

Federal Tariff Provisions

Schedule 5  
Item 53.64 (c) (1)

**EQUITRANS, L. P.**

RATE SCHEDULE SS-3  
WINTER STORAGE SERVICE

1. AVAILABILITY

This Rate Schedule is available to any party (hereinafter called "Customer") contracting for Firm Storage Service with Equitrans, L.P. (hereinafter called "Equitrans") where Customer has executed a storage service agreement for service under this rate schedule, and has separately entered into a Service Agreement with Equitrans for Firm Transportation Service under one of Equitrans' Firm Transportation Rate Schedules prior to the effective date of Equitrans' Order Nos. 636 restructuring.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 This Rate Schedule shall apply to all storage service rendered under an executed Storage Service Agreement providing for a Total Annual Storage Quantity (TASQ), Maximum Daily Injection Quantity (MDIQ), and Maximum Daily Withdrawal Quantity (MDWQ).

2.2 This Rate Schedule shall apply to the injection on a daily basis of up to 1/200th of Customer's TASQ into storage, storage on a daily basis of Customer's gas, and withdrawal on a daily basis of up to 1/115th of the Customer's TASQ. Storage injections and on a daily basis storage withdrawals under this Rate Schedule are permitted on any day during the year.

2.3 Service provided hereunder shall be considered Firm, and shall not be subject to curtailment or interruption except as caused by force majeure or as otherwise provided in the General Terms and Conditions of Equitrans' FERC Gas Tariff.

2.4 Storage service under this Rate Schedule is offered on an aggregate basis and is not tied to any individual storage reservoir on the Equitrans system.

3. RATE

3.1 The applicable rates for storage service hereunder are set forth on Sheet No. 10 of this Tariff. The Customer shall pay Equitrans each month for service rendered based on the following charges:

(A) Storage Demand: The charge per Dth multiplied by the MDWQ specified in the Storage Service Agreement.

RATE SCHEDULE SS-3  
WINTER STORAGE SERVICE (Continued)

- (B) Storage Space The charge per Dth multiplied by the TASO specified in the Storage Service Agreement.
- (C) Storage Injection The charge per Dth multiplied by the quantity of gas injected for the month.
- (D) Storage Withdrawal The charge per Dth multiplied by the quantity of gas withdrawn for the month.
- (E) Storage Overrun The charge per Dth multiplied by the quantity of gas withdrawn during the month in excess of the Customer's MDWO.

5.2 Customer shall deliver to Equitrans, for injection into storage, the quantity of gas specified for storage loss associated with this Rate Schedule. The quantity of gas retained by Equitrans for storage loss shall be equal to the quantity of gas designated for injection into Equitrans' storage facilities for Customer's account multiplied by the storage loss retention factor set forth on Sheet No. 11 of this Tariff. The quantity of gas retained by Equitrans for storage loss shall not be available for withdrawal by the Customer.

4. MINIMUM BILL

The minimum bill for service hereunder shall be equal to the monthly storage demand charge plus the monthly storage space charge.

5. STORAGE INJECTIONS

5.1 Generally, Equitrans will inject gas into storage on behalf of Customer during the period from the beginning of the gas day on April 1 through the end of the gas day on October 31 ("the injection period"). However, Customers under this Rate Schedule are entitled to inject gas into storage on a firm basis on any day during the year.

5.2 The maximum injection quantity of gas which Equitrans is obligated on any day to inject into storage for any Customer under this Rate Schedule shall be the MDIO specified in the applicable storage service agreement, which shall be calculated as 1/200th of the Customer's TASO, and all other conditions specified

RATE SCHEDULE SS-3  
WINTER STORAGE SERVICE (Continued)

Equitrans may allow any Customer, upon request to inject gas into storage in excess of the Customer's MDIQ. Equitrans shall be obligated to accept gas for storage for Customer's account only when and to the extent that Customer's storage inventory is less than its TASO.

Scheduling of injections, including overruns, shall be provided by Customer to Equitrans in accordance with Section 8 of the General Terms and Conditions of Equitrans' FERC Gas Tariff.

- 5.3 Customer is required to inject ninety-seven percent (97%) of its TASO under this Rate Schedule by the end of the injection period. If the Customer fails to inject up to the level of 97% of its TASO by the end of the contractual injection period, the Customer will not be permitted to draw upon the undelivered storage quantities in the subsequent withdrawal period and will be subject to a reduced MDWO during the subsequent withdrawal period. Depending on the operating conditions of its storage reservoirs, Equitrans may elect to inject gas into storage on the Customer's behalf, and may assess a Storage Imbalance Penalty on any quantities so injected, up to the level of 97% of the Customer's TASO. The Storage Imbalance Penalty shall be equal to the cost of acquiring gas for injection into storage based on the average price of Appalachian spot market gas delivered to CNG Transmission Corp. and Columbia Gas Transmission Corp. (as such prices shall appear in "Inside FERC's Gas Market Report" or similar publication) during the period of time that gas is injected on the Customer's behalf, plus the required storage injection charge, plus an additional charge of \$0.25/Dth. If Equitrans injects gas on the Customer's behalf, the Customer will be permitted to call upon the injected quantities during the withdrawal season up to the level of its TASO.

6. STORAGE WITHDRAWALS

- 6.1 Generally, Equitrans will withdraw gas from storage on behalf of Customer during the period from the beginning of the gas day on November 1 through the end of the gas day on March 31. However, Customers are entitled to withdraw gas from storage on a firm basis on any day during the year.
- 6.2 Customer's TASO will be available for withdrawal on any day during the withdrawal period. The maximum withdrawal quantity of gas which Equitrans is obligated on any day to withdraw from

RATE SCHEDULE SS-5  
WINTER STORAGE SERVICE (Continued)

storage for any Customer under this Rate Schedule shall be the MDWO specified in the applicable storage service agreement which shall be calculated as 1/115th of the Customer's TASO. In no event will a Customer be permitted to withdraw gas in excess of its current storage quantity.

6.3 Withdrawal of gas from storage on behalf of the Customer will be permitted during the withdrawal period according to a sliding scale described as follows:

Percentage of Quantity in Storage to TASO	Available Withdrawal Quantity
100% - 17%	100% of MDWO
Below 17%	100% of MDWO

In no event shall Equitrans be obligated to provide any storage service for which capacity is not available or which would require the expansion, construction or acquisition of facilities.

6.4 Scheduling of Withdrawals shall be provided by Customer to Equitrans in accordance with Section 8 of the General Terms and Conditions of Equitrans' FERC Gas Tariff.

6.5 Customer is required to withdraw seventy-five percent (75%) of its TASO under this Rate Schedule on or before the last day of the withdrawal period. In the event that 75% of Customer's gas is not withdrawn from storage by the end of the withdrawal cycle, Equitrans may direct the withdrawal of the gas remaining in storage in excess of the specified level on an expedited schedule determined by Equitrans. In the event that Equitrans schedules the withdrawal of the gas remaining in storage, Equitrans shall assess a scheduling penalty of \$0.25/Dth for the remaining gas in storage in addition to the required storage withdrawal charge.

6.6 Equitrans is authorized to withdraw any portion of the 25% of a Customer's TASO remaining in storage after the conclusion of the withdrawal period for operational purposes, subject to the requirement that Equitrans reinject an equivalent quantity of gas for the customer's account prior to the first day of the next withdrawal period.

RATE SCHEDULE SS-3  
WINTER STORAGE SERVICE (Continued)

7. STORAGE OVERRUN SERVICE

Upon request of the Customer, Equitrans may, at its reasonable discretion, withdraw natural gas in excess of the Customer's MDWQ specified in the executed Storage Service Agreement. At no time may the Customer inject or withdraw a quantity in excess of its TASC. All requests for Storage Overrun Service shall receive priority in the first-come/first-served queue that is equal to any requests for interruptible storage service under Rate Schedule TNS3. The rate for storage overrun service is set forth on Sheet No. 10 of this Tariff.

8. TITLE TO GAS IN STORAGE

Title to gas stored on behalf of the Customer under this Rate Schedule will remain with the Customer.

9. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Equitrans' FERC Gas Tariff are applicable to this Rate Schedule where not inconsistent with the provisions contained herein.

RATE SCHEDULE STS-1  
Transportation Service

AVAILABILITY

This Rate Schedule is available to any party (hereinafter called "Customer") which has entered into a firm gas transportation Agreement with Equitrans, L.P. (hereinafter called "Equitrans") for transportation service under this Rate Schedule and has separately entered into a Service Agreement with Equitrans for firm contract storage service under Equitrans Rate Schedule SS-3 prior to the effective date of Equitrans Order 636 Restructuring.

2. APPLICABILITY AND CHARACTER OF SERVICE

2.1 This Rate Schedule shall apply to all natural gas transported by Equitrans for Customer pursuant to the executed Transportation Service Agreement providing for a Maximum Daily Quantity (MDQ)

2.2 Transportation service hereunder shall be firm, subject to the provisions of the executed Transportation Service Agreement and to the General Terms and Conditions incorporated herein by reference and shall not be subject to curtailment or interruption except as caused by force majeure or otherwise provided in the General Terms and Conditions of Equitrans' FERC Gas Tariff.

2.3 Transportation service hereunder shall consist of the acceptance by Equitrans of natural gas tendered by Customers for transportation at the Receipt Points specified in the executed Transportation Service Agreement for delivery into storage, and the redelivery of such gas from storage, after retention of the transportation retainage percentage set forth on Sheet No. 111 of this Tariff, at the delivery points specified in the Customer's service agreement.

2.4 If Customer desires transportation of natural gas under this Rate Schedule, Customer will nominate service in accordance with Section 8 of the General Terms and Conditions of Equitrans' Tariff. Equitrans shall schedule receipt and deliveries in accordance with Customer's nominations.

2.5 Equitrans shall only be obligated to deliver to Customer thermally equivalent quantities to those received, less applicable retainage for fuel, loss, and unaccounted for, and less any thermal reduction resulting from processing gas in order to meet Equitrans' applicable quality standards.

RATE SCHEDULE STS-1  
Transportation Service (Continued)

3. RATE

Unless otherwise mutually agreed to in accordance with Section 30 of the General Terms and Conditions, the charge for natural gas transportation service rendered during each monthly billing period shall be the sum of the applicable amounts specified below:

3.1. Reservation Charge — An amount determined as follows:

- (a) Winter Demand — For the period November 1 through March 31, the Winter Monthly Reservation Charge multiplied by the Billing Demand as defined in the General Terms and Conditions, or
- (b) Base Demand — For the period April 1 through October 31, the Base Monthly Reservation Charge multiplied by the Billing Demand defined in the General Terms and Conditions.

3.2. Usage Charge — An amount determined as the product of:

- (a) The quantity of natural gas in Dth injected into storage, times
- (b) The rate per Dth set forth from time to time on Sheet No. 10 of this tariff, or superseding Tariff.

3.3. Surcharge — Customer shall pay all surcharges specified in the General Terms and Conditions or which otherwise may be applicable to service under this Rate Schedule as may be set forth from time to time on Sheet No. 10 of this tariff.

4. MINIMUM MONTHLY BILL

The Reservation Charge for the month.

5. TRANSPORTATION CONTRACT DEMAND

A Customer's Transportation Contract Demand shall be the MDO of gas which Equitrans shall be obligated to deliver to Customer (or for Customer's account) at the Delivery Point(s) under this Rate Schedule. The MDO shall be specified on Exhibit A of the executed Transportation Service Agreement.

6. AUTHORIZED OVERRUN TRANSPORTATION

Upon request of Customer, Equitrans, at its reasonable discretion, may receive, transport and deliver natural gas in excess of Customer's

RATE SCHEDULE STS-1  
Transportation Service (Continued)

MDO specified in the executed Transportation Service Agreement. Said overrun service will have a priority equal to interruptible transportation service.

If Equitrans elects to transport said excess gas, Customer shall pay Equitrans for each Dth of excess gas scheduled for delivery by Equitrans to storage for Customer's account during the month, an authorized overrun rate equal to the 100% load factor of the Rate Schedule STS-1 rate, as such rate is in effect and reflected from time to time on Sheet No. 10 of this Tariff, or superseding Tariff.

7. GENERAL TERMS AND CONDITIONS

Except as otherwise indicated in this Rate Schedule or by the executed Transportation Service Agreement, all of the General Terms and Conditions contained in this Tariff, including (from and after their effective date) any future modifications, additions, or deletions to said General Terms and Conditions are applicable to transportation service rendered under

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

THIS AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_, 1999, by and between \_\_\_\_\_ a \_\_\_\_\_ corporation, hereinafter referred to as "Buyer" and Equitrans, L.P., a Delaware corporation, hereinafter referred to as "Equitrans".

WHEREAS, Equitrans, pursuant to an inquiry by Buyer, has advised Buyer that Equitrans is willing to have Buyer deliver natural gas for injection into the gas storage fields of Equitrans for subsequent withdrawal and redelivery to Buyer, as provided herein; and

WHEREAS, [other applicable provisions];

NOW, THEREFORE, the parties hereto, in consideration of the mutual promises, undertakings and agreements hereinafter set out, have for themselves and their respective successors and assigns agreed and do hereby agree as follows:

ARTICLE I  
Gas To Be Injected

1. Injections of gas under this Agreement shall be permitted on a year round basis.
2. Buyer may deliver, and Equitrans agrees to inject into storage such quantities of natural gas which Buyer may nominate on any day in accordance with Section 8 of the General Terms and Conditions, up to a maximum of \_\_\_\_\_ Dth, Buyer's Maximum Daily Injection Quantity.
3. Buyer is required to inject into storage 97% of its Total Annual Storage Quantity, as defined in Article II, on or before October 31 of each year in accordance with Section 5 of Rate Schedule SS-3.
4. Injections of gas into storage will be reduced by the storage losses retention factor set forth on Sheet No. 11 of Equitrans, FERC Gas Tariff which is applied to the total quantity of gas provided for injection.

Issued by: Frank Markle, Vice President, General Counsel  
Issued on: 2/17/1999

Effective: 11/19/1998



**FORM OF STORAGE SERVICE AGREEMENT**  
**FOR RATE SCHEDULES SS-3 AND STS-1**

4. Equitrans' obligation to return gas to Buyer shall be suspended during periods of force majeure on the storage and transportation systems of Equitrans or any of Buyer's Designee(s) to the extent the force majeure directly affects Equitrans' or Buyer's Designee(s) ability to withdraw and/or transport said gas. Equitrans shall exercise its best efforts to cooperate with Buyer's attempts to arrange alternate transportation during the periods of force majeure.

**ARTICLE IV**  
**Deliveries Of Gas**

1. The natural gas to be injected and withdrawn hereunder shall be received and delivered by the parties hereto pursuant to arrangements between Buyer and Buyer's Designee(s) for which receipts and deliveries no costs or charges shall be levied against Equitrans.

2. The points of receipt and delivery for the gas to be delivered by \_\_\_\_\_ to Equitrans and returned by Equitrans for Buyer's account to \_\_\_\_\_ shall be at \_\_\_\_\_ (or such interconnections as shall be established in the future and mutually agreed upon by Equitrans, Buyer, and Buyer's Designee(s) for these purposes.

3. Except as provided in Article X hereto, as between Equitrans and Buyer, Buyer shall be deemed to be in control and possession of the gas and responsible therefor, and covenants that it will indemnify and hold Equitrans harmless of and from any damage or injury while in such possession until the gas shall have been delivered to Equitrans by Buyer's Designee(s), after which Equitrans shall be deemed to be in control and possession of such gas until its redelivery to Buyer's Designee(s) for Buyer's account and Equitrans shall be responsible therefor and covenants that it will indemnify and hold Buyer harmless of and from damage or injury while in such possession, provided, however, that neither party shall be absolved of responsibility for damage or injury caused solely by acts of negligence of such party, its agents or employees. Notwithstanding the foregoing, the parties understand and acknowledge that Buyer shall at all times have title to all gas under this Agreement.

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

ARTICLE V  
Quality and Measurement

1. The gas delivered hereunder by Buyer to Equitrans shall be dry and marketable. The gas delivered hereunder by Equitrans to Buyer or Buyer's Designee(s) shall meet the quality specifications of Buyer's Designee(s) and shall be responsible for transportation of the gas for Buyer's account.

2. The measurement base for all volumes referred to in this Agreement shall be \_\_\_\_\_.

3. Except as specified herein, the quality and measurement of the gas shall be in accordance with the General Terms and Conditions of Equitrans FERC Gas Tariff. Equitrans agrees to deliver to Buyer or offer for Buyer's account, pursuant to the terms hereof, a total quantity of gas that is thermally equivalent to the total quantity of gas that Buyer delivers or causes to be delivered to Equitrans for Buyer's account.

ARTICLE VI  
Rate

1. Beginning \_\_\_\_\_, Buyer agrees to pay Equitrans for each Dth of gas injected, stored, and withdrawn by Equitrans for Buyer in accordance with Equitrans FERC Rate Schedule \_\_\_\_\_. For purposes of calculating the applicable storage demand charge, the Customer's MDWQ will be deemed to be 110% of its MDWQ stated in Article III, (other applicable provisions). In addition Buyer agrees to pay Equitrans for Equitrans transportation of the gas delivered to it for injection into its storage facilities hereunder in accordance with Equitrans FERC Rate Schedule STS-1.

2. Buyer recognizes that Equitrans shall have the right from time to time throughout the term of this Agreement to file with any regulatory authority having jurisdiction for new and/or increased rates applicable to the service rendered hereunder, and when effective Buyer agrees to pay such new and/or increased rates; nothing contained herein shall be construed to prevent Buyer from taking such actions and exercising such rights as are available to Buyer under the Natural Gas Act or other applicable law during the term of this Agreement respecting Equitrans rates hereunder.

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

ARTICLE VII  
Billing

1. As soon as practicable after the last day of each month during the term of this Agreement, Equitrans will render to Buyer a statement at the rates provided in Paragraph VII above for services provided by Equitrans under this Agreement.

2. Buyer will make payment to Equitrans within ten (10) business days of receipt of the statement by wire transfer to Seller's account at Mellon Bank, N.A.

3. If presentation of bills by Equitrans is delayed until after the tenth (10th) day of the month, the time of payment shall be extended accordingly unless Buyer is responsible for such delay.

4. Should Buyer fail to pay part or all of the amount of any statement when such amount is due, Equitrans may charge interest on the unpaid portion of the statement at the rate of one and one-half percent (1-1/2%) per month, prorated daily, from the due date until the date of payment.

ARTICLE VIII  
Termination

Upon termination of this Agreement, should any quantities of Buyer's gas remain in storage with Equitrans, the parties hereto agree that such remaining quantities shall be returned to Buyer in daily amounts. Said amounts shall be subject to Equitrans' sole discretion and to Buyer's transporter's ability to redeliver said gas to Buyer, provided, however that unless prevented by reason of force majeure on Equitrans or Buyer's Designee's systems, all quantities of Buyer's gas remaining in storage upon termination of this Agreement shall be redelivered to Buyer within six (6) months of said termination.

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

ARTICLE IX  
Force Majeure

Neither party shall be liable in damages to the other for any act, omission or circumstance occasioned by or in consequence of any act of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, failure of gas supply for any reason, the binding order, regulations or laws of any court or governmental authority or body which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the causes herein enumerated or otherwise not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered a matter within the control of the party claiming suspension. Such causes or contingencies affecting performance shall not relieve Buyer from its obligations to make payments of amounts then due hereunder in respect of gas theretofore delivered.

ARTICLE X  
Warranties

Buyer warrants that it will, at the time of delivery to Equitrans, have good right to tender or cause to be tendered to Equitrans all gas so delivered free and clear of all liens, encumbrances, and claims whatsoever and agrees to indemnify Equitrans and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising out of adverse claims of any or all persons to said gas and/or to royalties, taxes, license fees, or charges thereon which are applicable to such gas and/or the delivery of such gas to Equitrans.

Equitrans represents that it has sufficient storage and transmission capacity to perform the firm storage and transportation service provided for hereunder, subject to the General Terms and Conditions of Equitrans' FERC Gas

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

Tariff. Equitrans warrants that the gas to be redelivered to Buyer shall at the time of redelivery be free and clear of all liens and encumbrances and claims whatsoever and agrees to indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising out of adverse claims of any or all persons to said gas and/or to royalties, taxes, license fees, or charges thereon which are applicable to such gas and/or the delivery of such gas to Buyer. Provided, however, this provision shall not apply to adverse claims of, or disputes among, the other purchasers of storage and transportation service under the tariff schedule applicable to Buyer.

ARTICLE XII  
Operational Flow Orders

Buyer hereby agrees that Transporter shall have the right to issue operational flow orders pursuant to Section 11 of the General Terms and Conditions which shall govern Buyer's rights under this service agreement. [Buyer hereby authorizes Transporter to act as Buyer's agent under operational flow orders applicable to this service agreement to deal directly with Buyer's suppliers, operators, or upstream transporters as is reasonably necessary to secure compliance with the operational flow order.] [Omitted at Customer's request.]

ARTICLE XIII  
Non-Waiver of Future Defaults

No waiver by either Equitrans or Buyer of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults whether of the same or of a different character.

ARTICLE XIV  
Modification

This Agreement embodies the entire agreement between the respective parties hereto and there are no other provisions, written, oral or implied or other representations, indemnifications, or understandings of any kind.

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

whatsoever. No modification of the terms and provisions of this Agreement shall be or become effective except by the execution of a written contract. The terms of this service agreement are subject to the terms of Rate Schedules SS-3 and STS-1 and to the General Terms and Conditions of Equitrans FERC Gas Tariff. In the event of any conflict between this agreement and Rate Schedule SS-3 or the General Terms and Conditions incorporated therein, the Rate Schedule or Terms and Conditions shall govern.

ARTICLE XIV  
Term

The term of this Agreement shall run from the date all necessary permits and authorizations have been secured from appropriate regulatory agencies and shall continue until \_\_\_\_\_ and shall be automatically renewed from year to year thereafter unless terminated pursuant to subparagraph 2 below.

2. Should either party subsequent to \_\_\_\_\_ wish to terminate the Agreement, it shall give written notice to the other party no later than twelve (12) months prior to the end of the then current storage year that it does not elect to renew this Agreement.

ARTICLE XV  
Assignment

Any company which shall succeed by purchase, merger or consolidation to the properties of either party hereto shall be entitled to the rights and shall be subject to the obligations of its predecessors in title under this Agreement. Either party hereto may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to a company with which it is affiliated, but otherwise no assignment of such Agreement or of any of either party's rights or obligations hereunder shall be made unless there first shall have been obtained a consent thereto of the other party.

ARTICLE XVI  
Governmental Regulation

This Agreement and all terms and provisions contained or incorporated herein and the respective obligations of the parties hereunder are subject to all present and future valid laws, orders, rules and regulations of duly constituted authority having jurisdiction.

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

ARTICLE XVII  
Descriptive Headings

The descriptive headings of the provisions of this Agreement are formulated and used for convenience and shall not be deemed to affect the meaning or construction of any of such provisions.

ARTICLE XVIII  
Written Notices

All invoices to Buyer shall be addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

All written notices to Buyer shall be addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

All written notices to Equitrans shall be addressed as follows:

Equitrans, L.P.  
100 Allegheny Center Mall  
Pittsburgh, Pennsylvania 15212-5331  
Attention: Rate Department

or such other address as either party shall designate by written notice to the other.

ARTICLE XIX  
Applicable Law

The provisions of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

FORM OF STORAGE SERVICE AGREEMENT  
FOR RATE SCHEDULES SS-3 AND STS-1

IN WITNESS WHEREOF, the parties hereto have executed this Agreement  
in two originals, as of the day and year first above written.

ATTEST:

Equitrans, L.P.

By \_\_\_\_\_

ATTEST:

[CUSTOMER]

By \_\_\_\_\_

**Philadelphia Gas Works**

Pennsylvania Public Utility Commission  
52 Pa. Code §53.61, et seq.

**Item 53.64(c)** Thirty days prior to the filing of a tariff reflecting an increase or decrease in natural gas costs, each Section 1307(f) gas utility seeking *recovery of purchased gas costs* under that section shall provide notice to the public, under § 53.68 (relating to notice requirements), and shall file the following supporting information with the Commission, with a copy to the Consumer Advocate, Small Business Advocate and to intervenors upon request:

- (4) An annotated listing of Federal Energy Regulatory Commission or other relevant non-Commission proceedings, including legal action necessary to relieve the utility from existing contract terms which are or may be adverse to the interest of its ratepayers, which affect the cost of the utility's gas supply, transportation or storage or which might have an impact on the utility's efforts to provide its customers with reasonable gas service at the lowest price possible. This list shall include docket numbers and shall summarize what has transpired in the cases, and the degree of participation, if any, which the utility has had in the cases. The initial list filed under this paragraph shall include cases for the past 3 years. Subsequent lists need only update prior lists and add new cases.

**Response:**

Please see PGW's FERC Book attached for a synopsis of all cases pending before the Federal Energy Regulatory Commission.

**P** HILADELPHIA

**G** AS

**W** ORKS

**FERC BOOK**

TABLE OF CONTENTS

<u>Docket Number</u>	<u>Pipeline</u>	<u>Proceeding</u>	<u>Page</u>
CP04-29	Transcontinental	City of Monroe Delivery Point	4
RP04-105	Dominion	Administration Changes	5
CP88-391 & RP93-162	Transcontinental	Annual Cash Out	6
CP04-19	Dominion	Oakford Well Abandonment	7
RP04-101	Transcontinental	Rate Schedule X-28 Costs	8
RP04-25	Texas Eastern	Annual Interruptible Revenue	9
RP88-67 & RP98-198	Texas Eastern	Phase II PCB's	11
RP03-623	Dominion	Transportation Cost Rate Adjustment	12
RP03-624	Dominion	Electric Power Cost Adjustment	13
RP03-567	Transcontinental	X-28 Storage Services	14
RP03-566	Transcontinental	LSS & GSS Refund Report	15
RP03-542	Texas Eastern	Electric Power Cost Adjustment	16
RP03-550	Dominion	Revised Gas Quality Standards	23
RP03-540	Transcontinental	Reference Spot Price Zone 6	24
RP03-541	Transcontinental	Great Plains Surcharge	26
RP03-513	Transcontinental	Cash Out Imbalance Waver	27
CP02-233 & RP97-346	Equitrans, LP	Proposed Stipulation and Agreement	28
RP03-438	Texas Eastern	Order 587-R Compliance	32
RP03-377	Dominion	Order 587-R Compliance	33
CP03-84	Transcontinental	Mobile County Facilities Replacement	35
RP03-274	Transcontinental	Rate Schedule FT Commodity Rates	36
RP03-273	Transcontinental	Gas Required for Operations	37
RP03-271	Transcontinental	Transmission Electric Power	39
CP03-46	Dominion	Oakford Storage Compressor Upgrade	41
CP03-41 & CP03-43	Dominion	Dominion, Texas Eastern Expansion Proj.	43
RP03-240	Transcontinental	Purchased Storage Service	45
CP03-25	Transcontinental	Compression Station 60	46
RP03-225	Texas Eastern	Electric Power Cost Adjustment	48
RP03-216	Transcontinental	Rate Schedule X-28 Costs	49
RP97-197 & RP97-71	Transcontinental	Annual Charge Adjustment	50
RM02-14	FERC	Regulation of Cash Management Practices	51
RP02-399	Transcontinental	Rate Schedule S-2	52
RP02-388	Dominion	New Tariff Format	53
RP02-372	Transcontinental	Convert Rate Schedule X-321 to Firm FT	54
CP02-381	Texas Eastern	M-1 Expansion Project	55
RP02-354	GRI	Five Year R&D Plan	56
CP02-204	Transcontinental	Trenton Woodbury Exp. Proj.	57
RP02-339	Transcontinental	Order 587-N Compliance	59
CP02-141	Transcontinental	South Texas Pipeline Sale	60
CP02-45	Texas Eastern	Hanging Rock Power Plant- Rate MLS-1	61

CP02-7	Transcontinental	Compression Station 30	62
CP02-17	Texas Eastern	Franklin Township Compressor Station	64
CP02-10	Transcontinental	Compressor Station 110	66
GT01-29	Texas Eastern	Operational Segment Capacity	70
CP01-433	Transcontinental	Compressor Station 35	71
CP01-389	Transcontinental	Leidy East Expansion Project	72
CP01-388	Transcontinental	Momentum Expansion Project	76
CP01-396	Equitrans, LP	Abandon Gathering System to EFS	79
CP01-368	Transcontinental	Transfer Gathering System to WGP	81
CP01-111	Texas Eastern	Hanover Compressor Station	83
RP01-245	Transcontinental	General Rate Case	87
RP01-236	Transcontinental	Cust. Services & Bus Practices 1LINE	98
RP01-171	Transcontinental	E-Commerce On Line 1LINE	100
RP01-182	Texas Eastern	E-Commerce On Line LINKr	104
RP00-553	Transcontinental	Order 587-G & L Compliance	107
CP01-8	Texas Eastern	Leasing Capacity From Algonquin	109
RP00-543	Texas Eastern	Hourly Flexibility Rate	112
RP00-535	Texas Eastern	Right of First Refusal	116
RP00-468	Texas Eastern	RM98-10 RM98-12 Compliance	117
CP98-540	Transcontinental	MarketLink Expansion Project	129
RP97-71	Transcontinental	General Rate Case	133
RP95-197	Transcontinental	General Rate Case	139

**Docket CP04-29**  
**Transcontinental Gas Pipe Line Corporation**  
**City of Monroe Delivery Point**

**DATE FILED:** December 8, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco), filed an application pursuant to Sections 157.205 and 157.211 of the Commission's Regulations under the Natural Gas Act (NGA), for authorization to construct and operate a new delivery point for the City of Monroe, a North Carolina Municipal Corporation (City of Monroe), under Transco's blanket certificate issued in Docket No. CP82-426-000.

