

FEDERAL ENERGY REGULATORY COMMISSION  
Washington, D.C. 20426

101 FERC ¶ 61,012

October 10, 2002

In Reply Refer To:  
OMTR: Tariffs and Rates - East  
Docket Nos. TM99-6-29-003,  
TM99-6-29-004, RP00-209-000,  
RP01-253-000, and RP02-171-000.

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

Attention: Michael Cathey, Director - Rates and Strategic Planning

Reference: Substitute Eleventh Revised Sheet No. 29 and Substitute Twelfth Revised  
Sheet No. 44

Ladies and Gentlemen:

1. On November 29, 2000, Transcontinental Gas Pipe Line Corporation (Transco) filed the referenced tariff sheets in Docket No. TM99-6-29-003 in purported compliance with the Commission's October 30, 2000 order in Docket No. TM99-6-29-001.<sup>1</sup> Transco requests a proposed effective date for these tariff sheets of April 1, 1999. On December 29, 2000, in Docket No. TM99-6-29-004, Transco filed a calculation of refunds, also in purported compliance with the October 30, 2000 order.<sup>2</sup>

---

<sup>1</sup>Transcontinental Gas Pipeline Corp., 93 FERC ¶ 61,114 (2000), reh'g denied 95 FERC ¶ 61,299 (2001).

<sup>2</sup> On November 30, 2000, the Commission granted Transco's request for an extension of time to December 30, 2000, to file its calculation of refunds as required by the October 30, 2000 order.

2. As explained below, Transco's filings are rejected because they do not comply with the October 30, 2000 order. This order is in the public interest because it requires compliance with the Commission's directives in this case.

3. Public notice of the November 29 and December 29, 2000 filings were issued on December 7, 2000 and January 5, 2001, respectively. Interventions and protests were due as provided in Section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214), any timely filed motions to intervene are granted unless an answer in opposition is filed within 15 days of the date such motion is filed. Timely filed motions are granted in accordance with the conditions of Rule 214. Any motions to intervene out-of-time are granted pursuant to 18 C.F.R. § 214(d), since the Commission finds that granting intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

4. New Jersey Natural Gas filed a motion to intervene and Atlanta Gas Light Company (Atlanta) and the Transco Municipal Group (TMG) filed a joint protest in Docket No. TM99-6-29-003. Southern Company Services filed to intervene, Philadelphia Gas Works filed comments and Atlanta and TMG filed a joint protest in Docket No. TM99-6-29-004. The joint protests raise issues that are discussed below.

### **Background**

5. On March 1, 1999, Transco made its annual Fuel Retention Adjustment filing pursuant to Section 38 of the General Terms and Conditions of its FERC Tariff reflecting revised Fuel Retention Percentages (FRPs), to be effective April 1, 1999.<sup>3</sup> As relevant

---

<sup>3</sup>Section 38 allows Transco to be reimbursed in-kind for the fuel it uses in providing transportation and storage services, i.e., Actual Gas Required for Operations (GRO). Under that provision, which was derived from a settlement (1991 Settlement), Transco is authorized to retain a percentage of the transportation volumes tendered by its customers, i.e., Fuel Retention Percentage (FRP), for fuel. FRPs are calculated separately for each applicable service. The annual FRP calculation includes projected fuel use as well as adjustments to make up for the difference between actual volumes used in its operations and actual volumes recovered from its customers for each month of the preceding 12 month deferral period. The 12-month deferral period ends two months prior to the effective date of the proposed FRP. (The Docket No. TM99-6-29 deferral period, therefore, was February 1998 through January 1999). Under the tariff, each month's under- or over-recovered volumes are converted into dollar amounts, which are

(continued...)

here, in addition to reflecting projected and deferred fuel requirements derived from the 12-month deferral period prescribed by the tariff for that filing (February 1998 - January 1999), the proposed FRPs in the March 1, 1999 filing reflected volume adjustments to correct for under-recoveries of fuel that resulted from accounting and gas metering errors that occurred prior to the 12-month deferral period of the tariff. The accounting errors, totaling 8,042,239 Dth, occurred from August 1991 until July 1998 and related to system transportation services. The gas metering errors, totaling 247,970 Dth, occurred from November 1995 until April 1998 and related to services under three storage rate schedules.<sup>4</sup> As detailed in Appendix B, Part 3, Page 1 of its March 1, 1999 filing, Transco proposed to simply add the actual, unadjusted 8,042,239 Dth of unrecovered accounting error volumes to the total system fuel volumes it used to calculate the proposed system FRPs to be effective April 1, 1999. In similar fashion, Transco proposed to add the actual, unadjusted 247,970 Dth of unrecovered meter error volumes to arrive at the total fuel volumes for the related three storage services it used to calculate the FRPs for those services.

