and Rate Schedule STF (sheet no. 99H) all refer to the "FT Overrun Rate" when they should refer to the NNS Overrun Rate, the SNS Overrun Rate and the STF Overrun Rate, respectively. Texas Gas asks that it be allowed to correct this error.

**b. Commission Ruling**

47. The Commission will permit Texas Gas to correct the typographical errors on these three tariff sheets. Texas Gas should file corrected tariff sheets within 10 days of the date of this order.

The Commission orders:

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[32]Fifth Revised Sheet No. 236 and Original Sheet No. 237.

[33]First Revised Sheet No. 55, First Revised Sheet No. 80C and First Revised Sheet No. 99H to its FERC Gas Tariff, First Revised Volume No. 1.

(A) The protests are accepted or denied as discussed in the body of this order.

(B) Texas Gas is directed to file, within 10 days of the date of this order, revised tariff sheets containing the modifications discussed herein.

By the Commission.

( S E A L )

Magalie R. Salas,
Secretary.

APPENDIX A

Texas Gas Transmission Corporation
FERC Gas Tariff
First Revised Volume No. 1

Accepted Effective November 1, 2002 (Docket Nos. RP00-495-003 & RP01-97-002)

Ninth Revised Sheet No. 1
Eighth Revised Sheet No. 2
Original Sheet No. 12B
First Revised Sheet No. 55
First Revised Sheet No. 56
Second Revised Sheet No. 71
Second Revised Sheet No. 72
First Revised Sheet No. 80C
First Revised Sheet No. 80D
First Revised sheet No. 91
Second Revised Sheet No. 92
First Revised Sheet No. 99H
First Revised Sheet No. 99I
First Revised Sheet No. 107
First Revised Sheet No. 141
Original Sheet No. 142
Original Sheet No. 143
Sheet No. 144
Seventh Revised Sheet No. 146
Second Revised Sheet No. 168
Third Revised Sheet No. 170
First Revised Sheet No. 171
Original Sheet No. 171A
Second Revised Sheet No. 172
Second Revised Sheet No. 173
Second Revised Sheet No. 174
Fourth Revised Sheet No. 185
Fifth Revised Sheet No. 193
Seventh Revised Sheet No. 198
Fifth Revised Sheet No. 199
First Revised Sheet No. 201A
Third Revised Sheet No. 212
Original Sheet No. 213
Sheet Nos. 214-217
Third Revised Sheet No. 233
Fifth Revised Sheet No. 236 *
Original Sheet No. 237*
Sheet Nos. 238-244
Original Sheet No. 337
Original Sheet No. 337A
Original Sheet No. 337B
Original Sheet No. 337C
* Rejected As Moot

Accepted Effective November 1, 2002 (Docket Nos. RP00-495-004 & RP001-97-003)

Substitute Fifth Revised Sheet No. 236
Substitute Original Sheet No. 237
Original Sheet No. 238

Accepted Effective June 1, 2003 (Docket No. RP03-211-000)

Sixth Revised Sheet No. 193
First Revised Sheet No. 193A
Sixth Revised Sheet No. 236
First Revise Sheet No. 237

Appendix B

Description of Laterals

(i) Hardinsburg-Indianapolis Lateral: The Hardinsburg-Indianapolis market lateral begins at the Mardinsburg Compressor Station in Breckinridge County, Kentucky and extends due north 77 miles to the Leesville Compressor Station in Lawrence County, Indiana. The lateral continues to the northeast for 32 miles and crosses State Route 46, at which point a segment continues 5 miles to the northeast and terminates at a point near Columbus, Indiana in Bartholomew County. The main lateral continues north 37 miles from S.R. 46 to the terminus at Smith Valley in Johnson County, Indiana. The Hardinsburg-Indianapolis lateral also includes a 56-mile segment beginning at the Leesville Compressor Station and extending to the northwest to a point of intersection with the Slaughters-Montezuma market lateral in Sullivan County. Indiana near Hymera.

(ii) Slaughters-Montezuma Lateral: The Slaughters-Montezuma market lateral begins at the Slaughters Compressor Station in Webster County, Kentucky and extends due north 167 miles to the terminus near Montezuma in Parke County, Indiana. This lateral includes segments terminating in Illinois near Lawrenceville in Lawrence County, Illinois, and near Robinson in Crawford County, Illinois. The Slaughters-Montezuma lateral intersects a segment of the Hardinsburg-Indianapolis lateral near Hymera in Sullivan County, Indiana. The Slaughters-Montezuma lateral parallels the Slaughters- Evansville market lateral from Slaughters to the terminus of the Slaughters-Evansville lateral, while operating at a higher pressure than the Evansville lateral.

(iii) Slaughters-Evansville Lateral: The Slaughters-Evansville market lateral begins at the Slaughters Compressor Station in Webster County, Kentucky and extends due north 32 miles to the terminus near Evansville in Vanderburgh County, Indiana. This lateral includes segments extending to the Dixie Gas Storage Field and the city of Henderson, both in Henderson County, Kentucky. The Slaughters - Evansville lateral generally parallels the Slaughters-Montezuma market lateral, but operates at a lower pressure than the Slaughters-Montezuma lateral.

(iv) Slaughters-Nortonville Lateral: The Slaughters-Nortonville market lateral begins at the Slaughters Compressor Station in Webster County, Kentucky and extends 27 miles due south to Nortonville, Kentucky in Hopkins County. This lateral includes a connecting lateral to the Barnsley Gas Storage Field near Mortons Gap. Kentucky in Hopkins County.

Appendix B (cont'd)

(v) Slaughters-Bowling Green Lateral: The Slaughters-Bowling Green market lateral begins at the Slaughters Compressor Station in Webster County, Kentucky and extends 29 miles southeast to a point near Greenville in Muhlenberg County, Kentucky. This portion of the lateral includes connecting segments to several gas storage fields:
Hanson (Hopkins County), Midland (Muhlenberg County), Graham Lake (Muhlenberg County), and West Greenville (Muhlenberg County). The lateral then continues west 42 miles, to a point northwest of Bowling Green in Warren County, Kentucky. At that point, a segment continues east and north 46 miles and terminates near Munfordville in Hart County, Kentucky. The primary market lateral continues south and west 29 miles from the Bowling Green area to a point near Russellville in Logan county, Kentucky. At this point, the primary lateral continues southeast 21 miles and terminates near Mitchellville in Sumner County, Tennessee. A segment also extends 18 miles northwest from the Russellville location and terminates near Elkton in Todd County, Kentucky.