Transco proposes to construct, own, and operate a delivery point in Iredell County, North Carolina, for a new gas transportation customer, City of Monroe. The proposed facilities are two 6-inch tap valve assemblies, a meter station with one 4-inch ultrasonic flow meter, two hundred feet of 6-inch inlet piping to the meter station, 4-inch bypass piping, 6-inch yard piping, 6-inch outlet piping from the meter station, pulsation dampener vessel, odorization system, electronic flow measurement, communications equipment, and other appurtenant facilities. Transco states that the City of Monroe will initially receive at the proposed delivery point up to 20,400 dekatherms per day of gas from Transco on a firm or interruptible basis at the new delivery point. The estimated total cost of Transco's proposed facilities is approximately \$878,500 and the City of Monroe will reimburse Transco for all costs associated with such facilities. Transco also states that the City of Monroe currently is served by Piedmont Natural Gas Company but due to a variety of business reasons, the City of Monroe wants to have gas delivered to its municipal distribution system directly by the Transco system in the future.

Transco further states that the City of Monroe will construct, own and operate any appurtenant facilities to enable it to receive gas from Transco at the proposed delivery point and move the gas to its distribution system. The City of Monroe's facilities will include approximately 38.5 miles of 10-inch pipeline extending from Transco's proposed delivery point to the City of Monroe's existing distribution facilities.

**ACTIVITIES:**

December 19, 2003 -PGW filed a motion for "Leave to Intervene" with the Commission.

**Docket RP04-105**  
**Dominion Transmission, Inc.**  
**Administration Changes**

**DATE FILED:** December 8, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion Transmission, Inc. (DTI) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, the following tariff sheets, with an effective date of January 7, 2004:

Third Revised Sheet No. 0  
Second Revised Sheet No. 212  
First Revised Sheet No. 212A  
Third Revised Sheet No. 1171  
Second Revised Sheet No. 2506

DTI states that the purpose of this filing is simply to revise the tariff for administrative purposes and to correct certain incorrect cross-references within the tariff. DTI states that the filing includes a series of minor tariff changes.

**ACTIVITIES:**

December 9, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

January 7, 2003 - The Commission accepts the referenced tariff sheets effective January 7, 2004.

**Docket CP88-391 & RP93-162**  
**Transcontinental Gas Pipe Line Corporation**  
**Annual Cash-Out Report**

**DATE FILED:** November 24, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco), filed its annual cash-out report for the period August 1, 2002 through July 31, 2003. Transco states that the report was filed to comply with the cash-out provisions in Section 15 of the General Terms and Conditions (GT&C) of Transco's FERC Gas Tariff.

**ACTIVITIES:**

December 19, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

January 9, 2003 -The Commission issued a letter accepting Transco's cash-out report. Transco will carry forward this net underrecovery balance to offset any net overrecovery that may occur in future annual cash-out periods.

**Docket CP04-19**  
**Dominion Transmission, Inc.**  
**Oakford Storage Complex Well Abandonment**

**DATE FILED:** November 24, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion Transmission, Inc. (Dominion) filed an application pursuant to Section 7(b) of the Natural Gas Act (NGA), for permission and approval to abandon five gas storage wells in the Oakford Storage Complex in Westmoreland County, Pennsylvania.

Dominion states that the five gas storage wells are geographically located in the Oakford Storage Complex, and were intended for potential use as gas storage wells after the reservoir gas had been sufficiently depleted. However, the wells have never been utilized to provide storage service by either the injection or withdrawal of gas in the storage field. Dominion explains that the wells are, in essence, production wells and their plugging and abandonment will not affect the operational capabilities or diminution of service of the Oakford Storage Complex.

**ACTIVITIES:**

December 19, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

December 23, 2003 – The Commission issued a letter requesting more information from Dominion to assist FERC in its decision process.

**Docket RP04-101**  
**Transcontinental Gas Pipe Line Corporation**  
**Rate Schedule X-28, Costs**

**DATE FILED:**

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

On December 3, 2003, Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing to its FERC Gas Tariff, Sheet No, 28, with an effective date of December 1, 2003.

Transco states that the purpose of the instant filing is to track rate changes attributable to storage service purchased from Texas Eastern Transmission Corporation (TETCO) under its Rate Schedule X-28, the costs of which are included in the rates and charges payable under Transco's Rate Schedule S-2.

Transco states that this filing is being made pursuant to tracking provisions under Section 26 of the General Terms and Conditions of Transco's Tariff.

**ACTIVITIES:**

December 15, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

December 17, 2003 - The Commission issued an acceptance letter stating that the referenced tariff sheet satisfactorily complies with Transco's tariff and is accepted effective December 1, 2003.

**Docket RP04-25**  
**Texas Eastern LP**  
**Annual Interruptible Revenue Reconciliation**

**DATE FILED:** October 17, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Texas Eastern Transmission, LP (Texas Eastern) tendered for filing as part of its FERC Gas Tariff, certain revised tariff sheets to the filing, to become effective December 1, 2003.

Texas Eastern states that it has submitted its Annual Interruptible Revenue Reconciliation Report reflecting a credit, for the benefit of customers, of approximately \$3.3 million to the ASA Deferred Account.

Texas Eastern further states that the revised tariff sheets and the Annual Interruptible Revenue Reconciliation Report contained in the filing are being filed Applicable Shrinkage Adjustment (ASA), and Section 15.8, Periodic Reports, of the General Terms and Conditions of Texas Eastern's FERC Gas Tariff.

**ACTIVITIES:**

October 27, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

October 29, 2003 - PGW, Consolidated Edison Company of New York, Inc and Orange and Rockland Utilities, Inc. filed a request for clarification with the Commission.

Stating that Texas Eastern has not demonstrated that its TIME calculations are just and reasonable. The Companies state by using a different methodology to calculate the system and TIME surcharges, system customers may subsidize the Time Project. Further, the Companies state that Texas Eastern should be required to clarify why this is a just and reasonable result and, if it cannot, it should be required to propose a new methodology for determining the TIME Project surcharge reflecting Texas Eastern's actual annual cash outlays.

November 28, 2003- The Commission based upon a review of the filing, finds that Texas Eastern's proposed rates may not be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will conditionally accept the tariff sheets for filing, subject to refund, and suspend their effectiveness for the period set forth below, subject to the conditions set forth in this order.

**Docket RP88-67 & RP98-198**  
**Texas Eastern Transmission, LP**  
**Phase II/PCBs**

**DATE FILED:** October 15, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Texas Eastern Transmission, LP (Texas Eastern) tendered for filing as part of its FERC Gas Tariff, certain the tariff sheets to become effective December 1, 2003. Texas Eastern asserts that the purpose of this filing is to comply with the Stipulation and Agreement filed by Texas Eastern on December 17, 1991 in Docket Nos. RP88-67, et al. (Phase II/PCBs) and approved by the Commission on March 18, 1992 (Settlement), and with Section 26 of Texas Eastern's FERC Gas Tariff.

**ACTIVITIES:**

October 24, 2003 -PGW filed a motion for "Leave to Intervene" with the Commission.

November 14, 2003 - The Commission issued an acceptance letter stating that the tariff sheets comply with the Stipulation and Agreement approved by the Commission in Docket No. RP88-67, (Phase II/PCBs) and Section 26 of the General Terms and Conditions of the tariff. The tariff sheets reflect a decrease in the PCB-related cost component of Texas Eastern's currently effective rates for the period December 1, 2003 to November 30, 2004 (Year 14).

**Docket RP03-623**  
**Dominion Transmission Inc. (DTI)**  
**Transportation Cost Rate Adjustment (TRCA)**

**DATE FILED:** September 29, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion Transmission Inc. (DTI) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, the following tariff sheets, with an effective date of November 1, 2003:

Eighteenth Revised Sheet No. 31  
Twenty-Second Revised Sheet No. 32  
Twelfth Revised Sheet No. 34  
Fifteenth Revised Sheet No. 35  
Eighth Revised Sheet No. 39

DTI states that the purpose of this filing is to update DTI's effective Transportation Cost Rate Adjustment through the mechanism described in Section 15 of the General Terms and Conditions of DTI's tariff.

**ACTIVITIES:**

October 10, 2003 -PGW filed a motion for "Leave to Intervene" with the Commission.

December 9, 2003 – The Commission accepted the referenced tariff sheets that update DTI's Transportation Cost Rate Adjustment and are accepted effective November 1, 2003.

**Docket RP03-624**  
**Dominion Transmission Inc. (DTI)**  
**Electric Power Cost Adjustment**

**DATE FILED:** September 29, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion Transmission Inc. (DTI) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, the following revised tariff sheets, with an effective date of November 1, 2003:

Seventeenth Revised Sheet No. 31  
Twenty First Revised Sheet No. 32  
Eleventh Revised Sheet No. 34  
Fourteenth Revised Sheet No. 35  
Seventh Revised Sheet No. 39

DTI states that the purpose of its filing is comply with the Electric Power Cost Adjustment provision of Section 17 of its the General Terms and Conditions of its FERC Gas Tariff.

**ACTIVITIES:**

October 10, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

October 31, 2003 – The Commission issued an order stating that the referenced tariff sheets, with the exception of Seventh Revised Sheet No. 39, are accepted effective November 1, 2003.

**Docket RP03-567**  
**Transcontinental Gas Pipe Line Corporation**  
**Rate Schedule X-28 Storage Services**

**DATE FILED:** August 14, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) filed, pursuant to Section 26 of the General Terms and Conditions of its FERC Gas Tariff, the referenced tariff sheet to track rate changes attributable to storage service purchased from Texas Eastern Transmission, LP (TETCO) under its Rate Schedule X-28. The costs of the storage service purchased from TETCO under Rate Schedule X-28 are included in the rates and charges payable under Transco's Rate Schedule S-2.

**ACTIVITIES:**

August 26, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

September 2, 2003 - The Commission stated that the referenced tariff sheet satisfactorily complies with Transco's tariff and is accepted effective August 1, 2003, subject to any further Commission action in TETCO's Docket No. RP03-542.

**Docket RP03-566**  
**Transcontinental Gas Pipe Line Corporation**  
**LSS and GSS Refund Report**

**DATE FILED:** August 12, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing a report reflecting the flow through of refunds received from Dominion Transmission, Inc.

Transco states that on July 15, 2003 in accordance with Section 4 of its Rate Schedule LSS and Section 3 of its Rate Schedule GSS, it refunded \$177,572.18 to its LSS and GSS customers, as a result of the refund of Dominion Transmission, Inc. in Docket No. RP03-515. Transco states that the refund covers the period from April 1, 2002 to March 31, 2003.

**ACTIVITIES:**

August 26, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

October 15, 2003- The Commission issued an order accepting the refund report.

**Docket RP03-542**  
**Texas Eastern**  
**Electric Power Cost (EPC)**

**DATE FILED:** July 1, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene, protest and conditionally requested a technical conference jointly with Consolidated Edison Company of New York Inc., Orange and Rockland Utilities Inc., to protect its interest in this case.

**BACKGROUND:**

Texas Eastern Transmission, LP (Texas Eastern) filed, pursuant to Section 15.1 of the General Terms and Conditions of its tariff, revised tariff sheets to implement its semi-annual adjustment of the Electric Power Cost (EPC) component of its rates. Texas Eastern proposes an effective date of August 1, 2003.

**I. Details of the Filing**

Texas Eastern asserts that the proposed EPC adjustments reflect changes in Texas Eastern's projected expenditures for electric power required to operate transmission compressors for the twelve months beginning August 1, 2003. It claims that the filing is based on Texas Eastern's actual EPC costs of approximately \$42.4 million for the twelve months ending April 30, 2003, which represents an increase of \$10.2 million, or approximately 32 percent, from the previous period ending October 31, 2002.

According to Texas Eastern, the proposed EPC increases are due to increases in (1) *throughput quantities*; (2) *demand costs*; and (3) *electric power rates*. Texas Eastern states that increased gas quantities for compressor stations during the last winter season resulted in increased purchases of electric power necessary for compression. Texas Eastern further states that peak utilization of electric power during a particular winter month established new, higher peak demand levels under its power contracts that resulted in increased demand costs in succeeding months. In addition, Texas Eastern states that the costs of purchasing electric power increased as a result of electric power rate increases under its various electric power purchase contracts.

Included in this filing for the first time are costs and billing determinants for Texas Eastern's Incremental Market Expansion Project (TIME Project). On June 28, 2002, the Commission issued a certificate authorizing the TIME Project to increase capacity by 100,000 dth/d, which included the installation of a new 10,000 HP electric driven compressor at the

existing Lambertville Compressor Station in Hunterdon County, New Jersey. The Commission approved the proposed reservation charge of \$12.16 dth/d as the incremental recourse rate under Rate Schedule FT-1, subject to adjustments for the full costs of fuel, electric and applicable surcharge accounts. The Commission required Texas Eastern to credit the full fuel, electric, and surcharge amounts to the appropriate fuel, electric, and surcharge accounts for the negotiated services it will provide using the TIME Project facilities to avoid cross-subsidy issues concerning existing customers. To the extent the electric costs and fuel shrinkage exceed the costs included in the incremental recourse rates for the TIME Project, the Commission found that Texas Eastern must recover these costs from the customers receiving service from the facilities or remain responsible for such costs. To track such charges and surcharges accurately, Texas Eastern was directed to make adjustments in its tracking mechanisms as necessary to ensure that existing customers do not subsidize the costs resulting from this new incremental service

Texas Eastern states that in order to comply with Commission orders authorizing the TIME Project and the Freehold Lateral Project on Texas Eastern's system, all costs of electric power compression for incremental services under the TIME Project and Freehold Lateral Project were allocated to the TIME and Freehold expansion shippers, respectively. The actual compression costs incurred at the new Franklin compressor station are directly assigned to the Freehold expansion project. The actual costs associated with both the new electric compressor unit at the Lambertville station and those pre-existing electric compressor stations along the TIME project's transportation path are divided between the TIME project and system services based on the actual throughput at the stations

#### **ACTIVITIES:**

July 14, 2003 - PGW filed a motion for "Leave to Intervene, Protest and conditionally Request a Technical Conference" with the Commission.

Schedule No. 2 of Texas Eastern's EPC Filing shows its proposed allocation of the EPC costs associated with each of its electric compressors. Those costs are allocated either to the Freehold project (a market lateral project), the TIME project, or to System Services.

Line 16 of Schedule No. 2 reflects Texas Eastern's proposed allocation of the electric costs associated with the Lambertville compressor constructed as part of the TIME project. Of the \$377,451 shown as the total Lambertville EPC costs, Texas Eastern proposes to allocate \$242,106 to the TIME project (column 10), and the remaining \$135,345 to system customers (column 13).

Texas Eastern's method for allocating Lambertville electric costs to system customers is described in the last four lines of Schedule No. 2A, page 3. "The cost of electric power utilized at the new Lambertville station is assigned between the TIME service and the system services each month based upon the actual load factor percentage of the TIME service for each month,

except that for any month in which the Lambertville station did not run at all, all costs are assigned to the TIME Project service.”

The basis for the Companies’ objection to any allocation of Lambertville electric costs to system customers may be stated simply. Prior to initiation of TIME Project service, the throughput of system customers did not require a Lambertville electric compressor. In fact, no such compressor existed. Accordingly, notwithstanding its acknowledgement of the fact that the Commission has required it to allocate “all costs of electric power compression required for the incremental services under the TIME project to the TIME project,” Texas Eastern is proposing to increase the costs of its system customers in order to provide the TIME service. This is a result prohibited by the Commission’s orders in the TIME certificate proceeding.

Texas Eastern’s approach, i.e., the allocation of costs based on the TIME load factor for the month, ignores the fact that just as system customers should not be required to subsidize the costs of the capital invested in the TIME project, e.g., the return on and return of investment, system customers also should not be required to subsidize the operating costs of those facilities. Here, Texas Eastern elected to construct certain facilities, including the Lambertville station, presumably because those facilities constituted the most efficient way of moving the incremental TIME volumes. Other, more capital-intensive groupings of facilities, e.g., more pipe and no compression, presumably could have been constructed with the same end result. Surely, the fact that Texas Eastern chose to build facilities with lower capital costs, but higher operating costs, i.e., the requirement that it compress not just TIME volumes, but system volumes as well at Lambertville, should not serve to justify the allocation of Lambertville electric costs to system services.

As may be seen by reference to Schedule No. 1, page 2, columns 6 and 7, lines 27 and 35, Texas Eastern is proposing higher EPC for M2-M3 service than for TIME service. This result must lead to one of two possible conclusions. Either (1) Texas Eastern’s proposal is contrary to the 1999 Certificate Policy Statement<sup>1</sup>, which would not permit incremental charges to be lower than the charges for comparable system services, or (2) the TIME EPC charges are lower than the M2-M3 EPC charges solely because the M2-M3 EPC charges are based on 12-months’ costs while the TIME EPC charges are based on only approximately 5-months’ costs.

If the TIME EPC charges are lower than the M2-M3 EPC charges solely because the TIME EPC charges are calculated on approximately 5-months’ costs, a fact that may not be known until Texas Eastern makes its next semi-annual EPC Filing, then, presumably, Texas Eastern will be accruing unreimbursed EPC costs associated with the TIME project for recovery through its surcharge mechanism in its next semi-annual EPC Filing. However, no mention is made of any of this in the July 1 filing and the Companies seek clarification that (1) TIME EPC costs should be rolled into system EPC costs if the TIME EPC charges would be lower than M2-M3 EPC charges, and (2) any EPC costs not recovered through the TIME EPC charges either will be collected from the TIME shippers or will be absorbed by Texas Eastern, but in no event should be paid by system shippers.

Should the Commission be unable to make these determinations based on the facts of record, the Companies request a technical conference to permit the development of an adequate record.

July 31, 2003 – The Commission conditionally, accepts and suspends the tariff sheets to be effective August 1, 2003, subject to refund and condition, as explained below. This order benefits customers as it will allow a thorough review of the costs and cost allocations underlying the proposed revised rates to be undertaken to ensure that the proposed revisions result in rates that are just and reasonable.

The Commission will require Texas Eastern to further explain and justify its proposed methods of determining electric power costs applicable to the TIME project. Texas Eastern must show how its methods ensure that system shippers are not subsidizing the costs of the TIME project. The parties will have 10 days thereafter to comment on its July 23, 2003 answer and on its response to our questions herein. We will defer action on the requests for clarification and to establish a technical conference pending our review of the additional information and the parties' comments submitted in response thereto.

Based upon a review of the filing, the Commission finds that Texas Eastern's proposed rates may not be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will conditionally accept tariff sheets for filing, subject to refund, and suspend their effectiveness for the period set forth below, subject to the conditions set forth in this order.

August 20, 2003 – Texas Eastern filed an explanation with additional information with the Commission.

September 2, 2003 – PGW, Consolidated Edison Company of New York, Inc and Orange and Rockland Utilities, Inc. filed Reply Comments stating:

The Companies' (PGW ConED.) Position

The Answer addresses the TIME subsidy issue commencing at page 6. Texas Eastern begins by noting that the Companies object to any allocation of Lambertville EPC to system customers. It then, inexplicably, asserts that the Companies are not objecting to Texas Eastern's proposed allocation methodology. Suffice it to say that by objecting to the allocation of Lambertville EPC to system customers, the Companies are, in fact, objecting to Texas Eastern's proposed allocation methodology.

The System Benefits Argument

Texas Eastern's first substantive argument is that the "benefits" received by system customers as a result of the TIME project justify an allocation of EPC to them. This system benefits argument – "Texas Eastern operates its system, including the TIME Project compressor, on an integrated basis" -- is premised on circular reasoning. Having built a new compressor to

expand its capacity in order to transport TIME gas along with system gas, which did not require the new compressor, Texas Eastern asserts that the system customers "benefit" from the fact that the TIME Project did not prevent Texas Eastern from complying with its contractual obligations to transport system gas. This is not a "benefit." It is a cost of the TIME Project that must be assigned to the TIME shipper.

Beyond its circularity, the benefit argument ignores reality in at least two other regards. First, if the new Lambertville compression actually provided a benefit to system shippers, the Commission would have assigned a portion of the cost of that compressor to the system. It did not because the only beneficiary of the new compressor is NJN. Pre-existing facilities were adequate for system service.

Second, if costs are to be allocated commensurate with benefits, the Commission must not ignore the fact that the TIME volumes move from Kentucky and Ohio to New York and New Jersey and that the TIME Project bears none of the costs of the pre-existing facilities used daily to transport TIME volumes. This enormous benefit to the TIME shipper more than offsets any benefit received by the system customers resulting from Texas Eastern's use of the new compressor "from time to time in lieu of existing older, less efficient gas units at Lambertville station."

Texas Eastern's August 20<sup>th</sup> submission provides more words in support of the supposed system benefit analysis, but these additional words add little to the discussion. In particular, Texas Eastern suggests that it is justified in assigning EPC to system shippers because it built a larger electric compressor at Lambertville than was required for the TIME service. The Companies have no quarrel with Texas Eastern's decision to install a 10,000 HP compressor for virtually the same cost as a 5,000 HP compressor. These are matters between Texas Eastern and NJN, which is paying for the new compressor through its TIME rates.

But the fact that Texas Eastern installed a new compressor, even one with the potential for enhancing the operations of its system, has nothing to do with the allocation of EPC. To the extent that such "enhancements" to system operations exist, they are matters that should have been discussed, and in fact were discussed, by Texas Eastern in its application for the TIME Project. Texas Eastern's raising that issue here is nothing more or less than a collateral attack on the Commission's decision to impose incremental rates on the TIME Project. If Texas Eastern wishes to raise these matters in its next general rate case, it is free to do so.

#### Texas Eastern's Allocation Methodology

Texas Eastern's description of its proposed allocation of Lambertville EPC, when read in light of the data presented at Schedule No. 2A, page 2, of its July 1, 2003 EPC filing, demonstrates that it is proposing to allocate TIME costs to system customers.

Texas Eastern states that whenever the Lambertville compressor "served only as standby facilities," it allocated the EPC costs to the TIME Project. This is reflected in Schedule No. 2A. As there shown, 100% of the Lambertville EPC costs for the months of November, December, and April are assigned to the TIME Project. The Companies agree with this allocation.

Texas Eastern then states: "when the TIME Project compressor provided compression to the gas stream, the electric power costs of the compressor were [attributed] to the entire gas

stream.”<sup>2</sup> Again, this is reflected in Schedule No. 2A which shows an EPC allocation to system services in January, February, and March. The Companies object to this allocation.

During its peak winter months, when gas flows are highest, Texas Eastern uses the Lambertville compressor in order to move its entire gas stream. But this use of the Lambertville compressor is not creating a benefit for which system shippers should be allocated EPC. To the contrary, the need for additional compression to move system gas during peak months was created by the TIME Project, without that new compression, the TIME volumes could not flow. Having created the need for the compression, the TIME Project must be allocated the cost of that compression.

#### The Administrative Convenience Argument

Texas Eastern’s final argument in support of its EPC allocation methodology is that it is “relatively straightforward” and that a requirement that it allocate all Lambertville compression costs to the TIME Project “would disrupt these integrated operations.” Neither of these assertions has merit. In fact, analysis of the data presented in Schedule No. 2A, page 2 establishes that Texas Eastern’s approach is anything but straightforward.

By way of example, in December, 2002, the TIME quantities were 1,225,348 and the EPC allocation was \$25,698. In March, 2003, the TIME quantities were 1,078,364 and the EPC allocation was \$12,673. This is a 51% reduction in EPC allocation at the same time as TIME volumes were reduced by only 12%.

The “justification” for this odd result is that system volumes also flowed through Lambertville in December. But, Texas Eastern never even attempts to explain why this fact, required by the creation of the TIME Project, justifies such a dramatic reduction in the dollar allocation to the TIME Project.

Similar anomalies are found in a comparison of February and March results. In February, the TIME volumes were 1,164,877. In March, they were 1,078,364, only 7% less. However, Texas Eastern allocated \$36,142 to TIME in February and only \$12,673 (35%) in March. Again, Texas Eastern provides no justification for such a dramatic reduction in the allocation to the TIME Project.

In brief, Texas Eastern’s proposal to allocate total Lambertville EPC on the basis of the TIME load factor in the months in which system gas also flows through Lambertville gives rise to totally unjustified results. Moreover, Texas Eastern’s allocation methodology is fundamentally inconsistent with Texas Eastern’s purported rationale for an allocation of EPC costs to system customers.

At page 2 of its August 20<sup>th</sup> filing, Texas Eastern states “As a result, to the extent the TIME Project electric compressor is running and the TIME Project service does not flow at 100 percent load factor, electric power costs are allocated both to the TIME Project shipper and to system shippers – based on the load factor for the TIME Project shipper.”

Assume then that the TIME Project operates at a 100% load factor during a month in which the Lambertville Station also compresses system gas. Under Texas Eastern’s approach,

the TIME project would be assigned 100% of the cost and the supposed system benefit would be uncompensated.

Alternatively, assume that the same amount of system gas is compressed by the Lambertville Station in each of two consecutive months, *e.g.*, 10,000,000 Dth, and that the TIME Project operates at a 33.3% load factor during the first month and a 66.6% load factor during the second month. The “benefit” received by the system customers would be the same. But, under Texas Eastern’s approach, the EPC allocation to the system customers would differ because of an irrelevancy, the TIME load factor.

Texas Eastern’s blanket assertion in its Answer that an allocation of 100% of Lambertville EPC to TIME – which would be consistent with *East Tennessee* -- would “disrupt” its “integrated operations,” is entirely unexplained. Such an allocation would have no impact on Texas Eastern’s operations. To the contrary, the Lambertville facility would be used as it was intended, to permit the entire gas stream to flow. And, the costs would be properly allocated given that system gas requires the Lambertville Station solely because of the creation of the TIME Project.

#### CONCLUSION

Texas Eastern’s proposal to allocate Lambertville EPC to system shippers is premised on a long-term marketing strategy, not a reasonable cost allocation. That proposal, while ostensibly justified by a “benefits” argument, has no place in this tracker filing.

**Docket RP03-550**  
**Dominion Transmission, Inc.**  
**Revise Gas Quality Specifications**

**DATE FILED:** July 18, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion Transmission, Inc. (Dominion) filed the referenced tariff sheet to revise one element of its gas quality specifications applicable to all receipts of natural gas by Dominion by increasing the maximum acceptable level of nitrogen from 3 percent to 4 percent. The referenced tariff sheet is accepted effective August 17, 2003, as proposed. In summary, Dominion states that the tariff revision is being made: (1) due to the impending reactivation of LNG facilities operated by Dominion Cove Point LNG, L.P. (Cove Point), which has a gas quality specification allowing for a 4 percent nitrogen content; (2) as a result of a re-examination of its system with a finding that increasing the allowed nitrogen content to 4 percent will not result in any operational or safety problems and will not adversely affect its customers; (3) to ensure consistent quality specifications among interconnected pipelines so that the flow of gas across the interstate pipeline grid will not be inhibited; and (4) to ensure that the deliveries of gas from Cove Point will conform to Dominion's quality specifications.

**ACTIVITIES:**

July 25, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

August 12, 2003 -The Commission issued an order stating that Dominion's tariff proposal is satisfactorily supported and consistent with gas quality specifications of other pipelines in the same region. Accordingly, the tariff sheet is accepted effective August 17, 2003.

**Docket RP03-540**  
**Transcontinental Gas Pipe Line Corporation**  
**Reference Spot Price Zone 6**

**DATE FILED:** July 1, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco), tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, Fifth Revised Sheet No. 360, to be effective June 1, 2003.

Transco states that the tariff sheet is to provide an alternative method to determine the Reference Spot Price for the cash-out of imbalances in its Zone 6 transportation area. Transco proposes to use an alternate pricing point, (the Dominion South Point price index), to price imbalance cashouts for any week in which there is no reported price for its current Zone 6 pricing point (the Dominion North Point price index). Transco also proposes to use this Dominion South pricing point index to cashout imbalances for June 2003, because no Dominion North prices were published for that period. As discussed below, the Commission grants the necessary waivers and accepts and suspends Transco's proposed tariff sheet to be effective, June 1, 2003, subject to further proceedings as discussed in the body of this order. The conditional acceptance of this tariff modification is in the public interest because it provides a reasonable alternative, when necessary, to use in determining cash out reference spot prices on Transco's system. Transco states that under its tariff, following the imbalance trading process, transportation shippers with remaining imbalances at the end of the trading period are cashed out by zone. Specifically, Section 37.1(a)(i) of Transco's General Terms and Conditions (GT&C) provides for, among other things, a Reference Spot Price for Zone 6 based on the Dominion North Point Price reported in Natural Gas Week's Spot Prices. The Reference Spot Price is then calculated based on each week of the month of gas flow and also includes prices from the first week of the following month.

**ACTIVITIES:**

July 15, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

July 31, 2003- The Commission issued an order stating that based upon a review of the filing, the Commission finds that the proposed tariff sheet has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission accepts the tariff sheet for filing and suspends its effectiveness for the period set forth below, subject to the conditions set forth in this order. The Commission will exercise its discretion to suspend the rates for a shorter period and permit the rates to take effect on June 1, 2003, subject to the conditions set forth in the body of this order.

The Commission will not require Transco to make any refunds with respect to its use of the index price proposed in the instant NGA section 4 filing. Any changes the Commission requires will be prospective only. However, the ultimate burden remains on Transco to show that use of its proposed index is just and reasonable.

**Docket RP03-541**  
**Transcontinental Gas Pipe Line Corporation**  
**Great Plains Volumetric Surcharge (GPS)**

**DATE FILED:** July 1, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing as part of its FERC Gas Tariff, tariff sheets with an effective date of August 1, 2003.

Transco states that the instant filing is submitted pursuant to Section 39 of the General Terms and Conditions of Transco's FERC Gas Tariff which provides that Transco will file to adjust its Great Plains Volumetric Surcharge (GPS) 30 days prior to each GPS Annual Period beginning August 1. Transco states that the GPS Surcharge is designed to recover 1) the cost of gas purchased from Great Plains Gasification Associates (or its successor) which exceeds the Spot Index (as defined in Section 39 of the General Terms) and 2) the related cost of transporting such gas.

Transco further states that the revised GPS Surcharge included therein consists of two components - the Current GPS Surcharge calculated for the period August 1, 2003 through July 31, 2004 plus the Great Plains Deferred Account Surcharge (Deferred Surcharge). Transco states that the determination of the Deferred Surcharge is based on the balance in the current GPS subaccount plus accumulated interest at April 30, 2003.

Transco states the calculation of the revised GPS Surcharge of \$0.0069 per dt is reflected on the tariff sheets.

**ACTIVITIES:**

June 15, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

July 31, 2003- The Commission accepted the tariff sheets to be effective August 1, 2003.

**Docket RP03-513**  
**Transcontinental Gas Pipe Line Corporation**  
**Cash Out Imbalance Waiver**

**DATE FILED:** June 2, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing a request for expedited approval of a limited waiver of certain imbalance cash out provisions of Transco's FERC Gas Tariff.

Transco states that this requested waiver would apply to the imbalances incurred by shippers during April and May 2003 following the implementation of Transco's new business system and associated new business practices.

**ACTIVITIES:**

June 13, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

June 30, 2003- Commission issued an order stating that it finds that Transco has provided good cause for a limited waiver of these provisions. Permitting this waiver will benefit all shippers on Transco's system that incurred imbalances as a result of the implementation of Transco's new Line computer system.

**Docket CP02-233 & RP97-346-018**  
**Equitrans L.P.**  
**Proposed Stipulation & Agreement**

**DATE FILED:** May 20, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed Initial Comments to protect its interest in this case.

**BACKGROUND:**

Equitrans and CIPCO filed a joint application in Docket No. CP02-223-000 pursuant to Sections 7(b) and 7(c) of the Natural Gas Act for authorization permitting Equitrans to acquire and operate by merger CIPCO's gas pipeline services and facilities, and for authorization permitting CIPCO to abandon such services and facilities. Equitrans and CIPCO did not propose a change in rates for Equitrans and CIPCO customers. Instead, they proposed that such customers would continue to pay their existing rates until such time as Equitrans files a new general rate case pursuant to the Natural Gas Act ("NGA").

The proceedings in Docket Nos. RP97-346-018, *et al.*, involved a general rate increase application filed by Equitrans. Pursuant to a settlement approved in that case, Equitrans is to file a general rate adjustment by August 1, 2003.

**SETTLEMENT TERMS:**

The Settlement filed on March 25, 2003 provides that no party will object to prompt Commission approval of the Settlement. All parties, however, retain their right to oppose rolled-in cost treatment of the CIPCO facilities in any future rate proceeding filed by Equitrans pursuant to Section 4 of the NGA. Stip. at Article II.

Second, the Stipulation provides that, within thirty days of the date of Commission approval of the Settlement and the application in Docket No. CP02-233-000 becomes final and not subject to rehearing, Equitrans and its affiliate Equitable Field Services, LLC ("EFS") will file with the Commission an application for a determination of the non-jurisdictional gathering status of all gathering facilities identified on CIPCO's books and certain CIPCO facilities currently listed as transmission but which serve a gathering function. Stip. at Article III. That application will request abandonment of those facilities and the service they render by transfer of the facilities and service to EFS. The Stipulation further provides that, subject to Commission determination of the non-jurisdictional gathering status of those facilities and the service they render, no party to these proceedings will oppose or protest such application or seek rehearing or reconsideration of a Commission order approving such application without any material modification.

Third, the Settlement provides for an extension of the rate moratorium established in Docket Nos. RP97-346-018. Stip. at Article IV. Specifically, Equitrans waives its right to file a general rate case so that the existing rates for Equitrans and CIPCO services will remain in effect through March 31, 2005, and continue in effect until such time as Equitrans seeks general rate relief pursuant to Section 4 of the NGA. Additionally, the Settlement provides that if Equitrans in a future general Section 4 rate proceeding files to roll-in for ratemaking purposes the costs of any CIPCO assets or the costs of any CIPCO liabilities, Equitrans will have the burden of demonstrating that the proposed roll-in will have no increased rate or fuel impact on individual Equitrans customers. The Stipulation does not preclude any party from taking any position on such issue in a future Equitrans general Section 4 rate proceeding.

Fourth, the Settlement addresses the issue of Post Retirement Benefits Other Than Pensions ("PBOP"). Stip. at Article V. The Stipulation provides that Equitrans can continue to record the difference between the actual PBOP and the PBOP funding allowance provided in the settlement in Docket Nos. RP97-346-018, until Equitrans' next rate case or until Equitrans makes a filing as follows: Equitrans agrees to file, and the parties to these proceedings agree not to object to Equitrans' right to file, a prospective single issue rate filing under Section 4 of the NGA, the sole purpose of which will be to recover such costs by a surcharge. The filing will be made only in the event Equitrans does not file a general rate case under Section 4 of the NGA at the end of the extended moratorium period set forth in Article IV of the Settlement. Any such filing will provide the amount to be amortized and will recommend a methodology for collecting the surcharge. Such surcharge will be in effect only until the amount to be amortized has been recovered or until Equitrans files a general rate increase where any remaining PBOP cost will be recovered through the rates there approved. The parties reserve their rights to challenge the cost accounting methodology of the claimed PBOP costs, the cost allocation and the amount of such costs.

Finally, the Stipulation provides that, upon issuance of a final Commission order approving it without modification, the settlement approved by Commission order issued April 29, 1999 in Docket Nos. RP97-346-018, will terminate and be of no further force or effect. Stip. at Article VI.

#### **ACTIVITIES:**

April 10, 2003- PGW filed a motion for "Initial Comments" with the Commission.

PGW's Initial Comments stated that PGW does not oppose the merger of Equitrans and Carnegie and does not oppose the extension of the moratorium on Equitrans' rates to March 31, 2003. However, PGW does oppose Article V of the proposed Stipulation and Agreement, which would authorize Equitrans to make a single issue rate filing for claimed Post Retirement Benefits Other Than Pension (PBOP).

April 24, 2003, Equitrans and Carnegie filed Reply Comments.

May 16, 2003- PGW filed Answers to Equitrans and Carnegie Reply Comments to correct Equitrans misstatements of PGW's position, relevant Commission precedent, and the 1999 Joint Stipulation and Agreement.

1. Equitrans, *et al.* assert that the proposed Stipulation and Agreement "expressly provides PGW the rights it seeks" (Reply Comments, page 5). This is incorrect. The right that PGW asserts is protection against a stand-alone rate filing for a single cost item (Post Retirement Benefits Other Than Pensions ("PBOPs")). The proposed Stipulation and Agreement does not protect PGW against such a filing. The opposite is the case -- the Stipulation and Agreement creates a right for Equitrans that would not otherwise exist absent a showing of exceptional circumstances (the general language in the original policy statement cited by Equitrans, *et al.* at page 7 was modified by the more specific language in the clarification order that PGW quoted in its Initial Comments at page 2).
2. Equitrans, *et al.* assert that Equitrans has the right to the proposed PBOP treatment under the 1999 Joint Stipulation and Agreement (Reply Comments, page 6). This, too, is incorrect. Section F of Section 2 of Article I of the 1999 Joint Stipulation and Agreement gave Equitrans a right to defer certain PBOP costs until the next general rate case which under Section 7 of Article IX is required to be filed by August 1, 2003. Equitrans has no right to defer PBOP costs beyond the stipulated deadline for its next general rate case, and PGW is not agreeable to changing the 1999 Joint Stipulation and Agreement in that regard.

May 23, 2003, Carnegie and Equitrans filed a reply to Philadelphia Gas' answer, arguing that the answer should be rejected as untimely and impermissible, and as an attempt by Philadelphia Gas to further argue its position on the settlement.

July 1, 2003- The Commission's issued an order stating procedural rules relating to settlements does not provide for answers to reply comments. However, the general rule regarding answers, Rule 213, prohibits answers to answers. Reply comments are, in effect, answers. Thus, both Philadelphia Gas's answer and Carnegie's and Equitrans' reply to that answer are impermissible under the Commission's rules. Nevertheless, because these pleadings provide information that clarifies the issues and aids us in our decision-making, the Commission will accept the pleadings. The substance of the comments and reply comments relating to the proposed settlement, as well as the answers, will be discussed to the extent necessary below.

The Commission orders:

(A) Equitrans is issued a certificate of public convenience and necessity pursuant to NGA Section 7(c) to acquire Carnegie's facilities, as described herein and in the application.

(B) Carnegie is granted authority pursuant to NGA Section 7(b) to abandon its services and facilities by sale to Equitrans, as described herein and in the application.

(C) Equitrans' certificate authorization granted by Ordering Paragraph (A) is conditioned upon Equitrans' compliance with the Natural Gas Act and all relevant provisions of the Commission's regulations, particularly Part 154 and paragraphs (a), (c), (e) and (f) of Section 157.20 of the Commission's regulations.

(D) Equitrans' acquisition of Carnegie's facilities shall be completed within 12 months from the date of this order in accordance with Section 157.20(b) of the Commission's regulation.

(E) Carnegie shall notify the Commission within 10 days of its abandonment and facilities and services as authorized by Ordering Paragraph (B) and file tariff sheets canceling its FERC Gas Tariff consistent with the requirements of Part 154 of the Commission's regulations.

(F) Equitrans' proposal for initial Part 284 rates for service over Carnegie's facilities after the merger is approved and Equitrans shall make a Section 4 filing to place into effect its pro forma rate schedules and conforming tariff changes and provisions to reflect its merger with Carnegie, as described herein and in the application, not more than 60 days and not less than 30 days before it begins operation of Carnegie's facilities.

(G) The applicants' offer of settlement filed on March 25, 2003 is rejected.

(H) Equitrans shall follow the requirements of Gas Plant Instruction No. 5 and the text of Account 102, Gas Plant Purchased or Sold, of the Uniform System of Accounts.

(I) PECO Energy's late motion to intervene is granted.

(J) The protests by PSEG Energy and PECO Energy are denied.

**Docket RP03-438  
Texas Eastern  
Order 587-R Compliance**

**DATE FILED:**

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

On March 12, 2003, the Commission issued Order No. 587-R, which among other things, amended 18 CFR 284.12 of its regulations to incorporate by reference the most recent version of the standards promulgated by the Wholesale Gas Quadrant of the North American Energy Standards Board (NAESB), i.e., NAESB Standards Version 1.6, and the Wholesale Gas Quadrant's standards governing partial day recalls (Recommendations R02002 and R02002-2), adopted October 31, 2002.

In Order No. 587-R, the Commission required pipelines to file revised tariff sheets to reflect the changed standards by May 1, 2003, with an effective date of July 1, 2003. The Commission directed the pipelines incorporating the Version 1.6 standards into their tariffs to include the standard number and Version 1.6. Pipelines incorporating by reference the partial day recall standards must refer to the standard number (e.g., 3.3.z2)

**ACTIVITIES:**

May 12, 2003-PGW filed a motion for "Leave to Intervene" with the Commission.

August 12, 2003- The Commission issued an order accepting the tariff sheets.

**Docket RP03-377**  
**Dominion Transmission, Inc.**  
**Order 587-R Compliance**

**DATE FILED:** May 1, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion Transmission, Inc. filed revised tariff sheets to comply with Order No. 587-R, Docket No. RM96-1-024 issued by the Commission on March 12, 2003. These revised tariff sheets are to be effective July 1, 2003.

On March 12, 2003, the Commission issued Order No. 587-R, which among other things, amended its regulations to incorporate by reference the most recent version of the standards promulgated by the Wholesale Gas Quadrant of the North American Energy Standards Board (NAESB), i.e., NAESB Standards Version 1.6, and the Wholesale Gas Quadrant's standards governing partial day recalls, adopted October 31, 2002.

**ACTIVITIES:**

May 16, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

June 20, 2003- The Commission ordered that:

1. On May 1, 2003, Dominion Transmission, Inc. (DTI) filed tariff sheets to comply with Order No. 587-R. The tariff sheets implement Version 1.6 of the Standards promulgated by the North American Energy Standards Board's Wholesale Gas Quadrant (WGQ) and the WGQ's Standards governing partial day recalls (Recommendations R02002 and R02002-2). DTI's tariff sheets generally comply with Order No. 587-R and are accepted effective July 1, 2003, conditioned upon DTI filing substitute tariff sheets within 10 days of the date of this order, as explained below.

2. DTI included by reference WGQ Standards 1.4.4, 5.3.41, 42, 46-53, 56 and 58, and 5.4.1, 3, 4, 7 and 9, all referring to Version 1.6. However, Order No. 587-R required WGQ Standards 5.3.7, 41, 42, and 46-53, to refer to Recommendation R02002, WGQ Standards 5.3.56

and 58, to refer to Recommendation R02002-2, and WGQ Standards 1.4.4, 5.4.1, 3, 4, 7 and 9 to refer to both Version 1.6 and Recommendation R02002. DTI is required to file substitute tariff sheets that reference the correct WGQ Standards.

3. Further, DTI incorporated by reference WGQ Standards 4.3.4 and 5.3.6. Order No. 587-R does not permit pipelines to adopt either of these standards. Therefore, DTI must remove references to these standards from its tariff. In addition, DTI included WGQ Standards 1.3.2(i) through (iv) and 5.3.2 both verbatim in its tariff and by reference. The Commission does not allow pipelines to include WGQ Standards both verbatim and by reference. As the Commission also requires that these two standards be included in the tariff verbatim, DTI must remove the duplicative references from Sheet No. 1173.

**Docket CP03-84**  
**Transcontinental Gas Pipe Line Corporation**  
**Mobile County, Alabama Facilities Replacement**

**DATE FILED:** April 2, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco), an application, for a certificate of public convenience and necessity authorizing Transco's replacement of certain pipeline facilities in Mobile County, Alabama.

Transco states that due to recent increases in the population density along its Mobile Bay Lateral, it must upgrade approximately 1.45 miles of pipeline in Mobile County, Alabama, in order to ensure compliance with USDOT regulations and maintain certificated service and the safety and reliability of the Mobile Bay Lateral.

Transco requests an order granting the authorization requested by July 10, 2003. Transco states that this date is requested to enable commencement of the replacement activities on or about August 4, 2003, in order to restore service by September 15, 2003. Transco estimates the replacement costs to be \$4.0 million.

**ACTIVITIES:**

April 25, 2003 -PGW filed a motion for "Leave to Intervene" with the Commission.

June 11, 2003- The Commission issued an order that grants, subject to certain conditions, the authority requested on April 2, 2003, by Transcontinental Gas Pipe Line Corporation (Transco) in docket CP03-84.

**Docket RP03-274**  
**Transcontinental Gas Pipe Line Corp**  
**Rate Schedule FT Commodity Rates**

**DATE FILED:** February 28, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing certain revised tariff sheets to its FERC Gas Tariff. The tariff sheets are proposed to be effective April 1, 2003.

Transco states that the purpose of the instant filing is to modify the Rate Schedule FT commodity rates applicable to shippers under Transco's SunBelt Expansion project in order to reflect all of the receipt and delivery point combinations that are available to such shippers. Transco requests that the tariff sheets included with the filing be made effective April 1, 2003, the same date Transco expects to implement its new 1Line<sup>sm</sup> business system.

**ACTIVITIES:**

March 11, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

March 21, 2003- The Commission issued an order stating that on February 28, 2003, Transcontinental Gas Pipe Line Corporation (Transco) filed as part of its FERC Gas Tariff, Third Revised Volume No. 1 (Tariff), certain proposed revised tariff sheets to update certain receipt and delivery point combinations. On March 7, 2003, Transco filed in Docket No. RP03-274-001, an amendment to its February 28, 2003 filing to include proposed electric power rates. The reference tariff sheets are accepted, effective April 1, 2003.

**Docket RP03-273**  
**Transcontinental Gas Pipe Line Corp.**  
**Gas Required for Operations (GRO)**

**DATE FILED:** February 28, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing with the Federal Energy Regulatory Commission (Commission) certain revised tariff sheets to its FERC Gas Tariff.

The instant filing is submitted pursuant to Section 38 of the General Terms and Conditions of Transco's FERC Gas Tariff which provides that Transco will file, to be effective each April 1, a redetermination of its fuel retention percentages applicable to transportation and storage rate schedules. The derivation of the revised fuel retention percentages included therein are based on Transco's estimate of gas required for operations (GRO) for the forthcoming annual period April 2003 through March 2004 plus the balance accumulated in the Deferred GRO Account at January 31, 2003.

**ACTIVITIES:**

March 11, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

March 7, 2003- Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, Substitute Seventeenth Revised Sheet No. 44, with an effective date of April 1, 2003.

Transco states that the filing is being submitted to supplement Transco's Fuel Tracker filing of February 28, 2003, which inadvertently reflected an incorrect calculation of the Commodity Fuel Dt-Miles and The Commodity Volume Traversing Zones included in the calculation of the system transportation fuel retention percentages by zone. The result of the revised calculation of the system transportation fuel retention percentages is an increase in Zone 4A from 0.42% to 0.43% and Zone 5 from 1.19% to 1.20%.

March 25, 2003- The tariff sheets identified in the Appendix filed by Transco on February 28 and March 7 in Docket Nos. RP03-273-000 and RP03-273-001, respectively, are accepted effective April 1, 2003, as proposed. Seventeenth Revised Sheet No. 44 to FERC Gas Tariff, Third Revised Volume No. 1 filed by Transco on February 28 in Docket No. RP03-273-000 is rejected as moot.

**Docket RP03-271**  
**Transcontinental Gas Pipe Line Corp**  
**Transmission Electric Power (TEP)**

**DATE FILED:** February 28, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing certain revised tariff sheets to be effective April 1, 2003.

Transco states that the instant filing is submitted pursuant to Section 41 of the General Terms and Conditions of Transco's FERC Gas Tariff which provides that Transco will file to reflect net changes in the Transmission Electric Power (TEP) rates at least 30 days prior to each TEP Annual Period beginning April 1. The TEP rates are designed to recover the cost of electricity used in Transco's electrically powered compressors and gas coolers located at certain of its compressor stations identified in its filing.

In the February 28 filing, Transco proposes to revise its TEP rates based on its estimate of the electric costs required for the system's electric compressor stations and gas coolers located at compressor stations for the forthcoming annual period of April 1, 2003, through March 31, 2004, plus the balance accumulated in the TEP Deferred Account including accumulated interest as of January 31, 2003.

In the March 7 filing, Transco submitted revised tariff sheets to supplement its Electric Power Tracker filing of February 28, which Transco states inadvertently reflected an incorrect calculation of the MDt-Miles and the Traversing Volumetric Determinants included in the allocation and rate design of the TEP Rates by zone. Further, Transco states that it removed \$2,076 from its Estimated TEP costs included in the February 28 filing related to projected Station 535 TEP costs. Transco states that these estimated costs are storage-related and thus should not have been included in the estimated TEP costs included in the February 28 filing.

**ACTIVITIES:**

March 11, 2003 - PGW filed a motion for "Leave to Intervene" with the Commission.

March 25, 2003- The Commission ordered that the tariff sheets identified in Appendix I filed by Transco on February 28, March 7, and March 13, 2003, in Docket Nos. RP03-271-000, RP03-271-001, and RP03-271-002, respectively, are accepted effective April 1, 2003, as proposed.

The tariff sheets filed by Transco on February 28 in Docket No. RP03-271-000 and identified in Appendix II are rejected as being moot.

**Docket CP03-46**  
**Dominion Transmission and Texas Eastern**  
**Oakford Storage Complex Compressor Upgrade**

**DATE FILED:** January 30, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion, and Texas Eastern, filed an application pursuant to the Natural Gas Act, and Part 157 of the regulations of the Federal Energy Regulatory Commission, for authorization to uprate the horsepower on three electric engines at the Oakford Compressor Station and two electric engines at the South Oakford Compressor Station all located within Westmoreland County, Pennsylvania.

DTI and Texas Eastern state that these proposed uprates will provide greater operating flexibility and will potentially improve the performance of the Oakford Storage Complex. DTI and Texas Eastern state that as joint owners of the Oakford Storage Complex they are requesting authorization to operate the two existing 5,000 HP Engines #3 and #4 located at the South Oakford Station to an ISO-rated HP of 5,750 each and to operate the three existing 4,000 HP Engines #13, #14 and #15 located at the Oakford Station to an ISO-rated HP of 4,600 each. According to DTI and Texas Eastern, this operation at the higher HP rating is intended to improve the efficiency of the Oakford Storage Complex by allowing them to use the existing certificated level of capacity more efficiently and to maintain design pressures more effectively. In addition, DTI and Texas Eastern state that these operational improvements will facilitate more reliable and more flexible storage and transportation service to DTI and Texas Eastern's existing customers, at no additional cost. DTI and Texas Eastern add that they propose to modify the software controls so that each of the engines may be operated at the design rating described above; that this operation will not require any installation, construction or facility reconfiguration beyond the modifications of the software controls; and, that there will be no air emission issues since these compressor units are powered by electric motors.

**ACTIVITIES:**

February 14, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

September 16, 2003- The Commission ordered that the proposal to boost compressor output is consistent with the public interest because it will provide greater operating flexibility and enhance performance at the applicants' Oakford Storage Complex.

The authorization issued in Ordering Paragraph (A) is conditioned on the following:

- (1) Dominion and Texas Eastern completing and making available for service the proposed increase in horsepower within one year of issuance of this final order, pursuant to paragraph (b) of Section 157.20 of the Commission's regulations;
- (2) Dominion and Texas Eastern complying with all applicable Commission regulations under the NGA, including, but not limited to, Parts 154 and 284, and paragraphs (a), (c), (e), and (f) of Section 157.20 of the Commission's regulations; and
- (3) Dominion and Texas Eastern complying with the specific environmental conditions listed in the appendix this order.

## **Docket CP03-41 and CP03-43 Dominion Transmission and Texas Eastern**

**DATE FILED:** January 24, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

### **BACKGROUND:**

Dominion, Docket No. CP03-41-000 and Texas Eastern Docket No. CP03-43-000 were filed with the Federal Energy Regulatory Commission abbreviated applications for certificate of public convenience and necessity pursuant to the Natural Gas Act and the Commission's Rules and Regulations. Dominion requests authorization to lease, construct, own, operate, and maintain certain facilities in Pennsylvania, Virginia, and West Virginia; and to provide certain firm transportation and storage services. Texas Eastern requests authorization to construct, own, operate and maintain proposed facilities that will increase the firm transportation capacity on Texas Eastern's system by 223,000 dekatherms per day, and lease this incremental capacity to Dominion.

The estimated cost of Dominion's proposed project is approximately \$78 million of which \$68 million is transportation costs and \$10 million is storage costs. Dominion will pay Texas Eastern a monthly Lease Payment of \$1,085,341 for the leased capacity. Dominion proposes incrementally priced transportation services at rates that are designed to recover the costs of both Dominion's incremental transmission facilities and the capacity that is to be leased from Texas Eastern. In addition to an incremental transportation rate, Dominion proposes to charge four of the five expansion shippers a reservation-based compression charge to recover the cost of the new Quantico compressor station. Dominion states that, since WGL will not use the Quantico station, it will not be required to pay the compression charge.

Dominion proposes to roll in the proposed storage service costs in its next general Section 4 rate case, stating that the incremental cost-based storage rates would be less than the existing storage rates.

Texas Eastern proposes to lease to Dominion 223,000 Dth per day of firm capacity as described above. To provide the capacity, Texas Eastern requests authorization to replace, in four segments, a total of approximately 36.64 miles of its existing 24-inch diameter pipeline (Line No. 1), which is currently abandoned in place, with four new 36-inch diameter pipeline loop segments. Texas Eastern proposes to remove the existing pipe and install the 36-inch diameter pipe in the same right-of-way. In addition, Texas Eastern proposes to replace the existing aerodynamic assembly on the 11,000 hp electric drive compressor unit at its Uniontown (Station 21-A) Compressor station in Uniontown, Pennsylvania, to accommodate the increased throughput. The estimated cost of the proposed project is \$82.8 million. Texas Eastern states that this cost

will be fully reimbursed by Dominion under the Lease Agreement with no subsidization by Texas Eastern's existing customers.

**ACTIVITIES:**

February 14, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

September 11, 2003- The Commission issued this order:

The Commission orders:

(A) A certificate of public convenience and necessity is issued to Dominion authorizing it to construct, own and operate the proposed facilities and lease capacity on Texas Eastern's system as described and conditioned herein, and as more fully described in its application.

(B) A certificate of public convenience and necessity is issued to Texas Eastern authorizing it to construct, own and operate the proposed facilities and to lease capacity to Dominion as described and conditioned herein, and as more fully described in its application.

(C) The certificates issued in this proceeding are conditioned on specific requirements issued in the order dated September 11, 2003.

**Docket RP03-240**  
**Transcontinental Gas Pipe Line Corp**  
**Texas Eastern Rate Schedule X-28**

**DATE FILED:** January 24, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, Eighth Revised Twenty-First Revised Sheet No. 28, to be effective February 1, 2003.

Transco states that the purpose of the instant filing is to track rate changes attributable to storage service purchased from Texas Eastern Transmission Corporation (TETCO) under its Rate Schedule X-28, the costs of which are included in the rates and charges payable under Transco's Rate Schedule S-2. Transco states that this filing is being made pursuant to tracking provisions under Section 26 of the General Terms and Conditions of Transco's Third revised Volume No. 1 Tariff.

Transco states that included in the filing is the explanation of the rate changes and details regarding the computation of the revised S-2 rates.

**ACTIVITIES:**

January 31, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

February 14, 2003- The Commission ordered that the referenced tariff sheet is accepted effective February 1, 2003, as proposed.

**Docket CP03-25**  
**Transcontinental Gas Pipe Line Corp**  
**Clean Air Act Amendments of 1990 Compression Station 60**

**DATE FILED:** December 13, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene with comments to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco), filed an application in Docket No. CP03-25-000 pursuant to Section 7(c) of the Natural Gas Act (NGA) and Part 157(A) of the Federal Energy Regulatory Commission's Regulations (Commission), for a certificate of public convenience and necessity authorizing Transco's construction and operation of certain facilities at Compressor Station No. 60 (Station 60) in East Feliciana Parish, Louisiana to comply with the Clean Air Act Amendments of 1990.

Transco states that the Clean Air Act Amendments of 1990 and state implementation plans require certain reductions of NO<sub>x</sub> (oxides of nitrogen) air emissions at certain of Transco's compressor stations. Accordingly, during the past few years and over the next few years Transco has installed and plans to install certain facilities at these stations to achieve the required reductions of NO<sub>x</sub>. Transco states that it plans to install these facilities pursuant to its blanket facilities certificate (18 CFR 157.208) issued in Docket No. CP82-426 when it is authorized to do so (either under automatic or prior notice authorization, depending on the estimated dollar amount). However, at the stations where the estimated total cost of installing these facilities is more than \$21 million, Transco states that it is not authorized to perform such work pursuant to its blanket facilities certificate and, therefore, is required to file an application for a certificate of public convenience and necessity.

Transco estimates that the proposed modifications will cost \$32.2 million. Transco submits that the public convenience and necessity requires the issuance of the authorization requested herein because this project will (1) reduce NO<sub>x</sub> emissions at Station 60, and (2) enable Transco to comply with the Clean Air Act Amendments of 1990 and the requirements of the DEQ implementing regulations issued pursuant thereto.

**ACTIVITIES:**

January 10, 2003-- PGW filed a motion for "Leave to Intervene with Comments" with the Commission.

**FRA Comments:**

While FRA does not oppose the installation of equipment necessary to comply with the State of Louisiana's plan to implement the Clean Air Act Amendments of 1990, it is unclear to us whether the increased capacity referenced in the filing is simply an outgrowth of the equipment upgrades or whether the upgrades could have been completed for a lower cost, had the rating of the facilities remained unchanged. Despite Transco's claim that there is no need for the additional horsepower associated with the upgrade, coupled with Transco's assertion that the automation software will limit the facilities output, we remain concerned about the significant level of the project costs. We are encouraging the Federal Energy Regulatory Commission to fully review the need for the proposed modifications to the facilities of Station 60.

March 18, 2003- Responded to PGW in a final order:

Approval of Transco's proposal is necessary to reduce NOx emissions at Station 60 to permit Transco's continuation of existing services in compliance with the Clean Air Act Amendments of 1990 and Louisiana's state implementation plan. While Philadelphia has questioned whether the necessary reduction in NOx emissions could be achieved at less expense, Philadelphia Gas has put forward no specific suggestions how the proposal might be modified and still achieve project objectives. The fact that Transco's proposed modifications at Station No. 60 would increase its total potential horsepower does not, by itself, form a basis for concluding that less expensive modifications could produce a similar reduction in NOx emissions.

**Commission Order:**

(A) A certificate of public convenience and necessity is issued authorizing Transco to modify 10 existing reciprocating compressor units at Station 60, as described in this order and in the application.

(B) Transco shall complete the authorized construction within two years of this order.

(C) Transco must comply with Part 157 of the regulations, especially paragraphs (a), (c)(1), (c)(2), (c)(3), (e), and (f) of section 157.20 and the environmental conditions in the appendix to this order.

(D) Transco shall comply with the noise level conditions set forth herein. Transco shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other Federal, state, or local agencies on the same day that such agency notifies Transco. Transco shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

**Docket RP03-225**  
**Texas Eastern Electric Power Cost**  
**(EPC) Adjustment**

**DATE FILED:** December 31, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Texas Eastern Transmission, LP (Texas Eastern) tendered for filing as part of its FERC Gas Tariff, revised tariff sheets listed on Appendix A to the filing to become effective February 1, 2003.

Texas Eastern states that these revised tariff sheets are filed pursuant Electric Power Cost (EPC) Adjustment, of the General Terms and Conditions the FERC Gas Tariff. Texas Eastern states that the tariff provides that Texas Eastern shall file to be effective each February 1 revised rates for each applicable zone and rate schedule based upon the projected annual electric power costs required for the operation of transmission compressor stations with electric motor prime movers and to also reflect the EPC Surcharge which is designed to clear the balance in the Deferred EPC Account.

Texas Eastern states that the rate changes proposed to the primary firm capacity reservation charges, usage rates and 100% load factor average costs for full Access Area Boundary service from the Access Area Zone, East Louisiana, to the three market area zones are as follows:

Zone	Reservation	Usage	100% LF
Market 1	\$(0.001)/dth	\$(0.0013)/dth	\$(0.0013)/dth
Market 2	\$(0.001)/dth	\$(0.0043)/dth	\$(0.0043)/dth
Market 3	\$(0.002)/dth	\$(0.0063)/dth	\$(0.0064)/dth

**ACTIVITIES:**

January 10, 2003– PGW filed a motion for "Leave to Intervene" with the Commission.

January 17, 2003- The Commission ordered that the tariff sheets listed in the Enclosure are accepted for filing effective February 1, 2003, as proposed

**Docket RP03-216**  
**Transcontinental Gas Pipe Line Corp**  
**Rate Schedule X-28**

**DATE FILED:** December 23, 2003

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing as part of its FERC Gas Tariff, to be effective December 1, 2002.

Transco states that the purpose of the instant filing is to track rate changes attributable to storage service purchased from Texas Eastern Transmission Corporation (TETCO) under its Rate Schedule X-28, the costs of which are included in the rates and charges payable under Transco's Rate Schedule S-2. Transco states that this filing is being made pursuant to tracking provisions under the General Terms and Conditions of Transco's Tariff.

**ACTIVITIES:**

January 3, 2003- PGW filed a motion for "Leave to Intervene" with the Commission.

January 16, 2003- The Commission ordered that the referenced tariff sheet satisfactorily complies with Transco's tariff and is accepted effective December 1, 2002, as proposed.

**RP95-197-043 and RP97-71-035**  
**Transcontinental Pipe Line Corporation**  
**Annual Charge Adjustment (ACA) Charge**

**DATE FILED:** September 6, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) submitted in Docket No. RP02-520-000 its Annual Charge Adjustment (ACA) filing with the Commission in order to reflect an increase in the ACA rate from \$0.0021 to \$0.0022 to be effective October 1, 2002. Subsequently, Transco determined that its filing was in error because the Commission had not authorized a change in the currently effective ACA rate of \$0.0021. In order to correct its error, Transco submitted a letter on September 5, 2002 in the Docket No. RP02-520 proceeding in which it proposed to withdraw its August 30, 2002 ACA filing.

Also, on September 6, 2002 Transco submitted a filing in Docket Nos. RP95-197, RP97-71 and RP01-245 in which it proposed to revise its settlement rates in Docket No. RP01-245-000 to implement the roll-in of the costs of Transco's Leidy Line and Southern expansion projects as authorized by various Commission's orders in Transco's Docket Nos. RP95-197 and RP97-71 proceeding, and to comply with the Commission's finding in that proceeding that Transco must unbundled the cost of its Emergency Eminence Storage Withdrawal Service (Roll-In Filing).

Since the Roll-In Filing incorporated the proposed changes to the ACA rate as described above, many of the tariff sheets submitted in that filing reflected an incorrect ACA rate of \$0.0022. Therefore, in order to reflect the correct ACA rate of \$0.0021 on the affected tariff sheets included in the Roll-In Filing, Transco is submitting substitute tariff sheets, as appropriate.

**ACTIVITIES:**

September 18, 2002 – PGW filed a motion for "Leave to Intervene" with the Commission.

**RM02-14**  
**Federal Energy Regulatory Commission**  
**Regulation of Cash Management Practices**

**DATE FILED:** August 1, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

The Federal Energy Regulatory Commission proposed to establish limits on the amount of funds that can be swept from a regulated subsidiary to a non-regulated parent under so-called "cash management" programs, as well as certain other requirements.

**ACTIVITIES:**

August 16, 2002 - PGW filed a motion with the Commission for "Leave to Intervene".

**RP02-399**  
**Transcontinental Pipe Line Corporation**  
**Rate Schedule S-2**

**DATE FILED:** July 30, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing to become part of its FERC Gas Tariff, Third Revised Volume No. 1, Sixth Revised Twenty-First Revised Sheet No. 28, with a proposed effective date of August 1, 2002.

Transco states that the purpose of the instant filing is to track rate changes attributable to storage service purchased from Texas Eastern Transmission Corporation (TETCO) under its Rate Schedule X-28, the costs of which are included in the rates and charges payable under Transco's Rate Schedule S-2. This filing is being made pursuant to tracking provisions under Section 26 of the General Terms and Conditions of Transco's Third revised Volume No. 1 Tariff.

Transco's revised tariff sheet reflects the following changes for Rate Schedule S-2: (1) a decrease in the Demand Charge from \$4.7830 to \$4.7550 per Dth; (2) a decrease in the Demand Charge Adjustment from 38.01 cents to 37.79 cents per Dth; and (3) a decrease in the Withdrawal Charge from 5.92 cents to 5.88 cents per Dth. The filing tracks revisions to TETCO's rates under Rate Schedule X-28, accepted effective August 1, 2002, in Docket No. RP02-375-000.

**ACTIVITIES:**

August 12, 2002 - PGW filed a motion with the Commission for "Leave to Intervene".

August 26, 2002 – The Commission accepted the referenced tariff sheet to be effective August 1, 2002, as proposed.

**RP02-388**  
**DOMINION TRANSMISSION, INC.**

**DATE FILED:** July 11, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Dominion Transmission Inc. (DTI) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, the following revised tariff sheets to be effective August 10, 2002:

- Twelfth Revised Sheet No. 31
- Fifteenth Revised Sheet No. 32
- Ninth Revised Sheet No. 33
- Tenth Revised Sheet No. 35
- Third Revised Sheet No. 1113
- Second Revised Sheet No. 1114
- Second Revised Sheet No. 1125.

DTI states that the proposed revised sheets will enable customers to more easily determine the rates applicable to DTI's pipeline services. The filing makes cosmetic changes to DTI's gas pipeline tariff and corresponding changes to verbiage in DTI's General Terms and Conditions of Service - no substantive change to DTI's rates or services is made.

**ACTIVITIES:**

July 23, 2002 - PGW filed a motion with the Commission for "Leave to Intervene".

August 6, 2002 - Dominion's revised tariff sheets are accepted effective August 10, 2002, as proposed. This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of the referenced filing or of any rate, charge, classification, or any rule, regulation, or practice affecting such rate or service contained in your tariff; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

This order constitutes final agency action.

**RP02-372**  
**Transcontinental Gas Pipe Line Corp.**  
**Convert Rate Schedule X-321 To Firm FT**

**DATE FILED:** June 28, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation (Transco) tendered for filing certain revised tariff sheets to its FERC Gas Tariff, Third Revised Volume No. 1 and Original Volume No. 2, which tariff sheets are enumerated in Appendix A attached to the filing. The proposed effective date of such tariff sheets is August 1, 2002.

Transco states that the purpose of the instant filing is to terminate Section 7(c) firm transportation service under Rate Schedule X-321 and to convert such services to service provided under Rate Schedule FT pursuant to Transco's blanket transportation certificate and Part 284 of the Commission's regulations effective August 1, 2002.

The rates applicable to the converted service are the generally applicable charges under Rate Schedule FT (including fuel), plus reservation and commodity rate surcharges as set forth on First Revised Sheet No. 40N to Transco's Third Revised Volume No. 1 Tariff. First Revised Sheet No. 40N sets forth the charges applicable to TEMCO-Leidy firm transportation service which has been converted from individually certificated Section 7(c) firm transportation service to annual firm transportation service under Transco's blanket certificate and Part 284 of the Commission's regulations.

**ACTIVITIES:**

July 9, 2002- PGW filed a motion with the Commission for "Leave to Intervene".

July 19, 2002 - The Commission has approve the proposed conversion and accepted the revised tariff sheets effective August 1, 2002.

**CP02-381**  
**Texas Eastern LP**  
**M-I Expansion Project**

**DATE FILED:** June 5, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Texas Eastern Transmission, LP (Texas Eastern) submitted for filing an application pursuant to Section 7(c) of the Natural Gas Act (NGA), as amended, and Part 157 of the regulations of the Federal Energy Regulatory Commission (Commission), for a certificate of public convenience and necessity and related authorizations. *Texas Eastern states that it requests authorization to construct, install, own, operate and maintain certain natural gas transportation facilities (the M-I Expansion Project) to ultimately provide up to 197,147 dekatherms per day (Dth/d) of firm transportation service. Additionally, Texas Eastern states that it is seeking authorization to establish initial Section 7(c) recourse rates for annual and seasonal services using the proposed incremental facilities.*

To provide an additional 197,147 Dth/d of firm transportation service, Texas Eastern is requesting authorization to (i) construct, install, own, operate and maintain three new 36-inch diameter pipeline loops totaling approximately 31.95 miles; and (ii) perform uprates at four existing compressor stations in Tennessee, Alabama, and Mississippi to increase system horsepower (HP) by a total of 28,000 HP. To meet the specific requirements of Carolina Power & Light Company, Choctaw Gas Generation, LLC, and the City of Cartersville (the M-I Expansion Shippers), Texas Eastern states that it has planned the construction of the M-I Expansion Project facilities to provide for a phasing-in of the shippers' volumes between November 2003 and November 2004.

Texas Eastern also states that firm transportation service through the M-I Expansion Project facilities will be rendered to the M-I Expansion Shippers pursuant to Texas Eastern's Rate \_ Docket No. CP02-381-000 -2- Schedule FT-1. The M-I Expansion Shippers will pay incremental FT-1 rates to compensate Texas Eastern for the costs of the M-I Expansion Project facilities, which are estimated to be approximately \$66.125 million.

**ACTIVITIES:**

July 5, 2002- PGW filed a motion with the Commission for "Leave to Intervene".

**RP02-354**  
**Gas Research Institute**  
**Five-Year RD&D Plan**

**DATE FILED:** June 3, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

The Gas Research Institute (GRI) filed an application requesting advance approval of its 2003-2007 Five-Year Research, Development and Demonstration (RD&D) Plan, and the 2003 RD&D Program and the funding of its RD&D activities for 2003, pursuant to Section 154.401 of the Commission's Regulations under the Natural Gas Act, the Commission's Rules of Practice and Procedure, and the Commission's April 29, 1998 Order Approving Settlement.

In its application, GRI states that all aspects of its proposed 2003 Program are consistent with the current Settlement. GRI states that proposed budgets are identical to those approved as part of the Settlement. GRI proposes to incur contract obligations of \$60.0 million in 2003. Consistent with the Commission's April 29, 1998 Order Approving Settlement, GRI states that all \$60.0 million of the 2003 contract obligations will be for Core Projects. GRI's application seeks to collect funds to support its RD&D program through jurisdictional rates and charges during the twelve months ending December 31, 2003.

Consistent with the Commission's April 29, 1998 Order Approving Settlement, GRI proposes to fund the 2003 RD&D program by the use of the following surcharges: (1) a demand/reservation surcharge of 5.0 cents per Dth per Month for high load factor customers ; (2) a demand/reservation surcharge of 3.1 cents per Dth per Month for low load factor customers ; (3) a volumetric commodity/usage surcharge of 0.4 cents; and (4) a special small customer surcharge of 0.6 cents per Dth. All of the proposed 2003 surcharges represent decreases from corresponding current levels.

**ACTIVITIES:**

June 19, 2002- PGW filed a motion with the Commission for "Leave to Intervene".

**CP02-204**  
**Transcontinental Gas Pipe Line Corp.**  
**Trenton Woodbury Expansion Project**

**DATE FILED:** May 6, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corp. (Transco) filed an application pursuant to Section 7(c) of the Natural Gas Act (NGA) for certificates of public convenience and necessity.

Transco states that the requested certificates of public convenience and necessity are for: (1) authorizing Transco to construct and operate pipeline looping facilities on its existing Trenton Woodbury Line which will enable Transco to add, under existing firm transportation service agreements, certain points of delivery located on the Trenton Woodbury Line for two existing firm transportation customers (Trenton Woodbury Expansion); (2) approving an initial reservation rate surcharge for the costs associated with the Trenton Woodbury Expansion, and (3) authorizing Transco to construct and operate a new delivery lateral (including a meter station) from a point of interconnection with the Trenton Woodbury Line to a power generation plant being constructed on behalf of Fairless Energy in Bucks County, Pennsylvania (Fairless Delivery Lateral).

Transco states that the Trenton Woodbury Expansion will involve the construction and operation of new pipeline looping facilities on Transco's existing Trenton Woodbury Line thus enabling Transco to provide delivery flexibility for two shippers, PECO Energy Company (PECO) and Virginia Power Energy Marketing, Inc. (VAPEM), under existing Rate Schedule FT contracts to delivery points located on the Trenton Woodbury Line. Transco states that the Fairless Delivery Lateral will involve the construction and operation of a new delivery lateral (including a new meter station and appurtenant facilities) from Transco's Trenton Woodbury Line to a new power plant being constructed on behalf of Fairless Energy in Bucks County, Pennsylvania.

Transco states that in order to recover the costs of the Trenton Woodbury Expansion facilities, Transco requests approval of an initial reservation rate surcharge applicable to the transportation contract quantities under existing Rate Schedule FT Service Agreements with PECO and VAPEM. According to Transco, the costs to construct the Fairless Delivery Lateral will be funded entirely by the developers of the Fairless Energy power plant through advance reimbursement to Transco. The proposed in-service dates of the Trenton Woodbury Expansion and Fairless Delivery Lateral are November 1, 2003 and August 1, 2003, respectively.

Transco states that the Trenton Woodbury Expansion will include approximately 7.17 miles of 36-inch diameter pipeline loop and appurtenant facilities from milepost 8.23 to milepost 15.40 on Transco's existing Trenton Woodbury Line in Mercer and Burlington Counties, New Jersey. Transco estimates that the proposed Trenton Woodbury Expansion facilities will cost approximately \$19.6 million and will place these facilities into service on November 1, 2003.

Transco states that the Fairless Delivery Lateral will include approximately 2.48 miles of 24-inch diameter pipeline from a tap located near milepost 17.46 on Transco's Trenton Woodbury Line in Burlington County, New Jersey, to a point of interconnection with the Fairless Energy power generation plant in Bucks County, Pennsylvania, including a meter station and appurtenant facilities. Transco estimates that the proposed Fairless Delivery Lateral will cost approximately \$13 million and will place these facilities into service on August 1, 2003.

Transco states that it conducted an open season for the Trenton Woodbury Expansion in February 2001 and, as a result, Transco executed precedent agreements with PECO and VAPEM for the incremental firm transportation capacity to be created on Transco's Trenton Woodbury Line under the expansion.

**ACTIVITIES:**

May 24, 2002- PGW filed a motion with the Commission for "Leave to Intervene".

**RP02-339**  
**Transcontinental Gas Pipe Line Corp.**  
**Order No. 587-N Compliance Filing**

**DATE FILED:** May 1, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corp. (Transco) filed a motion for extension of time to comply with Order No. 587-N, until the date Transco implements its new business system, 1Line. Transco states that the basis for the extension of time is related to its ongoing efforts to develop its new business system, 1Line and, in the interim, to avoid the allocation of substantial resources necessary to modify its existing system to comply with the Commission's directives. Transco requests an extension of time to comply with the first phase of the intraday recall requirement in Order No. 587-N until the implementation of 1Line on April 1, 2003. Transco contends that it is unable to modify its existing business systems to comply with the Commission's intraday recall provisions by July 1, 2002. Transco further asserts that it cannot manually comply with Order No. 587-N. Since Transco is in the process of developing a new business system 1Line, it requests an extension of time to comply with the first phase of Order No. 587-N until its new business system is implemented. Transco asserts that it anticipates 1Line will be implemented by April 1, 2003.

**ACTIVITIES:**

May 24, 2002 - PGW filed a motion with the Commission for "Leave to Intervene".

August 8, 2002 - The Commission accepted effective July 1, 2002 the tariff sheet filed by Transcontinental Gas Pipe Line Corporation on July 12, 2002, as satisfactorily compiling with the Commission's order issued on June 28, 2002. The tariff sheet implements the first phase of partial day recalls in compliance with Order No. 587- N.

**CP02-141**  
**Transcontinental Gas Pipe Line Corp.**  
**Abandonment by Sale of South Texas Pipeline Facilities**

**DATE FILED:** April 4, 2002

**ISSUES:** Philadelphia Gas Works ("PGW") has filed for leave to intervene to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corp. (Transco) filed an application for an order permitting and approving the abandonment by sale of certain pipeline facilities known as the South Texas Pipeline Facilities located in onshore Texas in Bee, Brooks, DeWitt, Duval, Goliad, Hidalgo, Jackson, Jim Hogg, Jim Wells, Kleberg, LaSalle, Live Oak, McMullen, Nueces, Refugio, San Patricio, Starr, Victoria, Wharton, Willacy, and Zapata Counties. Transco states that it proposes to abandon by sale to Enbridge Pipelines (Texas Intrastate) Inc. (Enbridge), an intrastate pipeline entity not affiliated with Transco, a 100 percent interest in the south Texas Pipeline Facilities. Transco requests that the commission determine that, upon sale of the South Texas Pipeline Facilities to Enbridge, neither the facilities nor the services provided by Enbridge utilizing the facilities will be subject to the Commission's Natural Gas Act jurisdiction. Transco states that it has agreed to sell its 100 percent interest in the South Texas Pipeline Facilities to Enbridge for \$32.8 million. Transco states that Enbridge has represented that, after acquisition, it will use the South Texas Pipeline Facilities only for intrastate transportation.

**ACTIVITIES:**

May 2, 2002 - PGW filed with the Commission a motion for "Leave to Intervene".

**CP02-45-000**  
**TEXAS EASTERN TRANSMISSION, LP**  
**Hanging Rock, LLC power plant, new Rate Schedule MLS-1**

**DATE FILED:** December 17, 2001

**ISSUES:** Philadelphia Gas Works ("PGW") moves for leave to intervene to protect its interest in this case.

**BACKGROUND:**

On December 17, 2001, the Commission issued a Notice of Application ("Notice") in the above-captioned proceeding. The Notice indicates that on December 7, 2001, Texas Eastern filed an application "pursuant to Sections 7(b) and 7(c) of the Natural Gas Act for approval for it (i) to construct, own, operate, and maintain a 150-foot 20-inch diameter pipeline interconnect with Tennessee Gas Pipeline Company and 9.6 miles of 24-inch diameter lateral pipeline, three meter stations and three regulators and appurtenant facilities in Scioto County, Ohio and Lawrence County, Ohio; (ii) to implement a new lateral line only transportation service (Rate Schedule MLS-1) which is also proposed in Docket No. CP02-17-000; and (iii) to establish an incremental maximum recourse rate of \$1.112 for service of 250,000 Dth/d to a proposed Duke Energy Hanging Rock, LLC (Hanging Rock) power plant in Lawrence County, Ohio under the new Rate Schedule MLS-1. The lateral has a design capacity of 288,920 Dth/d, as more fully described in the Notice. Motions to intervene are due on or before January 7, 2002.

**ACTIVITIES:**

January 4, 2002- PGW filed with the Commission a motion for "Leave to Intervene".

**CP02-7-000**  
**TRANSCONTINENTAL GAS PIPE LINE CORP.**  
**Modify all (7) reciprocating engines at Compressor Station No. 30**

**DATE FILED:** October 15, 2001

**ISSUES:** Philadelphia Gas Works ("PGW") moves for leave to intervene and provides the enclosed comment to protect its interest in this case.

**BACKGROUND:**

On October 15, 2001, Transcontinental Gas Pipe Line Corporation ("Transco"), pursuant to Sections 157.205 and 157.208 of the Federal Energy Regulatory Commission's Regulations under the Natural Gas Act ("NGA"), as amended, and blanket certificate authority granted in Docket No. CP82-462-000, filed in Docket No. CP02-7-000, a request for authorization to modify all (7) of its existing reciprocating engines at Compressor Station No. 30, in Wharton County, Texas, to comply with the State of Texas' plan to implement the Clean Air Act Amendments of 1990, all as more fully set forth in the request, which is on file with the Commission and open to public inspection. Transco states that it plans to install turbochargers and associated equipment on all 7 of the reciprocating engines in order to reduce NOx emissions. Transco states that following installation of the turbochargers, the 7 engines will have the potential to perform above their current operating horsepower. Transco states that since Station 30 is automated, Transco has the ability to shut down certain engines or reduce their load to ensure that the station will not operate above the station's total certificated horsepower. Transco states that since it is installing these turbochargers solely to achieve an environmental improvement, it has no intent or need to operate the station above its certificated horsepower, and therefore, when it installs the turbochargers at Station 30, Transco will adjust the automation program at the station so it will not operate above its certificated horsepower. Transco states that the proposed modifications are estimated to cost \$11.9 million.

**ACTIVITIES:**

December 6, 2001- PGW filed with the Commission a motion for "Leave to Intervene and Comment".

**COMMENT**

While PGW does not oppose the installation of equipment necessary to comply with the State of Texas' plan to implement the Clean Air Act Amendments of 1990, it is unclear to PGW whether the increased capacity referenced in the filing is simply an outgrowth of the equipment upgrades, or whether the upgrades could have been completed for a lower cost, had the rating of the facilities remained unchanged. Despite Transco's claim that

there is no need for the additional horsepower associated with the upgrade, coupled with Transco's claim that the automation software will limit the facilities output, PGW remains concerned about the significant level of the project costs. PGW encourages the Commission to fully review the need for the proposed modifications to the facilities at Compressor Station 30.

## CP02-17-000

### Texas Eastern Transmission Corporation Franklin Township Compressor Station

**DATE FILED:** October 26, 2001

**ISSUES:** Philadelphia Gas Works ("PGW") moves for leave to intervene and provides the enclosed comment to protect its interest in this case.

#### **BACKGROUND:**

Texas Eastern Transmission Corporation ("Texas Eastern") filed in Docket No. CP02-17-000, for approval for it (i) to construct, own, operate, and maintain one 5,000 horsepower electric compressor unit at a new compressor station in Franklin Township, Somerset County, New Jersey, (ii) to uprate the maximum allowable operating pressure of certain main line pipelines in Hunterdon and Somerset Counties, New Jersey, (iii) to implement a new lateral line only transportation service (Rate Schedule MLS-1), (iv) to establish an incremental maximum recourse rate for service to New Jersey Natural Gas Company ("New Jersey Natural") on its existing Freehold Lateral under the new Rate Schedule MLS-1, and (v) to abandon certain authorizations in order to amend certain existing firm contractual agreements between itself and New Jersey Natural to reflect the addition of the proposed new service, all as more fully set forth in the application which is on file with the Commission and open to public inspection.

Texas Eastern requests that the Commission issue a preliminary determination on the non-environmental aspects of the application by January 23, 2002, and a final certificate on or before June 1, 2002, to allow it to complete construction of the proposed facilities by a November 1, 2002 in-service date requested by New Jersey Natural.

#### **ACTIVITIES:**

November 30, 2001- PGW filed with the Commission a motion for "Leave to Intervene and Comment".

#### **COMMENT**

There is little doubt that New Jersey Natural requires additional facilities to provide increased swing capability and delivery pressure to accommodate its expanding customer base. PGW does not protest the construction of the proposed facilities to serve the needs of New Jersey Natural particularly if New Jersey Natural is willing to bear the incremental construction costs of these facilities. PGW is concerned, however, that Texas Eastern's filing in the instant proceeding is an attempt to circumvent Commission regulations for the establishment of new rates and services and to provide a change in the

*terms and conditions of service.* Essentially, Texas Eastern Transmission Corporation is attempting to establish a non-substantive firm service out of thin air, in the context of an application to construct new facilities, namely the Rate Schedule MLS-1 service. PGW is concerned that the establishment of this type of service, in this type of proceeding, will lay the precedent-setting groundwork for other such negotiated terms and conditions of service that may affect other customers located on other lateral facilities. As a customer that is served only by laterals, PGW is concerned that other LDC's may elect similar service opportunities in the future to the operational detriment of PGW.

As evidenced by the lack of customer subscription for previously proposed firm hourly service rate schedules in Docket RP00-543, Texas Eastern has currently convinced only one shipper that this service has value. As stated by the Commission in that proceeding, Texas Eastern had presented its proposal in an integrated package. Since the Commission dismissed the proposal to eliminate the customers' storage credit to fund hourly flexibility in that proceeding, the hourly flexibility proposal itself was removed from consideration despite the fact that the Commission did not reject this concept per se. Since Texas Eastern was unable to implement this service in the appropriate forum, efforts are now being made to implement the service as part of an overall construction project. Texas Eastern again proposes to present this service as an integrated package. PGW agrees that Texas Eastern's tariff permits the pipeline to issue an operational flow order, thus limiting hourly flows; however, PGW does not concur with the notion that LDC's currently do not have firm hourly flexibility on the Texas Eastern Pipeline since its contracted capacity rights are determined on a daily basis. Therefore, establishment of the proposed rate schedule is unnecessary to provide the service for which Texas Eastern's customers have currently contracted.

In conclusion, Texas Eastern's current tariff does not limit the pipelines' obligation to provide excess hourly flows, except under OFO conditions. The introduction of such a service indicates that this right is now a commodity to be purchased at an additional cost. Additionally, PGW is concerned that allowing the pipeline to pinpoint specific laterals on its pipeline to provide such service may have the potential for degradation of service for other customers on that lateral.

## CP02-10

### Transcontinental Gas Pipe Line

#### Compliance with the Clean Air Act Amendments of 1990 at Station 110

**DATE FILED:** October 22, 2001

**ISSUES:** Philadelphia Gas Works ("PGW") moves for leave to intervene and provides the enclosed comment to protect its interest in this case.

#### **BACKGROUND:**

Transcontinental Gas Pipe Line Corporation ("Transco") filed in Docket No. CP02-10-000, an application for a certificate of public convenience and necessity authorizing Transco's construction and operation of certain facilities at Compressor Station No. 110, Randolph County, Alabama, to comply with the Clean Air Act Amendments of 1990.

Transco states that the Clean Air Act Amendments of 1990 and state implementation plans pursuant thereto require certain reductions of NOx (oxides of nitrogen) air emissions at certain of Transco's compressor stations and accordingly, during the past few years and over the next few years, Transco has installed and plans to install certain facilities at these stations to achieve the reductions of NOx. Transco states that it plans to install these facilities pursuant to Transco's blanket facilities certificate issued in Docket No. CP82-426 when it is authorized to do so, but at stations where the estimated total cost of installing these facilities is more than \$20.6 million, it is not authorized to perform such work pursuant to its blanket facilities certificate. Transco estimates that at Compressor Station No. 110, the proposed modifications will cost \$26.8 million, and therefore, it is required to file an application for a certificate of public convenience and necessity.

Transco states that it proposes to modify several of its existing reciprocating engines at Compressor Station No. 110, in order to comply with the State of Alabama plan to implement the Clean Air Act Amendments of 1990.

Transco states that it plans to install turbochargers and associated equipment on nine (9) of the 15 reciprocating engines in order to reduce NOx emissions, and plans to modify the existing turbochargers at the other six (6) reciprocating units to increase their capacity and install associated equipment in order to reduce NOx emissions.

Transco states that, following installation of the turbochargers, the 9 engines will have the potential to perform above their current operating horsepower, but, since Station 110 is automated, Transco has the ability to shut down other engines or reduce their load to

ensure that the station will not operate above the station's total certificated horsepower. Transco states that because it is installing these turbochargers at Station 110 solely to achieve an environmental improvement, *i.e.*, lower NOx emissions, it has no intent or need to operate the station above its certificated horsepower, and therefore, when Transco installs these turbochargers at Station 110, it will adjust the automation program at the station so that it will not operate above its certificated horsepower.

Transco states that modification of the existing turbochargers on the other 6 engines to increase their capacity will not create the potential of these engines performing above their current operating horsepower, because the engines are already operating at maximum horsepower and cannot operate at a higher horsepower output. Transco states that there will be no increase in the capacity of Transco's system in the vicinity of the station as a result of installing the 9 new turbochargers and modifying the 6 existing turbochargers.

Transco states that a state air permit will be negotiated with the Alabama Department of Environmental Management ("ADEM").

Transco states that the installation and operation of the proposed facilities will have no significant impact on the quality of human health or the environment other than the positive impact of reducing NOx emissions and states that the proposed facilities will be designed, constructed, operated and maintained in accordance with all applicable safety standards and plans for maintenance and inspection.

Transco states that the public convenience and necessity requires the issuance of the authorization requested herein because the project will (1) reduce NOx emissions at Station 110, and (2) enable Transco to comply with the Clean Air Act Amendments of 1990 and the requirements of the ADEM implementing regulations issued pursuant thereto.

Transco states that it needs to commence the work at Station 110 in January 2002 in order to complete the work on a timely basis with respect to the requirements of the Clean Air Act Amendments of 1990 and the requirements of the ADEM, while at the same time accommodating the operational needs of its pipeline system and ensuring that Transco's gas service obligations are met.

#### **ACTIVITES:**

November 21, 2001- PGW filed a motion for "Leave to Intervene and Comment".

COMMENT

While PGW does not oppose the installation of equipment necessary to comply with the State of Alabama's plan to implement the Clean Air Act Amendments of 1990, it is unclear to PGW, whether the increased capacity referenced in the filing is simply an outgrowth of the equipment upgrades or whether the upgrades could have been completed for a lower cost, had the rating of the facilities remained unchanged. Despite Transco's claim that there is no need for the additional horsepower associated with the upgrade, coupled with Transco's assertion that the automation software will limit the facilities output, PGW remains concerned about the significant level of the project costs. PGW encourages the Federal Energy Regulatory Commission to fully review the need for the proposed modifications to the facilities of Station 110.

December 3, 2001- The Commission staff issued this request of Transco: to assist staff in evaluating the application, please respond in writing to the following requests:

In its November 21, 2001 intervention, Philadelphia Gas Works (PGW) expresses concerns about the costs of the proposed modifications at Compressor Station No. 110 and requests that the Commission fully review the need for the proposed modifications.

- (a) Describe the process that Transco used to select the proposed methodology for reducing NOx emissions at Compressor Station No. 110.
- (b) Discuss other solutions that Transco explored for reducing NOx emissions at Compressor Station No. 110 and explain why Transco rejected these solutions.
- (c) Is it possible for Transco to reduce the NOx emissions at Compressor Station No. 110 without increasing the horsepower of the compressor units? If so, describe the solution and explain why it was rejected. If not, explain why it is not possible.

This information is being requested pursuant to the Commission's Regulations. Further, Rule 2001 (Section 385.2001) requires that all documents be filed with the Secretary of the Commission. Transco is hereby requested to file a response within 5 business days from the date it receives this letter.

January 16, 2002- The Commission issued an order for certificate.

On October 22, 2001, Transco filed an application under Section 7(c) of the Natural Gas Act (NGA) for a certificate of public convenience and necessity authorizing it to construct and operate certain facilities to comply with the Clean Air Act Amendments of 1990. No party protested Transco's application in this proceeding.

We will authorize Transco's proposed project, with appropriate conditions, as discussed below. Our approval of the project will serve the public interest because it will reduce NOx (oxides of nitrogen) emissions and enable Transco to comply with the Clean

Air Act Amendments of 1990 (Clean Air Amendments) and the state implementation plan pursuant thereto.

The Commission orders:

- (A) A certificate of public convenience and necessity is issued authorizing Transco to modify existing 15 reciprocating compressor units at Station 110, as more fully described in the application and this order.
- (B) *Transco shall complete the authorized construction within one year of this order.*
- (C) Transco must comply with Part 157 of the regulations, especially paragraphs (a), (c)(1), (c)(2), (c)(3), (e), and (f) of section 157.20 and the environmental conditions in the appendix to this order.
- (D) Transco shall comply with the noise level conditions set forth herein. Transco shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other Federal, state, or local agencies on the same day that such agency notifies Transco. Transco shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

**GT01-29-000**  
**Texas Eastern Transmission, LLP**  
**Operational Segment Capacity Entitlements**

**DATE FILED:** August 31,2001

**ISSUES:** PGW has only filed for Intervenor status at this time in order to protect its rights in this case.

**BACKGROUND:**

On August 31, 2001, Texas Eastern Transmission, LPC ("Texas Eastern") tendered for filing its report of recalculated Operational Segment Capacity Entitlements pursuant to Section 9.1 of the General Terms and Conditions of FERC Gas Tariff, Second Revised Volume No. 1, to become effective November 1, 2001.

Texas Eastern states that the purpose of the filing is to make its report pursuant to Section 9.1 of the General Terms and Conditions of its FERC Gas Tariff, Seventh Revised Volume No. 1 of recalculated November 1, 2001 Operational Segment Capacity Entitlements, along with supporting documentation explaining the basis for changes.

**ACTIVITIES:**

September 11, 2001-PGW filed a motion with the Commission for "Leave To Intervene".

October 5, 2001- Texas Eastern's 2001 Operational Entitlements Report satisfactorily complies with Section 9.1 of the GT&E of its tariff, and is accepted by the Commission to become effective November 1, 2001, as proposed.

**CP01-433**  
**Transcontinental Gas Pip Line Corp.**  
**Harris County Compressor Station No. 35**

**DATE FILED:** August 27, 2001

**ISSUES:** PGW filed a motion for Intervenor status in this case to protect it rights.

**BACKGROUND:**

Transcontinental Gas Pipe Line Corporation ("Transco") filed in Docket No. CP01-433-000, an application pursuant to Sections 7(b) and 7(c) of the National Gas Act ("NGA") for (1) a certificate of public convenience and necessity authorizing Transco's installation and operation of two electric motor driven centrifugal compressors at Transco's existing Compressor Station No. 35 in Harris County, Texas, to comply with the Clean Air Act Amendments of 1990, and (2) an order permitting and approving abandonment by removal of the four existing, natural gas-fired compressors at Section No. 35.

Transco represents that in order to comply with requirements set by the Texas Natural Resource Conservation Commission ("TNRCC") for the Metropolitan Houston-Galveston Intrastate Air Quality Control Region, it (Transco) needs to start work at the station in January, 2002, all as more fully set forth in the application which is on file with the Commission and open to public inspection.

**ACTIVITIES:**

September 17, 2001- PGW filed a motion with the Commission for "Leave to Intervene".

## **CP01-389**

### **Transco's "Leidy East Expansion Project"**

**DATE FILED:** June 19, 2001

**ISSUES:** PGW has only filed for Intervenor status and Comment at this time in order to protect its rights in this case.

#### **BACKGROUND:**

On June 19, 2001, Transcontinental Gas Pipe Line Corporation ("Transco") filed in Docket No. CP01-389-000, an application pursuant to Section 7(c) of the Natural Gas Act and Part 157A of the regulations of the Federal Energy Regulatory Commission ("Commission") for a certificate of public convenience and necessity authorizing Transco to construct its Leidy East Expansion Project ("Leidy East") to provide up to 130,000 dekatherms per day of firm transportation for customers in New York, New Jersey, and Pennsylvania, all as more fully set forth in the application which is on file with the Commission and open to public inspection.

Transco requests authority to construct and operate ten (10) facilities, and estimates the cost of the proposed facilities at approximately \$98 million. Transco requests a final certificate order no later than October 24, 2001, in order to complete the project to meet the November 11, 2002, in-service date required by its shippers. Transco states that the Commission has previously reviewed the proposed facilities in its Market Link proceeding in Docket No. CP98-540-000.

Transco states that it has entered into firm service agreements with four shippers for the entire 130,000 dekatherms per day of transportation capacity created by the expansion, at varying volumes and terms. Transco states that it has developed a new incremental recourse rate for Leidy East shippers of \$13.56 per dekatherms and that transportation service under the Leidy East project will be provided under Rate Schedule FT of Transco's FERC Gas Tariff, Volume No. 1, and Transco's blanket certificate under Part 284G of the Commission's regulations. Transco states that the Leidy East shippers will also be responsible for fuel retention, electric power, and other applicable charges and surcharges under Rate Schedule FT. Transco notes that all of the Leidy East shippers have elected to pay negotiated rates pursuant to Transco's FERC Gas Tariff.

#### **ACTIVITIES:**

July 6, 2001- PGW filed with the Commission a motion for "Leave To Intervene And Comment"

COMMENT

PGW wishes to assert that it has reviewed the instant filing and wishes to state that it has not requested any additional flexibility or reliability associated with the construction of these facilities. PGW believes that Transco will attempt to roll-in the costs of these facilities in a future rate proceeding, as it has done with many of its other incrementally priced projects, which have done nothing for PGW but increase its costs. Therefore, while PGW takes no position on the need to construct these facilities for the customers receiving incrementally priced service, it wishes to make crystal clear that it does not expect to receive any benefits from the construction of these facilities and that any future roll-in attempt should be viewed by the Commission with the foregoing in mind.

October 25, 2001- The Commission's order approves an application filed on June 19, 2001, by *Transcontinental Gas Pipe Line Corporation (Transco)* requesting authorization, pursuant to section 7(c) of the Natural Gas Act, to construct the Leidy East Expansion Project (Leidy East) to provide up to 130,000 dekatherms per day (Dth/d) of firm transportation for customers in New York, New Jersey, and Pennsylvania. The Commission's authorization is being granted based upon its findings, as discussed herein, that the proposed facilities will serve the public interest by increasing the pipeline capacity reaching the northeastern United States, thereby helping to meet the rapid growth in electric generation demand in that market. Since the overwhelming majority of the proposed facilities will be constructed either entirely within, or immediately adjacent to, existing pipeline or utility rights-of-way, the project's environmental impact will be minimized. Finally, Transco's existing customers will not subsidize the project because the expansion shippers will pay an incremental rate. As discussed below, we are granting the requested certificate authorization subject to certain conditions.

Transco's project will not be subsidized by its existing customers. Transco proposes to charge the shippers of the project incremental rates to cover the costs associated with the facilities. The Commission has previously determined that where a pipeline proposes to charge an incremental rate for new construction, it satisfies the threshold requirement that the project will not be subsidized by existing shippers. By proposing incremental pricing, Transco agrees to accept the risk of any under recovery of revenues. Transco is wholly at risk for cost recovery because each shipper has executed a service agreement with negotiated rates that are substantially below the cost based recourse rates.

Transco's willingness to bear this risk and proceed with the project is further proof of need for the project. Further, the fact that none of the project costs are included in Transco's currently effective rates indicates that there will be no adverse rate impact on or subsidization by existing customers. This is consistent with the Policy Statement. In addition, the project should permit new gas supplies to reach markets in the northeast, which evidence a need for additional energy supplies. Transco has submitted firm long-term service agreements for the full capacity of the Leidy East project, thereby

demonstrating a specific market need for the project. These service agreements are with customers that will use the expansion to provide fuel for new electric generating power plants, as well as for expanded retail gas consumption.

Transco is not requesting rolled-in rate treatment for this expansion project in this proceeding. However, PGW believes that Transco will seek to roll in the costs of the facilities in a future rate proceeding. PGW states that it does not expect to receive any benefits from the construction of the project and that the Commission must factor this into considering any future attempt by Transco to roll in the project costs. To the extent Transco or any other party seeks rolled-in rate treatment for this project in a future proceeding it will be required to satisfy the cost recovery principles underlying the Policy Statement. As noted, Transco's negotiated rates for its expansion shippers will not recover the costs of the expansion in the first year. Therefore, the Commission advises Transco that it will not be allowed to roll in the costs associated with this project in its future rate cases unless there is a significant change in the relevant facts and circumstances demonstrating that actual revenues exceed the costs, so as to ensure that Transco's existing customers will not subsidize the expansion project.

Transco's initial recourse rate is \$13.56/Dth, which is derived from an incremental cost of service of \$21,156,406. The service agreements in Exhibit I contain negotiated rates that range from \$6.39 to \$10.65/Dth. Based on these negotiated rates proposed to be charged to the project shippers, Transco will underrecover its incremental cost of service in the first year by approximately \$6.9 million.

In our order clarifying the Certificate Policy Statement, we stated that "existing shippers should not have the rates under their current contracts changed because the pipeline has built an expansion to provide service to new customers." An incremental rate design will avoid this result and is appropriate for this project. We will approve as the initial recourse rate for the Leidy East service a separately stated incremental monthly reservation rate of \$13.5618 per Dth. The appropriate cost factors for the depreciation and return components underlying the rate are subject to refund in Transco's pending rate case. Thus, the initial recourse rate is approved, subject to the outcome of Transco's pending rate proceeding in Docket No. RP01-245-000.

The Commission orders:

- (A) Pursuant to section 7(c) of the NGA, a certificate of public convenience and necessity is issued to Transco authorizing the construction and operation of the Leidy East project, as described herein and in the application, as supplemented.
- (B) Transco shall comply with Part 157 of the regulations, especially paragraphs (a), (c)(1), (c)(2), (c)(3), (e), and (f) of section 157.20 and Parts 154 and 284 of the Commission's regulations.
- (C) Transco's facilities shall be constructed and made available for service within one

year from the date this order is issued, pursuant to paragraph (b) of section 157.20 of the regulations.

- (D) The certificate issued in Ordering Paragraph (A) above is conditioned upon compliance with the environmental conditions set forth in Appendix B to this order.
- (E) Transco shall file, not less than 30 days nor more than 60 days prior to the proposed effective date of the project, rates and tariff sheets consistent with Part 154 of the regulations and the modifications discussed in this order.
- (F) Transco shall make a tariff filing to reflect the changes in DPEs at the Central Manhattan delivery point resulting from the expansion.
- (G) Transco's incremental recourse rates are accepted, subject to the outcome of the current rate proceeding in Docket No. RP01-245-000.
- (H) To the extent any additional facilities or construction is required to complete the Leidy East project, the costs of those facilities will be borne by Transco and the expansion shippers.
- (I) Transco shall notify the Commission's environmental staff by telephone and/or facsimile of any environmental noncompliance identified by other Federal, state, or local agencies on the same day that such agency notifies Transco. Transco shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

## CP01-388

### Transco's Momentum Expansion Project

**DATE FILED:** June 18, 2001

**ISSUES:** PGW filed for Intervenor status and Comments to protect its interest in this matter.

**BACKGROUND:**

On June 18, 2001, Transcontinental Gas Pipe Line Corporation ("Transco") filed in Docket No. CP01-388-000, an application pursuant to Section 7(c) of the Natural Gas Act and Part 157(A) of the regulations of the Federal Energy Regulatory Commission ("Commission"), for a certificate of public convenience and necessity authorizing Transco's Momentum Expansion Project ("Momentum"), an incremental expansion of Transco's existing pipeline system, which will provide 525, 896 dekatherms per day of new firm transportation capacity to serve increased market demand in the Southeastern region of the United States by a proposed in-service date of May 1, 2003, all as more fully set forth in the application which is on file with the Commission and open to public inspection.

Transco states that it proposes to construct and operate fifteen (15) facilities on its mainline pipeline system, and estimates that the proposed facilities will cost approximately \$300 million. Transco states that it has executed precedent agreements with nineteen (19) shippers and that 100% of the firm capacity to be created by the Momentum project is subscribed to by these nineteen shippers. Transco states that the firm transportation service under the Momentum project will be provided under Rate Schedule FT of Transco's FERC Gas Tariff, Volume No. 1, and Transco's blanket certificate under Part 284(G) of the Commission's regulations. Transco states that the proposed cost-based resource rates for the Momentum project are based on a straight fixed-variable rate design methodology and an incremental cost of service.

Transco states that it requests that the Commission issue a preliminary determination on the non-environmental aspects of this proposal by December 1, 2001 and a final order granting the authorizations requested by April 15, 2002.

**ACTIVITIES:**

July 5, 2001- PGW filed a motion with the Commission for "Leave To Intervene and Comment"

COMMENT

PGW wishes to assert that it has reviewed the instant filing and wishes to state that it has not requested any additional flexibility or reliability associated with the construction of these facilities. PGW believes that Transco will attempt to roll-in the costs of these facilities in a future rate proceeding, as it has done with many of its other incrementally priced projects, which have done nothing for PGW but increase its costs. Therefore, while PGW takes no position on the need to construct these facilities for the customers receiving incrementally priced service, it wishes to make crystal clear that it does not expect to receive any benefits from the construction of these facilities and that any future roll-in attempt should be viewed by the Commission with the foregoing in mind.

September 24, 2001- Transco filed an amendment to the Momentum application to redesign and downsize the project to reflect (i) the elimination of two shippers under the project, Athens Development Company, L.L.C. (85,000 dt/d), and Hartwell Development Company, L.L.C. (85,000 dt/d), who have exercised their rights to terminate their precedent agreements because they had not received all regulatory authorizations for construction of their power plants by August 1, 2001, as provided for in their precedent agreements, and (ii) the additional quantities subscribed under the project by the Municipal Gas Authority of Georgia (MGAG), as agent for the Cities of Buford and Winder, Georgia, respectively. Transco states that as a result of these changes in the firm transportation quantities under Momentum, Transco has eliminated certain pipeline loops and compression facilities from the project and shortened certain other loops.

Transco states that the changes to the facilities originally proposed in the application are as follows:

1. The following compression facilities have been eliminated:
  - (a) installation of one new 15,000 horsepower compressor unit at Transco's existing Compressor Station No. 110, which is located in Randolph County, Alabama;
  - (b) uprating of an existing 18,975 horsepower compressor unit (Unit No. 3) to 22,500 horsepower at Transco's existing Compressor Station No. 115, which is located in Coweta County, Georgia; and
  - (c) installation of one new 15,000 horsepower compressor unit at Transco's existing Compressor Station No. 125, which is located in Walton County, Georgia. The compression facilities at Compressor Station Nos. 90, 105, 130 and 160 remain as originally proposed in the Application.
  
2. The following pipeline loops have been eliminated in their entirety:
  - (a) 7.90 miles of 42-inch diameter pipeline loop from Mile Post 732.65 on Transco's mainline in Jones County, Mississippi to Mile Post 740.50 (the suction side of Compressor Station No. 80) in Jones County (the Seminary Loop);
  - (b) 3.49 miles of 42-inch diameter pipeline loop from Mile Post 905.74 on Transco's mainline in Chilton County, Alabama to Mile Post 909.20 in Chilton County (the

- Richville Loop); and
- (c) 4.18 miles of 42-inch diameter pipeline loop from Mile Post 1,201.71 on Transco's mainline in Spartanburg County, South Carolina to Mile Post 1,205.81 (the suction side of Compressor Station No. 140) in Spartanburg County (the Greenville Loop).
3. The following pipeline loops have been shortened and are now proposed as follows:
- (a) 6.63 miles of 42-inch diameter pipeline loop from Mile Post 632.89 on Transco's mainline in Amite County, Mississippi to Mile Post 639.44 in Pike County, Mississippi (the Magnolia Loop);
  - (b) 5.55 miles of 42-inch diameter pipeline loop from Mile Post 767.38 on Transco's mainline in Clarke County, Mississippi to Mile Post 772.80 in Clarke County (the Hale Loop);
  - (c) 25.38 miles of 48-inch diameter pipeline loop from Mile Post 860.78 on Transco's mainline in Perry County, Alabama to Mile Post 886.12 in Autauga County, Alabama (the Jones Loop); and
  - (d) 19.01 miles of 42-inch diameter pipeline loop from Mile Post 926.87 (the discharge side of Compressor Station No. 105) on Transco's mainline in Coosa County, Alabama to Mile Post 945.64 in Tallapoosa County, Alabama (the Kellyton Loop).

The 7.51 miles of 42-inch diameter pipeline loop proposed from Mile Post 1,124.74 (the discharge side of Compressor Station No. 130) on Transco's mainline in Madison County, Georgia to Mile Post 1,132.23 in Elbert County, Georgia (the Bowman Loop) remains as filed in the application. Transco also states that it is also correcting the location of the delivery point for one of the Momentum shippers, Cardinal FG.

Transco estimates that the proposed facilities, as amended, will cost approximately \$197 million. Transco states that the initial recourse rates have been revised to reflect such revised cost estimate and the reduced billing determinants under the project.

**CP01-396**  
**Equitrans Application to Abandon**  
**Gathering Systems to EFS**

**DATE FILED:** June 29, 2001

**ISSUES:** PGW filed for Intervenor status to protect its interest in this matter.

**BACKGROUND:**

On June 29, 2001, Equitrans, L.P. ("Equitrans") and Equitable Field Services, L.L.C. ("EFS") filed in Docket No. CP01-396-000, an application pursuant to Sections 1(b) and 7(b) of the National Gas Act ("NGA") for permission and approval to abandon certain certificated facilities by sale to EFS as part of a sale to EFS of five gathering systems. The parties also request that the Commission determine that the facilities sold to EFS, and the services rendered by means of such facilities, are non-jurisdictional gathering facilities and services, and will be exempt from the Commission's jurisdiction under the NGA.

The parties represent that EPS proposes to operate the facilities to be abandoned and other facilities to be acquired from Equitrans in five Pennsylvania counties and fourteen West Virginia counties, as a gas gatherer providing gas gathering and related services on a non-discriminatory basis to all customers, all as more fully set forth in the application which is on file with the Commission and open to public inspection.

**ACTIVITIES:**

July 13, 2001-PGW filed a motion with the Commission for "Leave to Intervene" to protect its interest.

August 29, 2001- FERC staff made this request of Equitrans: To assist staff in evaluating the application, please respond in writing to the following requests:

- (1) The Stipulation and Agreement (S&A) approved by the Commission in Equitrans' last Section 4 rate case settlement at Docket No. RP97-346 requires Equitrans to file, as part of an abandonment application, a report on the amount and proposed disposition of the proceeds of the sale. Please provide such a report. In addition, please explain or reconcile the accounting in your Exhibit Y with the net gathering dollars in Docket No. RP97-346.

- (2) In accordance with the S&A in Docket No. RP97-346 Equitrans must employ the formula in Section 4B.(2) of the S&A to adjust the net proceeds for sharing purposes. Please provide a report using the formula Section 4B.(2) to adjust the net book value on the subject facilities.
- (3) Under Section XIII of the application, Equitrans states that if the proposed abandonment is approved, new measurement facilities will have to be installed at various points along the facilities to reflect the new boundaries of the Equitrans' system. You also state that no Federal, state, or local environmental permits will be required prior to the construction of the measurement facilities. Identify the Natural Gas Act authority Equitrans plans to use to construct these facilities. If Equitrans plans to use its blanket certificate authority, discuss how it will comply with the requirements of section 157.206(b).

## **CP01-368**

### **Transcontinental Gas Pipe Line Corp.**

#### **Transfer of Louisiana Gathering System to Williams Gas Processing**

**DATE FILLED:** May 18, 2001

**ISSUES:** PGW filed for Intervenor status to protect its interest in this matter.

#### **BACKGROUND:**

On May 18, 2001, Transcontinental Gas Pipe Line Corp. (Transco) filed in Docket No. CP01-368, an application pursuant to Section 7(b) of the National Gas Act, for permission and approval for Transco to abandon certain pipeline facilities located in offshore and onshore Louisiana, which are part of the Central Louisiana Gathering System, by transferring to Williams Gas Processing-Gulf Cost Company, L.P. (WGP), an affiliate of Transco.

Concurrent with this filing, WGP filed in Docket No. CP01-369, a Petition for Declaratory Order Disclaiming Jurisdiction, requesting the Commission to declare the subject facilities exempt gathering pursuant to Section 1(b) of the Natural Gas Act.

Transco states that Commission authorization for abandonment of the gathering facilities to WGP is in the public convenience and necessity, because the proposed abandonment will facilitate Transco's transition to provide unbundled services by eliminating facilities unnecessary to Transco's redefined role, without detriment to those jurisdictional services that Transco provides to its existing customers. Transco states that abandonment will allow WGP to own and manage those facilities which perform a gathering function, as a separate, stand-alone company focused on providing gathering services, with its resources dedicated to improving operational efficiencies and ensuring market responsiveness for its customer base.

#### **ACTIVITIES:**

June 4, 2001- PGW filed with the Commission a motion for "Leave to Intervene".

August 31, 2001- The Commission issued an "Order Authorizing Abandonment and Determining Jurisdictional Status of Facilities.

The Commission orders:

- a) In Docket CP01-368, Transco is granted permission and approval under section 7(b) to abandon by sale to WGP, its interest in the Central Louisiana facilities, as described more fully in this order.

- b) In Docket CP01-369, upon acquisition by WGP, the Central Louisiana facilities, except for the 16, 20, and 24-inch looped lines between the Vermilion Block 67 platforms and the Cow Island plant, will be deemed gathering facilities exempt from the Commission's jurisdiction under NGA section 1(b).
- c) Within 15 days after WGP acquires the Central Louisiana facilities deemed gathering, WGP shall file a initial OCSLA Report with respect to such Facilities, in accordance with the reporting requirements of Commission Order No. 639, and thereafter to file quarterly OCSLA Report updates, as needed, in accordance with the provisions of Order No. 639.
- d) In Docket CP01-369, the looped lines between Vermilion Block 67 and the Cow Island plant are and will be transmission facilities subject to the Commission's NGA jurisdiction.
- e) Transco shall notify the Commission within ten days of the abandonment of the facilities described above.
- f) Transco is authorized to abandon its X-rate schedule transportation services as well as the affected receipt points under its Part 284 agreements previously described, provided they are services rendered through or are facilities that are part of those found to be gathering and will be abandoned to WGP.
- g) Consistent with Section 154.303(c)(2) of our regulations, Transco shall adjust its rates to remove the cost of the Central Louisiana facilities found to be gathering in its current rate proceeding in Docket No. RP01-245.
- h) The protest in this proceeding are denied.
- i) The late motions to intervene are granted.
- j) The request for technical conference is denied.

## CP01-111

Algonquin Gas Transmission Co.  
Texas Eastern Transmission Co.  
**Hanover Compressor Station**

**DATE FILED:** March 28, 2001

**ISSUES:** PGW has filed for Intervenor status to protect its interest in this case.

### **BACKGROUND:**

On March 28, 2001, Algonquin Gas Transmission Company ("Algonquin") and Texas Eastern Transmission Corporation ("Texas Eastern"), filed in Docket No. CP01-111-000, a joint application pursuant to Section 7(b) and 7(c) of the Natural Gas Act for a certificate of public convenience and necessity (1) to replace two existing 3830 HP Solar Centaur 40 compressor units with two 7150 HP Solar Taurus 60 compressor units at Algonquin's Hanover compressor station, subject to specified cost and fuel reimbursement by Texas Eastern, (2) to provide for a dispatching and compression services arrangement between Algonquin and Texas Eastern and (3) to allow an expansion of 135,000 dekatherms per day of Texas Eastern's system capacity east of Lambertville, to the terminus of the Texas Eastern system, all as more fully set forth in the application which is on file with the Commission and open to public inspection. The parties state that Texas Eastern has requested Algonquin to replace the two existing Centaur units at Algonquin's Hanover station, with two new Taurus units as part of Texas Eastern's proposal to accommodate a shifting of deliveries from Texas Eastern to Algonquin, from Hanover, New Jersey to Lambertville, New Jersey.

The parties further state that such compression modification, in conjunction with the Dispatching Agreement between Texas Eastern and Algonquin, will result in an additional 135,000 dekatherms per day of firm capacity to the Texas Eastern system from the Lambertville compressor station, to as far as Texas Eastern's primary delivery terminus into the New York City markets, contemporaneously providing Texas Eastern customers with additional operational reliability and flexibility downstream of Lambertville, historically an area of constraint on the Texas Eastern system.

The parties state that, pursuant to the Dispatching Agreement, Texas Eastern will reimburse Algonquin for the net capital cost of \$6.7 million for the replacement of the two existing 3830 HP compressor units at Hanover with two 7150 HP units, and will provide the incremental fuel necessary to run these units. Algonquin will, at Texas Eastern's direction, receive up to 200,000 dekatherms per day at the Lambertville station interconnect, instead of the Hanover station interconnect. It is stated that Algonquin will own and operate the compressor units, subject to the Dispatching Agreement. It is further stated that shippers with delivery/receipt entitlements at the interconnect points will not be impacted and that no changes in shipper contracts or scheduling procedures

will be required. The parties state that the project will provide certain comprehensive benefits, including an ability to meet growing market needs in the New York and New

Jersey market area for the 2001-2002 peak winter season, at minimal cost and minimal environmental impact. Texas Eastern indicates that key project benefits include the alleviation of system constraints downstream of Lambertville, open access goals, increased reliability of service and no charge to existing base rates.

#### **ACTIVITIES:**

April 26, 2001- PGW filed with the Commission a motion for "Leave to Intervene".

June 8, 2001- FERC issues this data request: Please provide the information described in the enclosure to assist in our analysis of the joint proposal filed by Algonquin Gas Transmission Company (Algonquin) and Texas Eastern Transmission, LP (Texas Eastern) in the above certificate application.

1. Document how Texas Eastern determined the need for the Hanover Compression Project in lieu of an analysis developed from an open season, a request for turn-back of unneeded capacity or capacity release information.  
Please respond to the April 27, 2001, comments filed by Mirant Americas Energy Marketing, LP concerning segmenting of capacity and capacity release.
2. Footnote 17 of Docket No. CP01-111-000 states that from December 11, 2000 through January 12, 2001, Texas Eastern held an open season for non-binding nomination relating to the TIME incremental expansion project to bring additional supplies of natural gas to growing markets in the Northeast and Mid-Atlantic. The applicants further state that as a result of the open season, Texas Eastern received several non-binding nominations, which could utilize the proposed incremental capacity in the Lambertville to M&R 058 section of the Texas Eastern system. Explain why Texas Eastern did not firm-up the non-binding nominations which could utilize the incremental capacity in the Lambertville to M&R 058 section of the Texas Eastern system to (1) provide a strong showing of market support for the proposed Hanover Compression Project; and (2) demonstrate that existing customers will not subsidize the Hanover Compression Project.
3. Algonquin and Texas Eastern state that the proposed upgrade of Algonquin's Hanover station will allow 200,000 Dth per day (Dth/d) of natural gas deliveries from Texas Eastern to Algonquin to shift from the Hanover station interconnect to the Lambertville station interconnect. However, the March 26, 2001, Dispatching and Compression Agreement, states that Texas Eastern will have the right "from time to time" to direct Algonquin to receive up to 200,000 Dth/d at the Lambertville station that would otherwise be received at the Hanover station.
  - a. Does this mean that the shift of 200,000 Dth/d to Lambertville is not permanent?
  - b. Under what circumstances would Algonquin be required to receive deliveries

from Texas Eastern at the Hanover station?

4. Clarify whether Texas Eastern will contribute toward any operation and maintenance expenses for the Hanover Compression Project.
5. Provide examples demonstrating how existing and new shippers will be able to utilize the newly created 135,000 Dth/d of firm capacity downstream of Lambertville if the shippers do not hold firm upstream capacity on Texas Eastern's system in Zone ELA or Zone M2.
6. In its April 27, 2001 protest, PECO Energy Company (PECO Energy) claims that Texas Eastern "appears capable of transporting an astonishingly large volume of gas in excess of its design capacity." In support, PECO Energy points to Exhibits G and I-1 filed in Docket No. CP01-111-000. PECO Energy states that Exhibit G reflects a design capacity of 2,240 MDth/d for Texas Eastern's system downstream of Lambertville while Exhibit I-1 reflects a peak winter operational capacity of at least 3,000 MDth/d for 25 days of highest throughput downstream of Lambertville. In response to PECO Energy's claim, please provide the following information.
  - a. Provide a list of each delivery and receipt point with corresponding volumes for each year that was used to support Texas Eastern's graph in Exhibit I-1 entitled "TETCO Top 5 Delivery Days East of Lambertville."
  - b. Reconcile the difference between the 2,240 MDth/d design capacity and the 3,000 MDth/d peak winter operational capacity from Exhibits G and I-1, respectively. Include in your response a discussion regarding the design assumptions used by Texas Eastern to calculate the design capacity of its system as reflected in Exhibit G and compare these assumptions to the actual operating conditions experienced by Texas Eastern that allowed its system to transport volumes in excess of 3,000 MDth/d as reflected in Exhibit I-1.
7. Northeast Energy Associates and North Jersey Energy Associates (Energy Associates) state that the joint application does not support Texas Eastern's and Algonquin's assertions that there will be no impact of the quality of service on the Algonquin system resulting from the proposed Hanover Compression Project. Specifically, Energy Associates points to the flow diagrams in Exhibit G which reflect a pressure drop of approximately 100 psig at Public Service Electric & Gas Company (PSE&G) delivery points between Lambertville and Hanover and a pressure drop of 72 psig at Northeast's Bellingham delivery point. In its May 11, 2001, Answer, Texas Eastern states that both Texas Eastern and Algonquin will continue to meet all contractual pressure obligations to both PSE&G and Northeast. Provide the contractual minimum delivery pressure for PSE&G delivery points between Lambertville and Hanover, and Northeast's Bellingham delivery point.
8. Provide the following information regarding the accounting treatment for the abandonment of the two existing Centaur units.
  - a. Does Algonquin treat compressors as operating units for accounting purposes? If so, please explain why Algonquin is treating the abandonment of the two existing

Centaur units as a normal retirement instead of recognizing a gain or loss.

- b. Exhibit K, Cost of Facilities, shows a credit of \$858,360 for the buy-back of the two existing Centaur units. If Algonquin is following normal retirement accounting treatment, please explain why Algonquin, in Exhibit Y, is crediting this amount to Account 107, Construction Work in Progress, instead of Account 108 as a normal retirement.
- c. Similarly, Exhibit K shows that it will cost \$54,822 to dismantle the two existing Centaur units. If Algonquin is following normal retirement accounting treatment, please explain why Algonquin, in Exhibit Y, is not charging this amount to Account 108 as a normal retirement.

June 13, 2001- FERC issued this data request: Please provide the additional information:

1. Does Texas Eastern intend to charge expansion shippers its maximum Part 284 firm transportation rate? If not, please explain.
2. Provide workpapers to support Texas Eastern's statement that the impact of rolling-in the costs of the proposed Hanover Compression Project will result in an increase of less than 0.2 percent in the 100 percent load factor rate for M3 to M3 service, as reflected on page 11 of Texas Eastern's and Algonquin's answer filed on May 11, 2001.
3. Provide a 10-year estimated incremental cost-of-service and revenue study for the Hanover Compression Project. Explain the basis for the projected revenue.

**RP01-245**  
**Transcontinental Pipeline Corp.**  
**General Rate Case**

**DATE FILED:** March 1, 2001

**ISSUES:** PGW has only filed for Intervenor status and Protest at this time in order to protect its rights in this case.

**BACKGROUND:**

Transcontinental Gas Pipeline Corporation (“Transco”) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, certain revised tariff sheets, to be effective April 1, 2001.

Transco states that the tariff sheets submitted in the filing reflect a general rate increase, and the cost of service proposed in the filing is \$876,958,109, compared with a cost of service of \$649,116,408, found just and reasonable in Docket RP97-71.

Transco states the principle factors supporting the increase in cost of service are (1) an increase in the base resulting from additional plant, (2) an increase in the rate of return and related taxes, and (3) an increase in operation and maintenance expenses.

Transco states that the filing reflects the following changes from its pre-filed methods: (1) a proposed decrease in the annual depreciation accrual rate for three of its plant categories (2) the application of established cost allocation methods to the NIPPS/IEC transportation service, (3) the inclusion of the Commission approved Maiden Lateral Surcharge, (4) the roll in of the Transco’s Mobile Bay expansion project approved in Docket No. CP97-92, placed into service in August, 1998, (5) a revision to Transco’s revenue sharing provision related to Rate Schedules ISS, ICTS, and PBS, (6) the allocation of 100% of the cost of the capacity formally used to provide the Rate Schedule X-140 service to Mid-Louisiana Gas Company to non-incrementally priced transportation services, and (7) the elimination of the Mobile Bay “at-risk” condition.

Transco states that the filing also proposes on a prospective only bases the following changes to pre-filed methods: (1) to roll in the cost of the Sunbelt, Pocono, and Cherokee expansion transmission facilities, which are currently subject to incremental pricing, and (2) the amendment of the electric tracking mechanism to include cost associated with operation of gas coolers at Transco’s various compressor station locations.

**ACTIVITIES:**

March 12, 2001- PGW filed a motion with the Commission for “Leave to Intervene and Protest”.

## PROTEST

### **General:**

In this filing Transco proposes an increase in rate levels and states the increase is designed to generate revenues equal to the indicated cost of service for transportation and storage services. PGW has a broad range of concerns relating to the proposed increase in the filing. Transco seeks to increase the Cost of Service to \$875,958,109, from the previous approved level of \$649,115,408. This increase is a direct result of changes to Transco's capital structure, rate base, return on equity, inclusion of facilities not previously included in Pipeline's cost of service, software cost, charitable contributions, an agency agreement with affiliate Williams Field Services (WFS) and various other cost allocations. Transco proposes to further increase its rates to its traditional firm customers by including cost associated with Sunbelt, Pocono, and Cherokee expansion projects.

Absent the proposed roll-in of the aforementioned, PGW's rates are expected to increase more than 34% as a result of this proceeding. The accumulation of both the proposed rate filing and the impact of the roll-in results are a rate impact of 35% to PGW's firm ratepayers.

PGW requests that the Commission bifurcate the case into two phases, 1) to expedited phase to explore the appropriate capital structure and rate of return and (2) to address issues and concerns surrounding Cost of Service. PGW believes that providing an expedited hearing schedule for the rate of return will allow for an Initial Decision and Commission Decision prior to the end of the suspension period. With the magnitude of the pipeline's requested increase, PGW believes the Commission action would resolve a major component of the Cost of Service and would serve to limit the rate impact to PGW customers.

PGW take exception to several of the proposed changes in the instant proceeding:

### **Capital Structure**

Transco claims that the proposed capital structure reflects an appropriate debt to equity ratio. PGW cannot concur with Transco witness that the debt to equity range should be changed from 60.2/39.8 to 64.29/35.71.

Information provided by Transco's filing is inadequate to justify the \$6.8 million increase to its Cost of Service associated with its shift in capital structure. In the absence of detailed information regarding this issue should give the Commission cause for concern in reviewing the filing. The Commission has mandated in Opinion 414-A that Transco's capital structure was the appropriate structure to use in Docket No. RP95-197 and Docket No. RP97-71 proceedings. The Commission should review Transco's financial performance based upon its actual financial results in a matter consistent with Opinion

414-A to determine if Transco's financial performance was consistent with the Commission's expectations.

### Rate of Return

Transco states that its level of risk, which is used to calculate its overall rate of return, is in the medium range due primarily to the fact that it suffers from the effects of firm to the wellhead rates. The pipeline claims that the increased return on equity will help the pipeline maintain or increase its ability to raise capital. Transco offers no indication that the current rate of return is inadequate to support the same objectives.

Transco claims that its financial risk presents average or slightly lower than average risk to investors. PGW implores the Commission to carefully review this issue to determine an appropriate level of risk to be used in determining the Pipeline's rate of return in this proceeding.

With regard to business risk, Transco claims that the uncertainties associated with state deregulation are a threat to throughput on Transco's system. Transco has failed to mention that the state level unbundling of natural gas is designed to increase competition in the natural gas industry, thereby increasing the marketability of natural gas over alternate fuels which ultimately results in increased throughput for the pipelines.

With regard to cost based risk, Transco acknowledges that there are a significant number of natural gas fired power plants being built as a direct result of both increased electric power consumption and clean air regulations. However, this business opportunity is identified by the pipeline as a factor, which increases risk because the pipeline is required to make capital investments to support the new growth. Transco offers no support to indicate that more business from electric generators equals significantly higher risk. There are no studies or conclusions to indicate that electric generation companies represent bad investment opportunities, especially in high growth areas such as those served by Transco.

Transco claims that its allocation of \$61 million of fixed costs to volumetric rates contributes to its high degree of risk, however, the testimony fails to identify that this level is significantly lower than the \$73 million proposed in RP97-71 rate proceeding which apparently yielded no adverse affects to the pipeline.

Transco claims that decontracting is a threat to revenues and asserts that customers will jettison whatever contract is up for renewal at the time they wish to relinquish capacity. Whether or not this is a true or false statement is irrelevant. What is relevant is the fact that Transco bears no more or less risk with regard to this issue than any other pipeline because customer contracts will terminate on all of the major pipelines at varying times. Transco offers no support to indicate that all of its contracts will terminate prior to its competitor contracts. Additionally, as a capacity subscriber, PGW would give serious weight and consideration to the financial implications of which capacity it would

relinquish in the long term. If it were financially beneficial, PGW would support maintaining excess capacity in the short term if it could prove to its regulatory body that by doing so it could relinquish higher priced capacity at a later date thus resulting in long term financial benefits to its customers.

### **Proposed Capital Expenditures**

PGW requests that the Commission review each construction project to be placed into service prior to the end of the base period and to eliminate the costs associated with any project that it determines will not be placed into effect during that period.

### **Mobile Bay at Risk Condition**

Transco cites no reason why the at risk condition should be removed from its Mobile Bay facilities as stipulated in the Commission's orders in CP92-405 and CP92-415. While the Pipeline cites various examples of circumstances under which the Commission will remove an at risk condition, it offers little with regard to reasons why its customers should assume the risk for capacity it elected to build regardless of the fact that it did not have an adequate level of contracts to cover the capacity costs. Additionally, while the pipeline identifies the fact that the Mobile Bay facilities are generating revenues in excess of costs, they later state that they are concerned about a 37.8 MMDt decrease in contract levels on the lateral.

### **X-140 Capacity Costs**

PGW opposes the inclusion of 100% of the costs of utilizing the capacity associated with former X-140 service. These facilities were abandoned in Docket CP96-680. Transco's has provided broad assertions that these facilities are required by Transco to provide service. In fact, the pipeline merely identifies that an engineering study indicated that they had used all of their injection/withdrawal rights at the Hester storage facility, including the X-140 capacity. Transco fails to identify if they had simply used those rights as a matter of convenience or if they were used out of genuine need. Transco has not identified to the Commission in any proceeding that these facilities were required to provide service and/or flexibility, therefore, these costs should not be permitted in this rate proceeding.

### **Roll-In of Costs**

PGW opposes the roll-in of costs for the Pocono, Cherokee and SunBelt expansion projects. At some point the Commission must realize that the pipelines traditional LDC customers have not requested additional flexibility, nor do they receive additional benefits from constructing these facilities or for rolling in the costs of these projects. Essentially, the Commission is merely shifting the cost burden of expanded business opportunities to other customers that receive no benefit from the facilities. PGW believes

that Transco aggressively seeks out new business because it is assured that in its next rate proceeding, it will be permitted to roll-in the costs associated with these opportunities to its existing customers. This is entirely inapposite to Transco's claims that it experiences a high degree of cost based risk associated with the construction of new facilities. Transco does not provide any empirical evidence that existing system customers receive one iota of benefit from the facilities, nor do they identify any significantly changed circumstances, which would warrant the proposed roll-in.

### **Software Costs**

PGW is concerned that there are a high level of costs being incurred by Transco associated with the development of the Pipeline's new 1Line software which will be enjoyed by all members of the Williams pipeline family. PGW urges the Commission to carefully review both the cost allocation methodology of this service to the various pipelines under the Williams companies and the determination that the software was developed in the most cost-effective manner internally as opposed to externally. Transco's portion of the claimed cost is \$60,0132,395.

### **Charitable Contributions**

PGW vigorously opposes Transco's inclusion of \$11,160,051 of charitable contributions in its Cost of Service. While PGW applauds the pipelines charitable approach, we are certain that this would be a much more enriching experience for all if they used *their own* money. Companies such as PGW, have customer bases which are located in densely populated urban areas with a high concentration of low income households that can ill afford to enhance the public image of a multibillion dollar corporation that is requesting a 15.05 percent return on equity.

### **Williams Field Services – Annual Fee**

PGW cannot understand the significant cost increase proposed by Transco's affiliate company (WFS) of \$8,249,575; an increase of approximately 28.5%, which brings the cost of the WFS agreement to \$37.2 million. WFS had requested that the cost be increased to \$42.4 million, which would have resulted in a 48% increase over the existing contract. As a regulated entity, PGW believes that the pipeline should be required to prove to both the Commission and its customers that it is acting prudently, and that WFS is indeed the low cost provider of service through a bidding process that is sanctioned and reviewed by the Commission. Transco's customers have absolutely no protection against price gouging by WFS in its agency role.

March 28, 2001- FERC issued an Order Accepting and Suspending Tariff Sheets Subject to Refund and Conditions and Establishing a Hearing.

The Commission will set hearing for these issues.

- A) Proposed Roll-in of Sunbelt, Pocono, Cherokee Facilities Costs.
- B) Roll-in of the Mobil Bay Project.
- C) Changes to Cost Allocation Methodologies.

Upon review of the filing, the Commission has found the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly the Commission shall accept such tariff sheets for filing and suspend their effectiveness to take effect September 1, 2001, subject to the conditions set forth in this order:

- A) The tariff sheets are accepted and suspended, to be effective September 1, 2001, subject to refund and the outcome of the hearings established in this proceeding.
- B) Pursuant to the authority of the NGA, particularly sections 4,5,8 and 15 thereof, with exception of the issues reserved herein, a public hearing will be held in Docket No. RP01-245-000 concerning the lawfulness of Transco's proposed rates.
- C) An Administrative Law Judge must convene a prehearing with 20 days.

May 25, 2001- Transco filed with the Commission a "Motion for Issuance of Protective Order".

June 11, 2001- The Transco Cost-of-Service Group filed answer in partial opposition to motion for protective order.

**TO: The Honorable David I. Harfeld  
Presiding Administrative Law Judge**

The Transco Cost-of-Service Customer Group ("Customer Group") hereby files its answer in partial opposition to the "Motion for Issuance of Protective Order" filed by Transcontinental Gas Pipeline Corporation ("Transco") in these proceedings on May 25, 2001.

Specifically, and for the reasons noted below, the Customer Group urges your Honor to strike paragraph eight (8) of the proposed Protective Order in its entirety.

The Customer Group does not dispute that some form of a protective order may be needed and that, reasonable limitations on the production and use of certain kinds of information may be appropriate. The specific language and limitations set forth in proposed paragraph 8 of the Protective Order, however, are neither reasonable nor necessary to achieve the protections sought by Transco in this case.

The restrictions proposed in paragraph 8 unreasonably seek to exclude from Reviewing Representative status anyone involved in furnishing advice or analyses regarding the marketing of or contracting for natural gas transportation, storage or other services. The expansiveness of this language could be used by

Transco to exclude a potentially large universe of customers and customer subject-matter experts from access to information that may materially affect the rates such customers pay. The potential reach of such a restriction is unreasonable on its face. Moreover, from a procedural perspective, paragraph 8 unfairly puts the burden on parties who wish to review certain materials by requiring such parties to seek special permission from the providing participants, and thereafter to submit any disputes to your Honor for resolution. The burden should not be on the requesting party; it should be on the party asserting the need for protection.

In addition to its being unreasonable in terms of scope and procedural burden, proposed paragraph 8 is also unnecessary in the larger context given the safeguards provided by the balance of the proposed Protective Order. Proposed paragraph 7 ensures that Protected Materials shall be treated confidentially by each Participant and by each Reviewing Representative, and shall not be used except as necessary for the conduct of this proceeding, nor shall they be disclosed in any manner to any person except a Reviewing Representative who is engaged in the conduct of this proceeding and who needs to know the information in order to carry out that person's responsibilities in this proceeding. These limitations would apply to any individual executing a non-disclosure certificate as a Reviewing Representative, regardless of whether such an individual was also involved, for example, in providing advice or analyses with regard to natural gas contracting issues. In addition, proposed paragraph 15 provides that Transco (or any other providing Participant) has the right to request your Honor to adopt special limitations on disclosure, availability and use for any documents or information that truly needs such protection, following your Honor's in camera review of such documents or information. Paragraph 15 places the burden where it belongs: on the party providing potentially sensitive information, who is concerned both about disclosing such information as a general matter, and about its possible use outside this proceeding. Under those circumstances, the providing party would be free to attempt to persuade your Honor that such information should be disclosed to some persons, but not to others.

For these reasons, the Customer Group requests that your Honor strike paragraph eight (8) of the proposed Protective Order in its entirety.

July 2, 2001- ALJ issued an Order Adopting Proposed Protective Order substantially corresponding to the Model Protective Order issued by the Chief Administrative Law Judge by notice issued June 9, 1998.

July 30, 2001- The Commission consolidates the proceedings in Docket No. RP01-253 with Transco's on going rate proceedings in Docket No. RP01-245. As a result the Judge may need to alter the procedural schedule.

RP01-253- Transco filed revised tariff sheets to change the fuel retention percentages applicable to transportation and storage rate schedules for the next annual period to be effective April 1, 2001, subject to refund and further review.

July 31, 2001- Transco submitted to the Commission a refund report showing that on June 22, 2001, Transco submitted refunds/surcharges to the affected SunBelt expansion shippers. The total amount of refunds/surcharges including interest, was \$277.82.

August 3, 2001- The Presiding Judge issued an Order granting a request (July 31 staff request) that a second prehearing conference will be convened on August 16, 2001, at the Federal Energy Regulatory Commission.

August 7, 2001- PGW and ConEdison issue a third set of data requests;

13. In Kern River Gas Transmission Company, 96 FERC (2001), slip op. at 23 the Commission stated that "the cost of fuel must be included in the rolled-in analysis because it is an element of a shipper's transportation expense." In Transcontinental Gas Pipe Line Corporation, 96 FERC (2001) slip op. at 26, and in Transcontinental Gas Pipe Line Corporation, 96 FERC (2001) slip op. at 30, the Commission directed Transco "to adjust its rates to remove the costs of [certain named] facilities in its current rate proceeding in Docket No. RP01-245." In light of these orders,
  - (a) provide analysis, reflecting the cost of fuel, showing the percentage impacts on Rate Schedule FT and other systems rates of the proposed roll-in of (i) the 1998 Mobil Bay expansion facilities, (ii) the Cherokee project, (iii) the SunBelt project, and (iv) the Pocono project;
  - (b) provide analyses, reflecting the deletion of the costs of the facilities named by the Commission in the referenced orders, showing the percentage impacts on Rate Schedule FT and other system rates of the proposed roll-in of (i) the 1998 Mobil Bay expansion facilities, (ii) the Cherokee project, (iii) the SunBelt project, and (iv) the Pocono project;
  - (c) provide analysis, reflecting both the cost of fuel and the deletion of the cost of facilities named by the Commission in the referenced orders, showing the percentage impacts on Rate Schedule FT and other system rates of the proposed roll-in of (i) the 1998 Mobil Bay expansion facilities, (ii) the Cherokee project, (iii) the SunBelt project, and (iv) the Pocono project;
  - (d) provide the workpapers for the analyses for prepared in the response to (a), (b), and (c)
14. Provide copies of Transco's responses to POCA-5-2
15. Provide copies of Transco's responses to Staff, HJB-04-1,2,3, and5.

August 17, 2001- PGW, Consolidated Edison, and the Commission Staff request that the Presiding Judge adjust the procedural dates established on April 25, 2001 in the manner discussed herein.

This adjustment was a subject of a prehearing conference held on August 16, 2001. For the reason set forth at that conference, summarized herein, this motion should be granted.

1. In Transcontinental Gas Pipe Line Corp, 96FERC&61,161 (2001), the Commission consolidated the above-named dockets. This consolidation complicates this case not only by adding discrete fuel retention percentage issues, but also by potentially changing the fuel factors that must be considered in the incremental v. roll-in issues raised by Transco's rate filing.
2. Subsequent to the issuance of the April 25<sup>th</sup> procedural schedule, the Commission also issued two orders directing Transco to adjust its rates to remove the cost of [certain named] facilities in its current rate proceeding in Docket No. RP01-24. These orders also will have significant impact on the above-noted incremental v. roll-in issue in that they will change Transco's claimed cost of service, a vital element of the 5% test under the 1995 Policy Statement applicable to the Mobil Bay extension facilities and the no subsidy test under the 1999 Policy Statement applicable to other Transco roll-in proposals.
3. The above-noted changes to Transco's cost of service as well as other changes that are expected in Transco's August 31, 2001 motion rates filing will necessitate substantial additional discovery to gather data necessary for this proceeding. Accordingly, the requested adjustment of the procedural schedule is the minimum necessary to permit the parties to advance their interest. Along these lines, it should be noted that while the attached proposed schedule modification contains dates related to discovery, it is Movants request and expectation that the Presiding Judge will issue an adjusted procedural schedule containing a single discovery date, i.e. March 29, 2002 as the date discovery ends.

Movants are authorized to state that all parties represented at the August 16, 2001, prehearing conference either support or do not oppose the extension of the procedural schedule contemplated by this motion.

August 21, 2001- The Chief Judge finds that the consolidation of the new docket into this rate proceeding, as well as the two recent Commission orders, significantly impact the complexity of this proceeding and will require additional discovery to gather data necessary for the hearing. Accordingly, the procedural schedule in this case is extended.

August 31, 2001- Transco filed revised tariff sheets to be placed into effect on September 1, 2001 upon the conclusion of the suspension in this proceeding, the rates filed on March 1, 2001, as adjusted (1) to eliminate the cost associated with facilities not in service as of August 1, 2001, of the RP01-245 test period (i.e. 1Line) and (2) to incorporate, as appropriate, intervening filings which have been made effective subsequent to the March 1, 2001 filing in this docket.

The effect of the foregoing adjustment is to reduce the filed cost of service by approximately \$44 million.

September 12, 2001- The Transco Cost-of-Service Customer Group ("Customer Group" including PGW) protests the compliance filing made by Transco in these proceedings on August 31, 2001, specifically Transco's failure to comply with three separate orders of the Commission, each of which requires Transco to remove the cost of certain facilities from its rates in this proceeding. In addition to imposing a general refund condition in this proceeding, the Commission should condition its acceptance of Transco's motion rates by requiring Transco to (1) adjust its rates to reflect the elimination of the cost of the facilities at issue, and (2) refund the difference between the motion rates and the rates, as adjusted, for all applicable services rendered on and after September 1, 2001.

September 26, 2001- Consolidated Edison Company of New York, Inc. and PGW (ConEdison/PGW) filed a motion for partial summary judgement as to certain of the "incremental v. roll-in" issues presented in these proceedings.

September 27, 2001- The Commission accepts the revised tariff sheets filed August 31, 2001, to be effective September 1, 2001, subject to refund, the outcome of the hearing established in Docket No. RP01-245, and the certificate proceedings in Docket Nos. CP01-34, CP01-103 and CP01-368. Transco is also directed to file revised tariff sheets, within 15 days of the date of issuance of this order, reflecting the removal of the costs of the facilities abandoned in the aforementioned certificate proceedings.

October 23, 2001- Order Denying Motions- Following oral argument, the Presiding Judge denied the Motion (September 26 ConEdison/PGW) for the reasons articulated on the record. The Presiding Judge also noted that the joint Answer of Amoco Production Company and BP Energy Company contained an alternative request that, in the event the Presiding Judge denied the Motion, he rule that the rate impact calculation that is the predicate to assessing whether the costs of the Mobile Bay Expansion should be rolled-in to the Company's generally applicable system rates be calculated using the just and reasonable rates in effect when the Commission established the presumption in favor of rolled-in rates for said expansion.

Following oral argument on this alternative request, the Presiding Judge denied this alternative request for the reasons specified on the record.

Accordingly, and for good cause, IT IS ORDERED that the above oral rulings are adopted, and that the Motion, and alternative request, are denied.

November 8, 2001- Transco requests a rehearing of the Commission's Letter order issued on September 27, 2001, in this proceeding.

December 19, 2001- The Commission will grant rehearing, with respect to the removal of the cost of certain facilities that have not yet been transferred, and deny rehearing in part

with respect to the removal of the cost of certain other facilities that have been transferred and abandoned as of December 1, 2001.

The Commission orders:

- (A) Transco's request for rehearing is granted and denied, as discussed in the body of this order.
- (B) Within 30 days of the date of issuance of this order, Transco must file revised tariff sheets, effective December 1, 2001, including supporting working papers, reflecting the removal of all costs associated with the abandoned North Padre Island facilities from its rates, and make appropriate billing adjustments.

May 2, 2002- PGW filed these comments to support the Stipulation ad Agreement.

Pursuant to the Presiding Administrative Law Judge Order issued on April 2, 2002, Philadelphia Gas Works ("PGW") hereby offers its Comments to the Stipulation and Agreement ("S & A") in the referenced matter filed by Transcontinental Gas Pipe Line Corporation ("Transco") on April 12, 2002 that incorporates issues in the following proceedings: Docket Nos. RP01-245-000 and RP01-253-000 (consolidated); and CP01-34-000, CP01-103-000, CP01-368-000, and RP02-171-000 (not consolidated).

The S & A establishes a cost of service commencing September 1, 2001 and a reduced cost of service commencing December 1, 2001, subject to the outcome of the litigation on certain reserved issues. The S & A further provides that within sixty days after the S & A effective date, Transco will refund (with interest) the total amount collected from the non-contesting parties since September 1, 2001 that is in excess of the Settlement Rates.

PGW was an active party in the negotiations leading to the settlement agreement embodied in the S & A. PGW believes that the S & A represents a resolution of its issues that is fair to the different interest groups, therefore, PGW is a non-contesting party. PGW respectfully requests that the Commission promptly approve the effectiveness of this Agreement and execute a definitive settlement date.

**RP01-236**  
**Transcontinental Pipeline Corp.**  
**Customer Services and Business Practice on 1LINE**

**DATE FILED:** February 28, 2001

**ISSUES:** PGW has filed for Intervenor status to protect its interest in this case.

**BACKGROUND:**

Transcontinental Gas Pipeline Corporation ("Transco") tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1, certain revised tariff sheets, to be effective March 31, 2001.

Transco states that the purpose of the instant filing is to revise its tariff to reflect new customer services and business practices that will be available on 1LINE, a new internet-based, service delivery computer system that will replace Transco's current system.

Transco's proposed tariff modifications relate specifically to the following areas:

1. Offering Operational Balances Agreements at well head receipt points and processing plants to the Transco system.
2. Revising imbalance resolution provisions to establish Operational Impact Areas, implementing imbalance netting and trading and modifying the existing cash out mechanism.
3. Establishing Operational Controls to adverse operational conditions which impact flexibility.
4. Modify the Nomination, Conformation, and Predetermined Allocation methodologies used to determine the daily allocations and, if necessary, capacity reductions, at receipt and delivery point.
5. Formalizing in Transco's tariff the pooling capabilities provided by Transco by adopting a new Rate Schedule Pooling and a Form of Service Agreement for pooling service; and
6. Modifying and formalizing certain pipeline business practices including those relating to capacity release, scheduling equality, liquefiable hydrocarbons processing, billing and payment, daily demand rates as well as other operational and business practices on the Transco System.

**ACTIVITIES:**

March 9, 2001- PGW filed a motion with the Commission for "Leave to Intervene" in this case.

March 30, 2001- the Commission issued an order accepting and suspending tariff sheets subject to conditions:

The Commission orders:

- (A) The tariff sheets listed in the Appendix are accepted and suspended to be effective the earlier of August 31, 2001, or a date set by subsequent order of the Commission, subject to refund and the conditions set forth in the body of this order.
- (B) Transco is directed to file within 20 days of the issuance of the instant order to explain how its 1Line tariff sheets comply with the dictates of Order Nos. 637 and 587-L, including tariff revisions regarding any additional tariff language to ensure full compliance with Order Nos. 637 and 587-L, as more fully detailed in the above. The parties are permitted to file comments on this compliance filing as well as on all issues raised by the instant 1Line filing within 20 days thereafter.
- (C) As discussed in the body of the instant order Transco is granted additional time to comply with the directives of Order No. 587-L.

October 29, 2001, in compliance with the Commission's order issued September 27, 2001 in the (Docket Nos. RP01-236-003, RP00-481-003, and RP00-553-006) referenced dockets, (September 27 Order), Transco submitted its compliance filing to further explain certain aspects of its filings in the referenced dockets, and to submit certain revised tariff sheets to its FERC Gas Tariff, to comply with the Commission's directives in the September 27 Order.

**RP01-171**  
**Transcontinental Pipeline Corp.**  
**E-Commerce On Line "1LINE" System**

**DATE FILED:** December 1,2000

**ISSUES:** PGW has filed for Intervenor status and to protest to protect its rights in this case.

**BACKGROUND:**

Transco states that the purpose of the instant filing is to revise its tariff to reflect new customer services and business practices that will be available on 1Line, a new state of the art, internet-based, service delivery computer system that will replace Transco's current computer system. Transco's proposed tariff modifications relate specifically to the following areas:

1. Offering Operational Balancing Agreements at wellhead receipt points and processing plants on the Transco system
2. Revising imbalance resolution provisions to establish Operational Impact Areas, implementing imbalance netting and trading, modifying the existing cash out mechanism and offering Best Available operational Data;
3. Establishing Operational Controls to adverse operational conditions which impact flexibility prior to issuing an OFO and tariff provisions to address unauthorized takes and trespass gas;
4. Modifying the Nomination, Confirmation, and Predetermined Allocation methodologies used to determine the daily allocations and, if necessary, a capacity reduction, at receipt and delivery points.
5. Formalizing the pooling services by adopting a new Rate Schedule Pooling and a Form of Service Agreement for pooling service; and Modifying and formalizing certain pipeline business practices including those relating to capacity release, scheduling equality, liquefiable hydrocarbons processing, billing and payment, as well as other operational and business practices on the Transco system.

**ACTIVITIES:**

December 13, 2000- PGW filed a motion with the Commission for "Leave To Intervene and Protest"

**PROTEST**

A. **NEW COMPUTER SYSTEM**

While PGW appreciates the efforts of Transco, as a member of the Williams pipeline family, to implement its new computer system across the various pipelines of the Company, concerns still remain. PGW believes the Commission must be aware that the drive to uniformity across the Williams system creates a danger of some loss to the flexibility inherent in the individual pipelines. It also must be aware that this uniformity probably presents equal if not greater benefits to the Williams Companies than to their customers.

The proposed pro forma tariff sheets appear to remain silent on many of the operational characteristics of the new system and PGW reserves its right to protest any degradation of service resulting from the implementation of this system. PGW recognizes the enormous complexity of the undertaking, but it cannot agree to any operational modifications to the Transco system, promulgated by the development and implementation of the new 1Line software, which presents the possibility of actual or potential degradation of its existing no-notice service. PGW is particularly concerned that there be no negative impact on shippers' current flexibility provided by the contingency ranking mechanism. PGW anticipates that the implementation of the 1Line system will in no way degrade the flexibility in Transco's current operations, a key element of which is contingency ranking.

PGW also would like to mention that while it understands the difficulty and unforeseen and unanticipated problems which can arise in so complex an undertaking, it believes that the Commission must require Transco to recognize that the need for operational stability for its customers transcends even the needs of the Williams Companies and that the Commission will no longer tolerate continuing requests for extensions of time to perform pipeline functions and in particular meeting refund deadlines.

#### B. CASH OUT

PGW does not oppose the OIA inter-zonal mechanism's purpose to limit arbitrage by individual customers for their own interest which operates against the interests of the system customers generally.

PGW supports Transco's revised cashout mechanism and believes that it will help limit cashout imbalances and customers gaming the system by using the cashout mechanism as an alternate fuel supply source.

PGW requests that the Commission act quickly on this issue to allow for the immediate implementation of the revised cashout mechanism using currently approved rate zones. PGW believes that the Commission's decision in RP00-24 to initially implement the cashout mechanism was justified and that Transco has complied with the Commission's Order 637 requirement for the creation of netting and trading services prior to the implementation of the cashout mechanism.

#### C. OPERATIONAL IMPACT AREAS (OIA)

The Commission in its October 27, 2000 Order in Docket No. RM96-1-014, 93 F.E.R.C. 61,093 (October 27 Order) to which the instant filing responds, requires that the pipeline must explain and justify why the OIA's designated are appropriate (Mimeo p. 6). As part of its Order 637 compliance filing in Docket RP01-171, Transco has identified on its pro forma tariff sheet 251A. OIA's that are inconsistent with existing rate design boundaries currently in place. The impact of establishing these OIA's in a manner inconsistent with existing rate boundaries, coupled with the fact that all imbalances must be resolved within a rate zone nested within an OIA, limits the shippers ability to resolve an imbalance within a rate zone boundary. Of particular concern is the fact that Rate Zone 6 has been divided into three distinct OIA's.

This practice creates additional imbalance charges as a consequence of Transco's proposed transportation charges to balance within an OIA, which contains more than a single rate zone.

Transco has offered no explanation or reason for the OIA's neither it has created nor why they should not be coterminous with a single rate zone. A conclusive assertion that its operational people believe these OIA's constitute the largest areas with similar operational characteristics does not meet, even in the most minimal manner, the Commission's requirement for an explanation. The October 27 Order expressly requires that the pipeline must set forth the operational factors underlying the geographical boundaries of the OIA (Mimeo. p. 6). Transco's OIA boundaries seem to conflict with the reason why the rate zones were established. It would seem that the rate zones are based on common operational and cost characteristics. The splitting of rate zones into separate OIA's creating additional charges is especially confusing. PGW is concerned by the application of OIA boundaries in Section 37.1 of Transco's General Terms and Conditions in Pro Forma Tariff Sheet 360. PGW recommends that the Commission require Transco to utilize existing rate zones.

#### D. TRANSPORTATION CHARGES

The October 27 Order also explicitly requires that the pipeline explain the reason for any transportation charges for netting and trading of imbalances by showing that netting and/or trading will cause lost transportation revenue (Mimeo. p. 7). The Order also requires that the pipeline establish a mechanism to recover the revenue rather than using the lost revenue as justification for not implementing netting and trading of imbalances. (Mimeo. pp. 8-9). Further, the pipeline must show that without netting and trading of imbalances it would not lose any transportation revenue. (Mimeo. p. 9). Paradoxically, Transco has established the mechanism to recover lost revenue without any showing whatsoever that it may lose any revenue or that not implementing netting and trading would result in no loss of transportation revenue.

#### E. AUTO TRADING

PGW, in its Intervention and Request for Revenue Sharing in Transco Docket No. RP-00-553, treated Transco's transportation charge for trading imbalances between zones within an OIA as a new service to generate revenue and requested that any revenues be credited to firm customers on a 75% division with 25% going to the pipeline. Transco proposes the same revenue generating mechanism without any of the justification required by the October 27 Order. Under the auto trading proposal, Section 25.4 makes aggregating imbalances across zones within an OIA after the monthly trading deadline mandatory for positive imbalances.

PGW is concerned that the mechanism used in Auto Trading identified in Transco's Pro Forma Tariff Sheet No. 334A, Section 25.4 may require that the trades will occur across rate zone boundaries first and then within rate zones. Essentially, this practice will generate windfall profits for the pipeline in the form of maximum IT rates for each unit of gas that crosses a rate zone boundary. Since this is a new service, utilizing existing assets with no assigned costs, PGW believes that the revenues generated for providing this service should be shared between the pipeline and the shippers. PGW believes that any revenues generated by inter-zonal netting and trading within a single OIA should be subject to revenue sharing since both the maximum IT rate and the fuel charge include a fixed cost component PGW proposes that the sharing mechanism be set at 25% for the pipeline and 75% for shippers. Regardless of whether the Commission views the application of maximum IT rates as a fee for a service provided or a penalty, the lion's share of the revenue should be credited to those customers that are paying for the fixed assets used to provide that service.

January 4, 2001- The Commission is holding a Technical Conference on this matter.

February 27, 2001- Transco notified the Commission that it was withdrawing its Pro Forma filing.

**RP01-182**  
**Texas Eastern**  
**E-Commerce on Line LINKr System**

**DATE FILED:** December 7, 2000

**ISSUES:** PGW has only filed for intervenor status at this time to protect its rights in this issue.

**BACKGROUND:**

Texas Eastern tendered for filing as part of its FERC Gas Tariff, Sixth Revised Volume No. 1, revise certain tariff sheets to make benefits and opportunities of e-commerce available to Texas Eastern's existing and potential customers and to advance the Commission objectives in Order No. 637, of providing equality between pipeline services and capacity release transactions. The tariff modifications permit customers to request service agreements electronically and to execute such contracts on line via the LINKr System, which will facilitate nominations and increase the efficiency and convenience of the Texas Eastern contracting for all customers.

**ACTIVITY:**

December 19, 2000- PGW filed a motion with the Commission for "Leave to Intervene".

January 5, 2001- FERC accepted TETCO's Filing effective January 7, 2001 subject to conditions.

TETCO proposes to modify Section 3.2 of its General Terms and Conditions (GT&C) to provide that a request for new service can be submitted electronically via the LINK System. TETCO also proposes to modify Section 3.6 of the GT&C to provide that, following TETCO's acceptance of a Customer's request for service, a service agreement can be executed electronically using an Executable Contract Summary via the LINK System. This will serve as the executable, electronic version of the firm Service Agreement associated with each TETCO Rate Schedule. A fully executed Executable Contract Summary will be a valid and enforceable contract that is binding on the parties. For those customers that do not desire to submit requests or execute agreements via the new electronic process, TETCO's tariff will continue to allow such customers to request service and executed service agreements in a written form.

Posting and Bidding Requirements

In order to facilitate the timely effectiveness of new contracts, whether executed electronically or by the traditional written process, TETCO also proposes several posting and bidding requirements for pipeline services and capacity release transactions. Under the current NPV provisions, TETCO has the right, but is not obligated, to post the notice of a request for service and conduct an open season for receiving additional requests for service offerings with a term of less than ninety days. For service offerings with a term of ninety days or longer, TETCO conducts an open season. Currently an open season is held for a minimum of (1) one business day for service offerings with a term of 31 days or less, (ii) two business days for service offerings with a term of more than 31 days but less than ninety days, and (iii) fifteen business days for service offerings with a term of ninety days or longer. To more closely adhere to the bid periods for capacity release transactions, TETCO proposes to convert the minimum open season period to (1) one business day for a service offering with a term of less than ninety days, to the extent an open season is conducted, and (ii) five (5) business days from the posting of the notice of the request for service for the capacity or fifteen (15) business days from the date the capacity in question was first posted as being available for contracting, whichever is the later calendar date, for service offerings with a term of 90 days or longer, as amended in the December 28, 2000 filing.

#### Matching Period

The current provisions do not give the original requesting shipper the right to match any higher bid submitted during the open season; but provide that capacity will be allocated on a pro rata basis between or among requests producing an equivalent NPV.

To provide comparable rights to all customers seeking to acquire capacity from TETCO or through the capacity release mechanism, TETCO proposes to modify Section 3.12(A)(3) of the GT&C to offer the original requesting shipper a chance to match the best bid during one (1) business day from 3:00 p.m. Central Clock Time on the day that the open season ends to 3:00 p.m. Central Clock Time one business day after the day that the open season ends. The original requesting shipper must notify TETCO in writing within the one business day matching period of its decision to match the higher "best bid." Additionally, to the extent that TETCO has received two or more requests for service that produce an equivalent NPV, whether during an open season or otherwise, TETCO proposes in Section 3.12(A)(4) to award capacity to the bidder whose bid was received first in time, inclusive of the original requester.

#### Execution and Return of Service Agreements

In view of the streamlining of the contract processes, TETCO proposes to delete the current provision in Section 3.6 of the GT&C regarding the execution and return of service agreements within 30 days after TETCO tendered such agreement for execution. TETCO proposes that all contracts shall be executed by the shipper and returned to TETCO within 15 days, or 10 days provided that the contract is identical to the shipper's submitted request for service, of the later of (i) the determination of the winning bid in an

open season, or (ii) the tender of a service agreement by TETCO. A bid in the open season will bind the shipper if TETCO chooses such bid as the winning bid. Under Section 3.12(D) of the GT&C TETCO proposes that at the end of the open season, the winning bid is binding on the party that submitted the winning bid and a contract will be deemed to be executed at that time and the customer agrees to comply with the requirements of Section 3.6 of the GT&C.

#### Commitment to E-commerce Principles

On September 1, 2000, TETCO states that it brought online a new web-based information system providing the market with real time current gas day operational capacity information. This information system provides on an hourly basis, the physical capacity through each compressor station and the total real time confirmed nominations through the point. This map-based system allows the user to pinpoint any segment on the pipeline and quickly compare physical capability with actual confirmed nominations at the identified point. As additional nominations are confirmed within day, the system automatically posts the revised aggregate nominations. This new system also provides the market with access to the pipeline's real time balance providing the user an instantaneous view of the pipeline's net balance (nominations versus actual deliveries).

On November 1, 2000, TETCO also brought online a current customer usage information system. This system provides the customer with real time hourly take data, up to the minute actual accumulations (at the meter level and in total), and a forecasted delivery for the day based on current activity. The system also provides actual real time hourly and daily entitlements based on confirmed nominations. The customers will have the ability to determine their projected daily imbalance any time within the gas

February 9, 2001- FERC accepted effective January 7, 2001. Texas Eastern is revising its tariff sheets to (1) maintain its tariff provision awarding capacity on a pro rated basis; and (2) continue to allow a shipper to withdraw a request for service prior to the open season.

**RP00-553**  
**Transcontinental Pipe Line Corporation**  
**Order 587-G and 587-L Compliance**

**DATE FILED:** November 22, 2000

**ISSUES:** PGW has filed for Intervene status and Request for Clarification and Revenue Sharing in this issue.

**BACKGROUND:**

The purpose of this filing is to comply with the Commission's October 27, 2000 Order describing how imbalance netting and trading will be performed on the Transco system when such trading becomes operational.

**ACTIVITIES:**

December 1, 2000-PGW filed for "Leave to Intervene and Request for Clarification and Revenue Sharing"

Request for Clarification and Revenue Sharing

PGW believes that Transco should be required to provide fuller explanation of the common operational characteristics both uniting inter-zonal segments into a single OIA operational entity as well as the characteristic which separates each OIA from others which include separate portions of a single rate zone. Since the OIAs traverse the traditional rate zones established by Transco, the dispersion of a rate zone between separate OIAs seems to limit the shipper ability to net their imbalances to less than all the segments within the rate zone rather than the entire zone. In the instance of multiply zone OIAs, in order to trade over the entire OIA, it would be necessary to pay the maximum IT charges as well as the applicable fuel charge. The limitation on netting to a single zone within an OIA creates the resulting imbalances which are subject to the trading charges for inter-zonal trading within a single OIA. It also creates the possibility of multiple charges for trading imbalances within a single zone in the circumstance that each part of the single zone is in separate OIAs and each portion of the zone has imbalances that are traded within separate OIAs.

The proposed multiple zones OIAs with charges for inter-zonal transfers results in generating revenue for the pipeline as opposed to flowing imbalance penalties back to non-offending customers. Clearly Order 637's change in emphasis from penalties to prevention was not to create revenue for the pipeline, but both to mitigate operational problems and penalty revenues.

PGW does not oppose the OIA inter-zonal mechanism's purpose to limit arbitrage by individual customers for their own interest which operates against the system customers generally. PGW believes that any revenue generated by inter-zonal netting and trading within a single OIA should be subject to revenue sharing since both the maximum IT rate and the fuel charge includes a fixed cost component. These revenues should be shared 75% to non-offending firm customers and 25% to the pipeline.

**CP01-8**  
**Texas Eastern Transmission Corp.**  
**Leasing Capacity from Algonquin Gas Transmission Co.**

**FILED DATE:** October 10, 2000

**ISSUES:** PWG has filed for Intervenor status, Protest, and a Request to Hold in Abeyance to protect its rights in this case.

**BACKGROUND:**

On October 10, 2000, Tetco filed an application for a certification of public convenience and necessity authorizing the leasing of capacity on the Algonquin Gas system. Tetco seeks authorization to lease 80,000 Dth per day of capacity on Algonquin's system. The leased capacity will extend from the interconnection near Beverly, Massachusetts between Algonquin's proposed facilities in Docket No. CP01-5 and the facilities proposed by Maritimes & Northeast Pipeline, L.L.C. (Maritimes & Northeast) in Docket No. CP01-4 to the existing interconnection between Tetco and Algonquin in Lambertville NJ. The term of the lease is for 20 years and will commence on November 1, 2002, which coincides with the in-service dates of the proposed Algonquin and Maritimes & Northeast facilities.

The fixed monthly lease payment under this agreement is \$559,360; additionally Tetco will pay a volumetric charge equal to the maximum commodity charge applicable to Rate Schedule AFT-1 per Dekatherm delivered at Lambertville. Algonquin states that the monthly lease payment is less than the maximum recourse rate and thus meets Commission standards for lease payments. Tetco states the lease capacity will provide certain firm hourly swing rights, and will further the goals of Order 637 by enhancing Tetco's ability to provide imbalance management services on its system and mitigate the need to issue OFO's.

**ACTIVITIES:**

November 9, 2000- PWG has filed for a motion to "Intervene, Protest, and a Request to Hold in Abeyance."

**PROTEST:**

A. OFO's

Tetco states that the leased capacity will provide a permanent solution to providing firm hourly swing rights. PGW believes that it currently has firm hourly swing rights under Tetco's tariff, and that such rights are being undermined by the pipeline's continual issuance of OFO's which seem to be occasioned more to recapture firm capacity to sell to secondary firm customers and its failure to enforce the imbalance control provisions in its tariff. *The pipeline claims that it has proposed changes in its scheduling procedures and OFO provisions to implement this firm up of hourly flexibility.* Yet nowhere in this or the RP00-543 filings are there any proposals or indications that Tetco is reducing either the number or the severity of its OFO's restrictions. Tetco has proposed no operational measures or tariff provisions that limit its unilateral right in its sole judgement to issue the restrictive measures it has applied in the past. This failure creates a certain lack of confidence in the proposed solutions and gives cause for continued concern. PGW does not believe Tetco's purported assurances provide sufficient support for the Commission to accept this filing as a solution. The Commission must undertake both in this docket and the related docket RP00-543, a thorough review of Tetco's OFO policies. For the purpose of analysis, the Commission must require Tetco to provide data concerning its secondary firm capacity sales for the periods during which the OFO's have been issued, the volume of curtailed firm capacity and the volume of imbalance overages and identity of the offending parties prior to the issuance of OFOs. Without this, PGW is fearful that the additional capacity leased by Tetco from its affiliate pipeline will be used, as has occurred in the prior Tetco practice, to create more secondary firm capacity sales opportunities at the expense of primary firm capacity holders on the system.

#### B. OPERATIONAL ISSUES.

PGW has reviewed both the affiliate Algonquin Hub Line and Phase III of the Maritimes & Northeast projects. The proposed lease capacity seems to represent a significant proportion of the capacity proposed for those aforementioned projects. Both the lease proposal in this docket and the use of unsubscribed capacity at the expense of the storage customers in the Docket No. RP00-543 represents innovative proposals. However both seem designed more to serve the pipelines corporate purpose than to solve failures of its own operations. Under the cover of providing benefits to its customers, Tetco proposes mechanisms allegedly to deal with problems it itself has created. Tetco refuses to enforce its own tariff imbalance control provisions. It does not present any analysis to indicate the effect of not selling secondary firm during the periods when the OFO restrictions are in effect or not enforcing its tariff. There is no explanation of why the lease must include non-peak periods at a time when there does not seem to be a need for additional capacity. The only support to the proposals is TETCO's conclusory statement, which seems to be a self-serving proposal to resolve its operational problems.

#### REQUEST TO HOLD IN ABEYANCE

It is PGW's belief that any attempted solution Tetco proposes to address the issues of firm hourly swing rights and undue issuance of OFOs on its system can have only limited success unless Tetco makes operational changes. First the Commission must not permit

the pipeline to use the OFO mechanism to deprive firm customers of their capacity in order to create capacity to sell as secondary firm. Secondly, while the Commission supports the imbalance prevention goals of Order 637 it believes Tetco must be required to enforce its tariff against offending shippers. Tetco states that the filing complies with the Commission's policy in determining the need for the project. Unless the two mentioned operational changes are put into effect immediately and given a trial period, the Commission will be unable to determine whether the instant project or Tetco's proposal in RP00-543 are either needed, or will mitigate the problems which customers have had on the Tetco system.

PGW request that the implementation of both the subject proposal and the project proposed in Docket No. RP00-543 be held in abeyance until such time as Tetco implements (a) measures to enforce its tariff provision to control imbalances and (b) ceasing to sell secondary firm when ever there seems to be the threat that a OFO may have to be issued. PGW believes that the implementation of these two measures will help provide sufficient capacity to permit the firm hourly swing rights. Only by this analysis will the Commission be able to determine whether the proposals in this docket or in Docket No. RP00-543 are required, and if so the appropriate size. PGW is fearful that absent a through review and analysis of Tetco's OFO policies, the additional capacity leased from its affiliate may do nothing more than support additional secondary firm sales service at the expense of firm capacity holders on Tetco's system and impose unnecessary expense on the customers of the Algonquin Hub Line and Phase III Maritimes & Northeast Projects.

**RP00-543**  
**Texas Eastern Transmission Corp.**  
**Hourly Flexibility for Rate Schedules CDS, FT-1, SCT, and SS-1**

**DATE FILED:** September 19,2000

**ISSUES:** PGW has only filed for Intervenor status and a Request for Rejection of the Filing at this time in order to protect its rights in this case.

**BACKGROUND:**

On September 15, 2000 Texas Eastern Transmission Corporation (TETCO) tendered for filing as part of its FERC Tariff, Sixth Revised Vol. No. 1, the revised tariff sheets (Appendix A) to become effective November 1, 2000.

TETCO states the purpose of the filing is to provide its customers firm hourly flexibility up to 110% of 1/24<sup>th</sup> of their contract MDQ for 6 hours on any day under Rate schedules CDS, FT-1, SCT, and SS-1.

TETCO states it will reserve 130,000 dekatherms per day of capacity on its main line from the Lebanon Lateral to the Zone M2/M3 boundary, and will operate this capacity essentially as additional storage, necessary to provide the firm up of additional hourly capacity.

TETCO will fund the dedication of capacity to provide this additional hourly flexibility through the elimination of the storage cost credit contained in Rate Schedules SS-1, FSS-1, SS, and X-28.

**ACTIVITIES:**

September 27, 2000- PGW filed a motion with the Commission for "Leave to Intervene and Protest" and "Request for Rejection of Filing"

TETCO proposes to laden upon its customers the burden of its operational problems stemming from its long time reluctance to obtain sufficient storage capacity to properly serve its customers. Their continuous streams of OFOs provide ample evidence of this failure (i.e. January 2000). The pipeline further exacerbates the situation by its recent practice of using firm customers capacity made available by OFO restrictions to provide secondary capacity for sale to certain customers for the profit of the pipeline.

As pointed out in PGW's protest in RP00-404-000 (the Philadelphia Lateral Proposal), TETCO proposed, by issuance of OFO's to institutionalize its right to siphon off customer's primary capacity for sale as secondary capacity.

TETCO claims that the capacity used in the filing operates as a surrogate for storage. There seems to be a very tenuous nexus between capacity derived from line pack and storage which is subject to ratchets and operational parameters such as injection and withdrawal rights.

TETCO admits that the capacity is unsubscribed currently, and the pipeline proposes that its firm storage customers, who pay year round, reservation charges, pay for this part time use of unsubscribed capacity by loss of their storage credit.

The filing gives no consideration to the financial impact on its various rates schedule customers. Large FT customers with little or no storage, who actually contribute to the problem, receive large benefits, as opposed to customers with large SS-1 contracts, who have been enabling the system to operate, lose payment for the pipeline's use of their storage rights.

TETCO does not offer any data support whatsoever that the 130,000 dth/d is an appropriate amount of capacity to address its service problems. PGW requests that TETCO be required to file a Section 4 general rate case to fully examine which assets are and are not fully utilized on the TETCO system. PGW requests rejection of the filing until such assets are identified.

The purpose of this proposal allegedly is to mitigate the need for OFO issuance. However there is no language or proposal to, in any way, reduce TETCO's unilateral right to issue OFOs. TETCO tariff does not provide a procedure, which identifies order in which services are cut prior to issuance's of an OFO. There should be a reduction of TETCO right to issue OFOs.

While the pipeline proposes use of Zone M-2 capacity, there are no studies or data relating to the impact on Zone M-3.

Certain operational characteristics of TETCO proposed services remain unclear:

1. Can a customer overrun for six consecutive hours?
2. Over what period does the customer have to return the gas?
3. Does the gas have to be returned at a uniformed hourly rate?
4. If gas is returned within the six hours following its use may a customer then complete a second six-hour overrun and return the gas within the same twenty-four hour period.
5. There is no provision for the impact of the filing on released volumes. How does the right to excess volumes apply to the Releaser or Releasee?

PGW questions why TETCO needs to purchase additional gas supplies to render this service. Customers will not be permitted to alter their MDQs and any supplies withdrawn in excess of the 1/24 hourly allocation must be returned within the day. At the end of each day, TETCO's supply balances for the excess gas should be neutral.

PGW opposes the use of the AS Deferred Account as the mechanism to collect the cost of any purchased gas. This mechanism provides no incentive for the pipeline to make the least cost purchases, as the pipeline suffers no impact. This cost should be assigned directly to those customers on whose behalf the cost was incurred.

September 25, 2000- FERC issued an order accepting and suspending tariff sheets subject to refund and other conditions.

November 1, 2000- Texas Eastern Filed an Information Response Pursuant to October 25, 2000 Order.

November 14, 2000-PGW filed Comments to the Texas Eastern Information Compliance Filing.

FERC in its October 25, 2000 order accepting and suspending TETCO September 15, 2000 filed tariff sheets purportedly to provide firm hourly flexibility, required TETCO to: (1) support its assertion that the filed service would mitigate its issuance of OFOs; (2) explain why its proposal needed to have an entire year duration rather than restricted to that peak winter season and (3) explicitly assert that the pipeline would no longer need to borrow customer storage to provide no notice services and to document that claim, if made by TETCO, by showing that any reduction in credits to the firm storage customers was matched by a equivalent reduction in cost of using customer storage.

There seems to be a direct conflict between the instant filing which proposes the use of 130,000 dt/t as the solution and the pipeline's filing in Docket No. CP01-8 in which it seems to assert that 70,000-dt/t lease would provide a permanent solution. There are no current hourly flow restrictions except during the issuance of OFOs. The result is that TETCO storage customers are being asked to pay to have their rights reduced during those periods when the OFOs restricting hourly flow rights have not been issued.

In its justification for implementation of the proposal for the entire year, TETCO offers only the irrelevant explanation that its summer swing demands have increased, essentially because of use by its cogeneration customers.

In its restructuring filing to supplement its admitted insufficient storage capacity to provide no-notice service during the winter peak period, the current customer storage credit mechanism was approved. There was nothing regarding summer swings by customers who were not customers until years later. The customers whose credits are

exposed to elimination generally do not use the services for which they are being asked to pay.

May 17, 2001- FERC issues an order granting in part rehearing and rejecting certain tariff sheets.

**RP00-535**  
**Texas Eastern Transmission Corp.**  
**Right-of –First Refusal**

**DATE FILED:** September 5, 2000

**ISSUES:** PGW filed for Interveneor status and Request for Clarification to protect its rights in this case.

**BACKGROUND:**

On September 5, 2000 Texas Eastern Transmission Corp. filed as part of its FERC Gas Tariff, Sixth Revised Tariff sheets.

Texas Eastern states that the purpose of this filing is to comply with the requirements of Order 637 regarding the wavier of the rate ceiling for short-term capacity release transactions and the prospective limitations on the availability of the Right-of -First Refusal.

**ACTIVITES:**

September 14, 2000- PGW filed a motion with the Commission for "Leave To Intervene and Request for Clarification".

Request for Clarification

Texas Eastern in the revised Section 3.13 (A) of its General Terms and Conditions GT&C) in the subject filling addresses Order 637's new Right-of-First-Refusal (ROFR) conditions. The language in this section is purporting to comply with the exception to the denial of ROFR rights to either discounted or negotiated rate contracts may be misinterpretation. For the purpose of avoiding future disputes, PGW requests clarification that the meaning of the tariff language precisely echoes the meaning to the Order 637 language in Order 637 series of Orders. Texas Eastern's proposed tariff provides for a one time ROFR exemption for contracts entered into prior to October 2, 2000. PGW requests that the Commission clarify that existing discounted firm service long-term contract holders of contracts entered into prior to the effective date of Order 637 will continue to have ROFR rights upon expiration of their present contracts provided that the new or re-executed firm service contracts are at the maximum rate for a period of twelve (12) consecutive months or for more than one year of service for services which is not available for twelve months.

**RP00-468**  
**Texas Eastern Transmission Corp.**  
**Compliance with Orders in Docket # RM98-10 RM98-12**

**DATE FILED:** August 15, 2000

**ISSUES:** PGW has filed for Intervenor status to protect its rights in this case.

**BACKGROUND:**

The purpose of Texas Eastern's (Tetco) filing was to comply with the Commission's Orders in docket Nos. RM98-10 and RM98-12, requiring Tetco to submit pro forma tariff sheets complying with the new regulations governing segmentation, scheduling equality, imbalance services, operational orders, and penalties.

**ACTIVITIES:**

August 25, 2000- PGW filed with the Commission a motion for "Leave to Intervene"

January 9, 2001 Texas Eastern met with the Commission Staff and interested parties and agreed to continue discussions and will file a status report before April 30, 2001.

February 6, 2001- Texas Eastern submits a status report relating to its Order 637 proceeding. Texas Eastern has scheduled another meeting on February 20, 2001, in Washington D.C.

May 30, 2001-Texas Eastern, in accordance with its agreement to submit periodic status reports regarding settlement discussions with its customers, Texas Eastern reports that it has agreed to provide its customers, on a settlement basis revised tariff sheets by June 20, 2001, and to hold a two day conference with its customers and interested stakeholders on July 10-12, 2001. Texas Eastern proposes to file additional status report by the end of July, 2001.

June 12, 2001- The Commission informed Texas Eastern that staff intends to process their Order No. 637 filing in the near future. Accordingly, Texas Eastern is encouraged to finalize discussions with customers and revise any pro forma tariff sheets by July 31, 2001. Otherwise Staff will proceed to process Texas Eastern's filing based on the pro forma tariff sheets submitted on August 15, 2001.

July 31, 2001- Texas Eastern submitted its filing in accordance with the Commission's suggestion in its June 12, 2001 letter.

**Statement of Nature, Reasons and Basis**

Pursuant to the Commission's June 12, 2001 order, Texas Eastern in the instant filing is providing revised *pro forma* tariff sheets as it was encouraged to do by such order. In addition to the revised *pro forma* tariff sheets, Texas Eastern is providing supportive testimony and documentation to facilitate the Commission's review of its compliance with Order No. 637.

Texas Eastern has already complied with the new real time reporting requirements and marketing affiliate reporting requirements required by Order No. 637. As of November 1, 2000, Texas Eastern began providing capacity information updated every few minutes both with respect to the operational capacity available on the Texas Eastern system and the status of imbalances, on a system-wide and on a proprietary shipper and point operator basis.

Texas Eastern states that it has already addressed certain of the Order No. 637 requirements, including: (i) Scheduling equality through pre-creditworthiness approvals and an umbrella capacity release agreement; (ii) imbalance management tools (albeit at no charge) under Texas Eastern's Rate Schedules TABS-1, MBA, and under Rate Schedules ISS-1 and SS-1, as well as through operational balancing agreements (OBAs), subject to the terms of Texas Eastern's tariff; and (iii) segmenting and flexible point authority cited with approval by the Commission in Order No. 637.

Order No 637 requires pipelines to implement scheduling equality as between primary firm capacity holders and release capacity holders, to address segmentation of contractually held capacity, flexible point rights, and secondary point priority, and to implement imbalance management services. Additionally, pipelines are required to review their penalty and OFO provisions to ensure that they are narrowly crafted to address operational problems and to credit penalty revenues collected by the pipeline back to the customers.

### **Scheduling Equality**

Order No 637 requires pipelines to "permit shippers acquiring release capacity to submit a nomination at the earliest available nomination opportunity after the acquisition of capacity. If the pipeline requires the replacement shipper to enter into a contract, the contract must be issued within one hour after the pipeline has been notified of the release, but the requirement for contracting must not inhibit the ability of the replacement shipper to submit nomination at the earliest available nomination opportunity. In this connection, the Commission suggested a pre-approval process in Order No. 637, which would include creditworthiness requirements.

As set out in Texas Eastern's August 15, 2000, filing in Docket No. RP00-468, Texas Eastern already has in place a procedure to which customers seeking released capacity may be pre-approved for creditworthiness, as well as an umbrella capacity release Form of Service Agreement. Under the umbrella agreement, all that is required with respect to

each release transaction is for a replacement customer to complete a new exhibit describing the terms of the capacity release. Additionally, Texas Eastern has implemented electronic contracting so that customers may contract directly with Texas Eastern virtually instantaneously. Texas Eastern has previously implemented the procedures suggested by the Commission in Order No. 637 to ensure scheduling equality between primary capacity holders and replacement customers. Replacement customers can submit nominations at the earliest available nomination opportunity after the acquisition of capacity, and the replacement contract is issued within one hour (or less). The requirement for contracting does not inhibit the ability of the replacement shipper to submit a nomination at the earliest available nomination opportunity. The ability to submit nominations at the earliest nomination opportunity is available to both prearranged replacement shippers and replacement shippers who obtain capacity through bids.

Additionally, Texas Eastern has agreed to enhance the flexibility of its capacity release program by modifying Section 3.14(G)(3) of the General Terms and Conditions (GT&C) of its FERC Gas Tariff to give the releasing shipper the option of guaranteeing the financial obligations of a replacement shipper that has not yet established credit in accordance with Texas Eastern's creditworthiness requirements. Also Texas Eastern is modifying 3.14 to reflect the revised capacity release time line recently approved by the Gas Industry Standards Board. While this change has not yet been approved by the Commission, Texas Eastern is volunteering to implement it at this time. Finally, in conjunction with discussions with its customers, Texas Eastern has provided for both partial day releases and partial day recalls on its system. These measures, along with measures described below regarding segmenting, provide equality for both initial firm shippers and replacement shippers.

### **Segmentation, Scheduling, Secondary Point Rights and Related Issues**

**Segmentation.** Texas Eastern already has in place substantial segmenting of contractually based capacity on its system in excess of that required in Order No. 636. Order No. 637 requires segmenting of capacity for which a customer has contracted, to the extent reasonable feasible. Pursuant to 18 C.R.F. Section 284.7(d) promulgated by Order No. 637: "An interstate pipeline that offers transportation service under Subpart B and G of must permit shipper to make use of the firm capacity for which it has contracted by segmenting that capacity into separate parts for its own use or for the purpose of releasing that capacity to replacement shippers, to the extent such segmentation is operationally feasible."

Richard J. Kruse details in his testimony the contractual basis for capacity rights. Texas Eastern's customers' are carefully defined in the Access Area, the Market Area, across transportation zones, and at receipt and delivery points (both point location and maximum daily receipt and/or delivery obligations). As set forth in Texas Eastern's August 15, 2000 filing, Texas Eastern currently permits segmenting on its system and, was looked to as a model by the Commission in Order No. 637 for segmentation principles. In order to

facilitate and provide additional equality, Texas Eastern is simplifying its existing segmentation program to permit primary capacity in the Market Area to segment through the nomination process without having to utilize capacity release provisions contained in Section 3.14 of the GT&C of Texas Eastern's tariff.

In addition, Texas Eastern will continue to permit firm capacity holders to deliver gas beyond their primary point of delivery, within the same zone, subject to the requirement that such deliveries will not exceed the lowest utilized quantity ("LUQ). The LUQ is equal to the difference between the maximum daily specified in the service agreement and the highest quantity of gas scheduled under a Rate Schedule CDS, FT-1, or SCT service agreement to be delivered within the Transportation Path in the same zone in which the Transportation Path for such service agreement terminates.

By way of example, assuming a contract with an MDQ of 100 and assuming the maximum schedule delivery at a point of segmentation within the path is 90, the customer will have the ability to deliver 10 outside the path but within the same zone as the Primary Point of Delivery. Additionally, the LUQ assures that if the customer has not delivered its MDQ within the same zone in which the Transportation Path terminates, the customer may transport the LUQ outside the zone in which the Primary Point of Delivery is located, so long as the customer pays the one hundred percent (100%) load factor rate for the out of zone transportation. Of course, all deliveries at segmented points outside the Transportation Path, are treated as secondary unless qualifying for primary point treatment under the existing approved tariff. Consistent with Order No. 637 and general Commission policy, customers will not be allowed, either by segmentation or through capacity release, to create overlapping capacity rights and thereby depart from their contracts to the detriment of other customers on the Texas Eastern system.

With respect to backhauls, customers having LUQ rights (which are capped at their contract rights) will not be able to backhaul to points in excess of their contractual rights. Permitting such a practice would in effect double or multiply their contract maximum daily contrary to the Order No. 637 requirements which limits segmenting to capacity for which a customer had contracted. This was made clear in a brief to the United States Court of Appeals for the District of Columbia Circuit in which the Solicitor for the Commission stated that the Commission did not intend to disturb contracts. Also as a policy matter, disruption of contracts and related uncertainty as to what the contractual rights and obligations of parties undermines relations among parties, destroys incentives to enter into new contracts, and harms both the pipeline and the customers' ability to market unsubscribed capacity. Further, customers are paying for the capacity for which they have contractually subscribed, not for the system in general. The Commission has made clear in numerous cases that customers are not entitled to capacity for which they have not contracted. Additionally, the scheduling and curtailment provisions of Texas Eastern's tariff are being modified to define the priority of capacity obtained through segmentation in relation to Texas Eastern's other services.

### **Hourly Flows**

As set forth in Section 4 of the GT&C of Texas Eastern's FERC Gas Tariff, Texas Eastern has the right to require uniform hourly flows both as a matter of scheduling and pursuant to the Operational Flow Order ("OFO") provisions of its tariff. Nevertheless, to the extent operationally available, Texas Eastern has allowed customers on the Texas Eastern system to swing on an hourly basis.

However, under the Texas Eastern tariff, there is no directive as to how to prioritize hourly swing among various secondary or interruptible services for scheduling and curtailment/restriction purposes. In order to address this issue, Texas Eastern proposes to clarify, as set forth in proposed new Section 31 of the GT&C of Texas Eastern tariff, rights of customers under Rate Schedules CDS, FT-1, SCT, and SS-1 to take at their Primary Delivery Points scheduled daily quantities at hourly rates in excess of a uniform hourly flow rate, so long as this excess hourly flow rate does not adversely affect Texas Eastern's ability to meet its firm obligations to customers or otherwise affect safe and reliable operation of its system. Excess hourly flexibility at primary delivery points shall have priority over all other interruptible and secondary services. Thus, before Texas Eastern will limit excess hourly flow rates, Texas Eastern will first curtail or interrupt secondary and interruptible transactions.

Second, if necessary to limit excess hourly flow rates, Texas Eastern would limit, on an Operational Impact Area basis, excess hourly flow rates to a rate equivalent to one hundred and twenty percent (120%) of the uniform hourly flow rate. If such reductions are insufficient to resolve operational concerns, Texas Eastern will limit hourly flow rates to a uniform hourly flow. Of course these provisions do not change Texas Eastern's daily contract obligations (i.e. Texas Eastern has no obligation to deliver in excess of the scheduled gas quantity for any given day). Also, new Section 31 does not elevate excess hourly service to a firm service. Texas Eastern has also included provisions to give three hours advance notice, at a minimum, of operating conditions that require Texas Eastern to implement any of the hourly flow limitations under Section 31. Texas Eastern will endeavor not to impose uniform hourly flow rates within the same Gas Day. Texas Eastern has included revisions in the scheduling and curtailment provisions of its tariff to reflect the changes contained in Section 31.

### **Discounting**

Texas Eastern has addressed discounting in the testimony of Richard J. Kruse. In short, Texas Eastern provides discounts based on conditions in particular markets and the characteristics (and similarities) of the customers serving those markets. Texas Eastern submits that its policy is in accord with Commission's directive regarding selective discounting and with respect to what constitutes a customer who is the same or similarly situated for purpose of undue discrimination and undue preference provisions of the Natural Gas Act.

### **Imbalance Management Services/Penalties/ Operational flow Orders**

Under Order No. 637, pipelines are required to implement imbalance management services so that their systems will no longer be dependent on a "command and control" system of addressing imbalances, but rather will employ an economically rational system that will provide services that are both appropriately priced and give proper market signals. Additionally, pipelines may not discriminate against the provisions of such services by third parties.

Currently, Texas Eastern provides imbalance management services under its Rate Schedules TABS-1 and MBA and enters into OBA as well. There are no rates applicable to these services, however. Also, as testified by Richard J. Kruse, Greg E. McBride, and Charles R. Plott, the monthly cashout provisions contained in Texas Eastern's FERC Gas Tariff is being utilized effectively as a free, but firm, park and loan option. In short, the existing tariff does not fully satisfy the requirements of Order No. 637 to employ an economically rational system that gives customers appropriate price signals to resolve imbalances.

In addressing this issue on a comprehensive and economically rational basis, Texas Eastern has revised its *pro-forma* tariff sheets to include (i) netting and trading, (ii) a new park and loan ("PAL") service, (iii) revised weekly cashout procedures, and (iv) a new Rate Scheduling TABS-1 Scheduling Penalty. Also, in accordance with the Commission's statements in Order No. 637 that a pipeline should allow third parties to provide imbalance management services to customers on its system, Texas Eastern has modified the Preliminary Statement of its tariff to provide that nothing in the tariff is intended to inhibit the development of or discriminate against the use of imbalance management services provided by third parties or Texas Eastern's customers. It also provides that any party interested in providing imbalance management services must coordinate with Texas Eastern. This latter provision is not intended to inhibit the use of third party services, but merely to ensure that any such services will not adversely affect the provision of firm services to Texas Eastern's customers or the safe and reliable operation of the pipeline system, consistent with Order No. 637.

Netting and trading, Rate Schedule PAL, Rate Schedules TABS-1, MBA, SS-1 and ISS-1, the OBA's, and the cashout provisions work in tandem and are designed to ensure that there in fact is a conversion to a service-oriented approach towards managing imbalances as envisioned by Order No. 637. Richard J. Kruse testified that unless all of these matters are addressed in a comprehensive and integrated fashion, the goals of Order No. 637 simply cannot be satisfied. To the contrary, without changes in the cashout provisions currently in effect under Texas Eastern's tariff, customers will continue to use existing monthly average price cashout as if it were a free, and firm, park and loan service. Such use is contrary to existing park and loan precedent. Moreover, appropriate economical signals and customer performance based on those economic signals, as required by Order No. 637, simply will not be forthcoming.

As detailed in testimony of Richard J. Kruse, and supported in other testimony, