

124 FERC ¶ 61,249  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

September 18, 2008

In Reply Refer To:  
Transcontinental Gas Pipe Line  
Corporation  
Docket No. RP08-272-001

Transcontinental Gas Pipe Line Corporation  
P.O. Box 1396  
Houston, TX 77251

Attention: Charlotte Hutson  
Manager - Rates

Reference: Compliance Filing - Rate Schedule SS-2 Tracker

Dear Ms. Hutson:

1. On May 1, 2008, Transcontinental Gas Pipe Line Corporation (Transco) filed revised tariff sheets<sup>1</sup> and further clarification and explanation of its March 14, 2008 tariff proposal in this docket to comply with the Commission's April 11, 2008 letter order.<sup>2</sup> In this order, the Commission finds that Transco has not fully complied with the Commission's directives in the April 11, 2008 Order and directs Transco to file revised tariff sheets and narrative examples as directed herein, within 20 days of the issuance of this order.

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<sup>1</sup> Substitute First Revised Forty-Fourth Revised Sheet No. 28C, Fifth Revised Sheet No. 154, Second Revised Sheet No. 155, and Second Substitute Forty-Fifth Revised Sheet No. 28C to FERC Gas Tariff, Third Revised Volume No. 1.

<sup>2</sup> *Transcontinental Gas Pipe Line Corp.*, 123 FERC ¶ 61,029 (2008). (April 11, 2008 Order), *reh'g denied*, 123 FERC ¶ 61,292 (2008) (June 20, 2008 Order).

2. On March 14, 2008, Transco filed revised tariff sheets<sup>3</sup> proposing to establish procedures to track the fuel retention attributable to storage-related transportation service purchased by Transco from National Fuel Gas Supply Corporation (National Fuel) under National Fuel's Rate Schedule X-54, effective November 1, 2007. Transco's Rate Schedule SS-2 is a bundled storage and storage-related transportation service it provides through storage and storage-related transportation services it purchases from National Fuel. Transco uses the transportation service it purchases under National Fuel's Rate Schedule X-54 to provide transportation service under Transco's Rate Schedule SS-2. Transco also purchases storage service from National Fuel under National Fuel's storage Rate Schedule SS-1 to provide the bundled storage services Transco provides under Transco's Rate Schedule SS-2.<sup>4</sup>

3. In its March 14, 2008 filing, Transco stated that, on January 23, 2008, National Fuel proposed in Docket No. RP08-170-000 to amend the Fuel Allowance Provision of its Rate Schedule X-54 to provide that National Fuel will retain from Transco, effective November 1, 2007, 0.5 percent of the gas delivered by Transco for transportation under Rate Schedule X-54. National Fuel also proposed to change section 2.3 of its Rate Schedule X-54 to provide that, beginning April 2008 and each April thereafter, National Fuel will compare the retained volume under Rate Schedule X-54 during the preceding months of April through March with the metered volumes of gas used for compressor fuel for those same preceding months and will make an adjustment no later than May 1 to Transco's storage inventory under its Underground Storage Agreement with National Fuel (National Fuel's Rate Schedule SS-1) for the difference between the retained volume and the metered volume. The filing was not protested and the

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<sup>3</sup> First Revised Forty-Fourth Revised Sheet No. 28C and Substitute Forty-Fifth Revised Sheet No. 28C to Transco's FERC Gas Tariff, Third Revised Volume No. 1. The proposed effective dates of the tariff sheets are November 1, 2007, and April 1, 2008, respectively. The latter revised tariff sheet, which contains the same fuel retention rates and footnote as in the tariff sheet effective November 1, 2007, was filed to reflect revised electric power tracker rates on that sheet that are effective subject to the outcome of Transco's compliance filing in Docket No. RP01-245-023, *et al.*

<sup>4</sup> National Fuel retains storage gas volumes for fuel by charging Transco a 1.40 percent injection charge and 1.42 percent withdrawal charge under National Fuel's storage Rate Schedule SS-1, which Transco passes through to Transco's Rate Schedule SS-2 customers through identical fuel retention rates set forth on Sheet No. 28C of Transco's tariff.

Commission issued an unpublished letter order on February 15, 2008, accepting the revisions to National Fuel's Rate Schedule X-54, effective November 1, 2007.