6. In its October 30, 2000 order, as clarified in its May 30, 2001 order on rehearing, the Commission granted rehearing of an earlier order<sup>5</sup> and permitted Transco to correct for the prior errors. In its May 30, 2001 order denying rehearing of the October 30, 2000 order, the Commission clarified that, although the tariff is silent on the issue, the correction of such past errors in fuel requirements is required by the 1991 Settlement, as demonstrated by the consistent practice of the parties to the settlement since 1991, to ensure that no party gains or loses on the actual difference between fuel retained and fuel

---

<sup>3</sup>(...continued)

recorded in the Deferred GRO Account, by multiplying each months' volumes by each months' GRO Index price, and then adding interest each month to the accumulated balances. The dollar balance in the deferred account at the end of the 12-month deferral period is then re-converted back to volumes by dividing it by the weighted average value of the GRO Index price for that period. The adjusted under- or over-recovered volumes are then included in the total fuel volumes used to derive the new FRPs.

<sup>4</sup>Rate Schedules WSS, WSS-Open Access, and WSS-Open Access-R.

<sup>5</sup>On February 23, 2000, with the exception of a 23,189 Dth adjustment to correct for certain past metering errors, the Commission disallowed Transco's proposed adjustments to correct for the prior period errors and directed Transco to file revised FRPs to reflect the disallowance of the adjustments and to make dollar refunds. The amount of disallowed metering adjustments was 247,970 Dth. See Transcontinental Gas Pipe Line Corp., 90 FERC ¶ 61,165 (2000).

Docket Nos. TM99-6-29-003, et al.

-4-

burned.<sup>6</sup> Further, in the October 30, 2000 order, the Commission found that Transco's proposal, set forth in its rehearing request, to amortize the originally-requested volume adjustments over a seven-year period was reasonable. Accordingly, the October 30, 2000 order directed Transco to amortize the effect of the proposed 8,042,239 Dth and 247,970 Dth actual volume adjustments over seven years beginning with the FRPs effective April 1, 1999.<sup>7</sup> The Commission directed Transco to file revised tariff sheets to reflect recalculated FRPs to be effective April 1, 1999, along with a calculation of refunds or billing adjustments, as appropriate. The Commission also directed Transco to include a detailed narrative describing its amortization plan, full justification for the amounts to be refunded and collected under its plan, and comprehensive working papers. In response to the Commission's directive, Transco submitted the subject November 29, 2000 and December 29, 2000 compliance filings.

### **Details of the Instant Filings**

7. In its November 29, 2000 filing, Transco included revised tariff sheets reflecting revised FRPs purportedly in compliance with the October 30, 2000 order. In Appendix B of its November 29, 2000 filing, Transco included a computation of the adjustments reflected in its compliance filing. Rather than simply dividing the originally-proposed actual 8,042,239 Dth prior-period accounting error correction volume by the 7 years of the amortization period and recovering that volume, *i.e.*, 1,148,891 Dth, in each of the FRPs effective April 1st starting April 1, 1999, Transco used adjusted volumes of 1,429,867 Dth that it calculated using a procedure derived from the tariff's deferral period methodology. Transco went back to each month in which the accounting errors were made (*i.e.*, August 1991 through July 1998) and determined the portion of the 8,042,239 Dth actual volume correction that pertained to each month of that period. Transco then converted each month's volume correction into a dollar amount by multiplying each month's volumes by each month's GRO Index price and adding interest each month to the accumulated balances for each month through December 1998. Transco then divided the sum of these calculated dollar amounts, *i.e.*, \$20,031,155, by 7 (years) to arrive at an annual figure of \$2,861,594. Finally, Transco converted the \$2,861,594 back into volumes by dividing it by the average GRO Index price for the Docket No. TM99-6-29 deferral period (February 1998 through January 1999) of \$2.0013, to arrive at an adjusted volume of 1,429,867 Dth. Transco incorporated this 1,429,867 Dth adjusted volume in its calculation of the revised FRPs for its system

---

<sup>6</sup>95 FERC ¶ 61,299 at 62,020.

<sup>7</sup>93 FERC ¶ 61,114 at 61,323.

Docket Nos. TM99-6-29-003, et al.

-5-

transportation customers effective April 1, 1999. Transco performed similar re-computations for the 247,970 Dth of actual gas metering errors, resulting in an annual adjustment of \$85,866 which converted to an adjusted annual volume of 42,905 Dth which it used in calculating the FRPs it proposed to be effective April 1, 1999.<sup>8</sup> Transco states that it intends to perform similar calculations for each of the other six remaining years of the 7-year amortization period.<sup>9</sup>

8. Transco's December 29, 2000 filing included a computation of refunds due shippers pursuant to the October 30, 2000 order. Transco first computed the difference between the actual gas volumes retained during April 1999 through March 2000, (i.e., the months the Docket No. TM99-6-29 originally-filed rates were in effect), and the adjusted volumes applicable to each month of this period based on Transco's re-computation of the accounting and metering errors adjustments (see discussion above). In computing net dollar refunds owed, Transco states that it set off from such refunds amounts it under-collected pursuant to rates effective April 1, 2000, in Docket No. RP00-209-000 as a result of earlier compliance with the February 23, 2000 order which had rejected its proposed corrections. As a result of its calculations, Transco claims a net refund owed as of November 30, 2000, of \$15,620,775, including interest.<sup>10</sup>

### **Comments and Protests**

9. Atlanta and TMG protest Transco's compliance filings to the extent that they include interest in the sum to be amortized and recovered over seven years pursuant to the October 30, 2000 order. Both Atlanta and TMG claim the Commission made no mention in the October 30, 2000 order that interest would be permitted on the value of

---

<sup>8</sup>This contrasts with using one-seventh of the actual 247,970 Dth (i.e., 35,424 Dth) to correct for the metering errors adjustment.

<sup>9</sup> Transco states that each year's recomputation will begin with the \$2,861,594 amount for the accounting error adjustment and the \$85,866 for the metering adjustment, which will be then be divided by the average GRO Index price for each filing's GRO deferral period to arrive at the volumetric adjustment that will be used to determine that year's revised FRPs.

<sup>10</sup>Transco states that, at the time of filing, Transco only had sufficient information to calculate offsets through November 30, 2000. Transco states that it will continue to calculate the amounts to be surcharged through the RP00-209 rate period ending March 31, 2001. December 30, 2000 filing transmittal letter at 3.

the under recovered gas. In addition, both parties state that, in Transco's request for rehearing, it made no reference or requested authorization to include interest on the value of the unrecovered gas costs. Finally, Atlanta and TMG assert that Transco expanded the Commission's remedy of recovery for actual fuel used to one which gives both the value of the gas involved in the adjustments and the time value of that sum during the time in which Transco made the accounting and metering errors. Both parties assert that Transco expanded the remedy unjustifiably to make its customers bear the cost of Transco's errors and, therefore, request that the filing be rejected.

### **Discussion**

10. The Commission finds that Transco's November 29 and December 29, 2000 filings do not comply with the directives in the October 30, 2000 order. Accordingly, the filings are rejected and must be re-filed consistent with that order. In the October 30, 2000 order, the Commission authorized Transco to recover the two actual volume adjustments it sought to make in its March 1, 1999 filing, albeit amortized over a seven-year period as Transco proposed in its rehearing request, and nothing more.<sup>11</sup> Thus, consistent with the methodology reflected in Appendix B, Part 3, Page 1 of its March 1, 1999 filing, Transco should have simply added one-seventh, *i.e.*, 1,148,891 Dth, of the actual 8,042,239 Dth of accounting error prior-period unrecovered volumes it originally proposed to recover in a single year into the total system transportation fuel volume to calculate the system transportation FRPs effective April 1 of each of seven years of the amortization period, beginning April 1, 1999. Transco should have used the same methodology with respect to the actual 247,970 Dth of unrecovered prior-period metering error volumes to recover an additional 35,424 Dth each year under the three related storage services. Transco's proposed use of adjusted annual volumes of 1,429,867 Dth to correct for the accounting errors and 42,905 Dth to correct for the metering errors, therefore, does not comply with the October 30, 2000 order.

11. Therefore, within 60 days of this order, Transco must file revised tariff sheets with revised FRPs, to be effective April 1, 1999 in Docket No. TM99-6-29, April 1, 2000 in Docket No. RP00-209, April 1, 2001 in Docket No. RP01-253, and April 1, 2002 in Docket No. RP02-171, that reflect the inclusion of one-seventh of the actual 8,042,239 Dth (*i.e.*, 1,148,891 Dth) accounting error volume and one-seventh of the actual 247,970 Dth (*i.e.*, 35,424 Dth) metering error volume in each year's total fuel volume used to calculate each respective FRP, effective April 1 of each year commencing April 1, 1999.

---

<sup>11</sup> 93 FERC ¶ 61,114 at 61,323.

Docket Nos. TM99-6-29-003, et al.

-7-

Transco must include its revised calculations and supporting working papers in the filing. Additionally, Transco must use these approved volumes in computing the net amount of

refunds owed or billing adjustments to be made, as appropriate, and must include its refund computations and supporting working papers in the filing it makes to comply herewith.

By direction of the Commission.

Magalie R. Salas,  
Secretary.

cc: All Parties

Randall R. Conklin  
Vice President and General Counsel  
Transcontinental Gas Pipe Line Corporation  
P.O. Box 1396  
Houston, Texas 77251

Judith L. Neason  
Director, Federal Regulatory Affairs  
The Williams Companies  
1627 Eye Street, N.W.  
Suite 900  
Washington, D.C. 20006