4. In its March 14, 2008 tariff filing, Transco stated that section 8 of its Rate Schedule SS-2 authorizes it to pass through to its customers the quantity of fuel retained by National Fuel under Rate Schedule X-54 to support Transco's Rate Schedule SS-2 service. Transco further stated that, because of the Commission's approval of the changes to National Fuel's tariff discussed above, Transco was proposing separate conforming adjustments pursuant to section 8 of its Rate Schedule SS-2. Transco proposed to revise its Rate Schedule SS-2 rate tariff sheet (Revised Sheet No. 28C) to add a footnote to provide for the 0.5 percent fuel retention percentage and to also set forth the procedure for the annual adjustment to its Rate Schedule SS-2 customers' storage gas inventory levels to track National Fuel's annual Rate Schedule X-54 storage inventory adjustment.<sup>5</sup>

5. New Jersey Natural Gas Company (New Jersey Natural) filed a motion to intervene and protest. In its protest, New Jersey Natural argued that Transco's proposal is unjust and unreasonable and asked the Commission to either reject it or suspend it for the maximum period and establish a technical conference.

6. In the April 11, 2008 Order, the Commission accepted and suspended the tariff sheet in Transco's March 14, 2008 filing reflecting the new footnote containing the new 0.5 percent fuel retention rate and procedures for the annual true-up adjustment to its customers' storage gas balances, to be effective November 1, 2007, subject to refund and conditions. Specifically, the Commission directed Transco to respond to the concern New Jersey Natural raised in its March 26, 2008 protest that retroactive storage inventory adjustments create a pricing mismatch and to explain why the traditional tracker and true-up mechanism could not be implemented on Transco's system. The Commission also directed Transco to explain how it intends to account for the subject storage balance adjustments, and how billing for storage services will be affected under Rate Schedule SS-2 due to the changes in customers' storage inventories to reflect the pass-through of National Fuel's fuel charges. Further, the Commission

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<sup>5</sup> In the Transmittal to its filing, Transco stated that, in accordance with the Fuel Allowance Provision of National Fuel's Rate Schedule X-54, National Fuel will notify Transco of any differences between the fuel retained and the metered volumes of gas used for compressor fuel no later than May 1 of each year. Transco stated that, subsequent to receiving this notification from National Fuel, Transco will recalculate the fuel retention percentage to reflect the percentage actually retained by National Fuel. Transco stated that it will then use the calculated actual fuel retention percentage to make the appropriate adjustments to its Rate Schedule SS-2 customers' storage inventory balances.

directed Transco to remove the fuel tracking provision from footnote 2 of the proposed Rate Schedule SS-2 rate sheet and move it to Rate Schedule SS-2, to revise the tariff sheets to include the applicable information required by section 154.403(c) of the Commission's regulations,<sup>6</sup> and to provide that any necessary adjustment to Rate Schedule SS-2 Buyers' Storage Gas Balanced will be filed with the Commission by June 1 each year, with an effective date of May 1.

7. On May 12, 2008, Transco filed for rehearing of the Commission's directive in the April 11, 2008 Order which requires Transco to make annual fuel tracker filings. Transco argued that, instead of an annual filing, it should be permitted to make accounting entries to reflect the adjustment to its SS-2 customers' storage inventories to pass through the impact of National Fuel's storage inventory adjustments under Rate Schedule X-54. On June 20, 2008, the Commission issued an order denying rehearing.

8. Public notice of Transco's May 1, 2008 compliance filing was issued on May 6, 2008, with comments and protests due on May 13, 2008. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2008)), all timely filed motions to intervene and any motion 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. The National Grid Gas Delivery Companies<sup>7</sup> filed a motion to intervene. No protests or adverse comments were filed.

9. Transco proposes the following changes (reflected by underscoring and strikeout) to the existing section 8 (Fuel Allowance) of Rate Schedule SS-2 in its tariff, which appear on its proposed revised Sheet No. 154:

In order to recover such quantities of fuel, if any, that any Supplier and/or Seller may retain for compressor fuel and for calculated normal operational loss associated with the storage, compression, transportation and delivery of natural gas quantities for Buyer's account (Fuel Allowance), Seller will retain equivalent quantities from Buyer's storage injection ~~and~~, withdrawal and inventory quantities hereunder. Provided, however, Buyer may deliver or

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<sup>6</sup> 18 C.F.R. § 154.403(c) (2008).

<sup>7</sup> The National Grid Gas Delivery Companies are The Brooklyn Union Gas Company, KeySpan Gas East Corporation, Boston Gas Company, Colonial Gas Company, Essex Gas Company, EnergyNorth Natural Gas Inc., Niagara Mohawk Power Corporation, The Narragansett Electric Company, and all subsidiaries of National Grid USA.

cause to be delivered to Seller such additional quantities of gas as Seller reasonably determines are required for fuel to effect injection of Buyer's injection quantities (Injection Allowance). Therefore, provided Seller receives an Injection Allowance from Buyer, Buyer will begin each withdrawal season with a quantity of natural gas in storage up to Buyer's Storage Capacity Quantity. Seller will retain ~~gas only from Buyer's withdrawal quantities injected into storage, those quantities~~ sufficient to cover Seller's fuel requirements for withdrawal (Withdrawal Allowance) and the calculated normal operational loss makeup associated with the transmission, compression and storage of Buyer's storage quantities (Loss Allowance).—~~Consequently, Buyer will begin each withdrawal season with a quantity of natural gas in storage equal to Buyer's Storage Capacity Quantity for the Period then in effect less the calculated Withdrawal and Loss Allowance applicable to such quantities of natural gas.~~

In addition, Transco proposes to add the following new provision to Section 8, which appears on its proposed revised Sheet No. 155:

In addition to Seller's retention of fuel from Buyer's storage injection and withdrawal quantities, Seller shall also adjust Buyer's Storage Gas Balance, as necessary, to track an annual adjustment made by National Fuel to Seller's storage inventory under National Fuel's Rate Schedule SS-1 related to transportation purchased by Seller under National Fuel's Rate Schedule X-54. Rate Schedule X-54 allows National Fuel to recover from Seller, effective November 1, 2007, a fuel allowance of 0.5% of the volumes received for transportation. Additionally, beginning April 2008 and each April thereafter, National Fuel will compare the retained volume under Rate Schedule X-54 during the preceding months of April through March with the metered volumes of gas used as compressor fuel for those same preceding months for transportation under Rate Schedule X-54. National Fuel will then make an adjustment to Seller's storage inventory level no later than each May 1 for the difference between the retained volume and the metered volume. Accordingly, beginning November 1, 2007, Seller will retain from quantities withdrawn by its Rate Schedule SS-2 Buyers an X-54 related transportation fuel retention percentage of 0.5%. In addition, Seller will adjust annually, no later than June 1 of each year, its Rate Schedule SS-2 Buyers' Storage Gas Balances, as necessary, to pass through the impact to those Buyers of National Fuel's annual adjustment to Seller's storage inventory. Seller's annual pass through

adjustment to Buyers' Storage Gas Balances will be calculated as the difference (positive or negative) between 0.5% and the revised Rate Schedule X-54 fuel retention factor computed using metered volumes applied to each Rate Schedule SS-2 Buyer's storage withdrawals for the equivalent April through March period. Seller will not assess Buyers any charges in conjunction with the annual pass through adjustment and such pass through adjustment will in no way affect Buyer's payment obligations pursuant to section 3.2 of this rate schedule.

10. Transco makes the following responses to the questions raised in New Jersey Natural's March 26, 2008 protest to clarify its proposal. Transco states that it will recover any difference between the fuel quantities retained by Transco from its Rate Schedule SS-2 customers and the fuel quantities retained by National Fuel under its Rate Schedule X-54 through its system transmission fuel retention percentages filed annually. Transco will make any necessary inventory adjustment to its SS-2 customers no later than June 1 of each year. No injection or withdrawal charges will be assessed in connection with the inventory adjustments. The inventory adjustment will be a positive or negative, as appropriate, to each customer's inventory balance. The inventory adjustment made to pass through National Fuel's fuel charges will have no effect on billing for Rate Schedule SS-2 service.

11. Transco further responds that under New Jersey Natural's proposed "traditional" true-up proposal, Transco would no longer act in its traditional role as an accounting conduit to flow through National Fuel's fuel charges under Transco's Rate Schedule SS-2. Transco adds that with any true-up mechanism, including a prospective true-up mechanism, timing differences inevitably will result in uncertainty with regard to the "true cost of fuel." Under Transco's proposed storage inventory adjustment recovery of the fuel will occur within two months of the end of the period the fuel was actually used, whereas a prospective true-up mechanism would provide for recovery of the fuel adjustment beginning with the commencement of the following storage withdrawal season. Thus, it states, under Transco's proposal the inventory adjustment will occur closer to the time the actual fuel is consumed compared to a prospective true-up mechanism. Further, the 0.5 percent retention percentage by National Fuel is based on historical fuel use under Rate Schedule X-54. Therefore Transco states that it expects that any adjustment to the storage inventories will not be significant. Since the inventory adjustment will occur no later than June 1 of each year, Transco states that there will be ample opportunity for Rate Schedule SS-2 customers to factor adjustments into their summer season injection planning.

12. We find that Transco has failed to fully comply with the April 1, 2008 Order. In the April 11, 2008 Order, we directed Transco “to file to revise its tariff to clarify that any filing pursuant to Rate Schedule SS-2 to track National Fuel’s Rate Schedule X-54 adjustments for fuel must be made by June 1 of each year, with an effective date of May 1.”<sup>8</sup> Transco has not complied with the Commission’s directive, and instead has proposed to revise section 8 of its tariff to state that “Seller will adjust annually, no later than June 1 of each year, its Rate Schedule SS-2 Buyers’ Storage Gas Balances, as necessary to pass through the impact to those Buyers of National Fuel’s annual adjustment to Seller’s storage inventory.”<sup>9</sup> The proposed revised tariff sheet does not provide for Transco to make a *filing* with the Commission by June 1, to be effective May 1, as directed. As such, we direct Transco to refile within 20 days of this order to revise section 8 of Rate Schedule SS-2 to reflect that Transco will make an annual Rate Schedule SS-2 fuel tracker true-up adjustment filing with the Commission by June 1 of each year with an effective date of May 1.

13. Moreover, Transco failed to file the required annual fuel tracker true-up adjustment by June 1, as directed. Within 20 days of this order, Transco must file a tariff sheet reflecting the adjustments to Storage Gas Balances by customer as shown on Appendix B, Schedule 1, of its May 1, 2008 filing, to be effective May 1, 2008, to track the initial annual storage gas balance adjustment National Fuel made as of that date pursuant to its Rate Schedule X-54.

14. Additionally, we find that the proposed revisions to the existing section 8 are unclear. The unchanged provisions of section 8 on Sheet No. 154, which appear to address recovery of both storage and transportation fuel, are unclear in light of the proposed changes to the language on that sheet as well as the proposed additions to section 8 on Second Revised Sheet No. 155, the latter which purports to govern the pass-through only of Rate Schedule X-54 transportation fuel allowances and adjustments. For example, it is not clear whether and, if so, how the terms “Injection Allowance,” “Withdrawal Allowance,” and “Loss Allowance” in the existing unchanged part of section 8 on Sheet No. 154 are applicable to the new mechanism for the pass-through of National Fuel’s transportation Rate Schedule X-54 fuel retention percentage and annual adjustments. It is also unclear whether Transco intends to adjust storage inventories for storage-related fuel only once during the year or multiple times, and when it will make the storage and transportation fuel adjustments, such as at a particular date designated as the beginning of the withdrawal season or as each transportation volume flows.

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<sup>8</sup> April 11, 2008 Order at P 18.

<sup>9</sup> Second Revised Sheet No. 155.

15. In addition, the proposed added language on revised Sheet No. 155 is confusing, repetitive, and unnecessarily long. Further, since a volumetric true-up adjustment to each customer's gas storage balance is to be made once each year and the 0.5 percent fuel retention rate is fixed unless prospectively changed, there appears to be no purpose to Transco's explanation in the Transmittal to its filing that it will recalculate the Rate Schedule X-54 0.5 percent fuel retention percentage to establish the annual storage gas balance adjustment volume. Finally, the added language on revised Sheet 155 is confusing as it mixes procedures for the retention of gas pursuant to the 0.5 percent fuel retainage percentage with procedures for the annual true-up adjustment to storage gas balances.

16. Accordingly, we will require Transco to file revised tariff language within 20 days of this order to clarify the language in section 8 of its Rate Schedule SS-2 by separating that section into three subsections: the first containing the procedures for the pass-through of National Fuel's storage Rate Schedule SS-1 fuel retention and operational losses, the second containing the procedures for the pass-through of National Fuel's transportation Rate Schedule X-54 0.5 percent fuel transportation fuel retention percentage, and the third containing procedures for the pass-through of National Fuel Rate Schedule X-54 annual true-up adjustment to Transco's Rate Schedule SS-2 customer Storage Gas Balances. The revised tariff provisions should also reflect the further required clarifications and modifications as discussed above. Transco should include narrative examples in an appendix to the filing explaining how each subsection will be applied.

17. However, with the exception of Transco's attempted justification for not making an annual fuel tracker filing which we previously rejected in our June 20, 2008 Order denying rehearing, we find that Transco's narrative response to New Jersey Natural's protest explaining why Transco should not be directed to implement a standard fuel tracker in the instant circumstances is sufficient.

18. Finally, the April 11, 2008 Order accepted and suspended the proposed tariff sheets subject to the outcome of Docket No. RP01-245-023, *et al.* We note that the proceedings in Docket No. RP01-245-023, *et al.*, have been completed<sup>10</sup>

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<sup>10</sup> *Transcontinental Gas Pipe Line Corp.*, 123 FERC ¶ 61,040 (2008).

and direct Transco to file revised tariff sheets which are consistent with and reflect the outcome of Docket No. RP01-245-023, *et al.*

By direction of the Commission.

Kimberly D. Bose,  
Secretary.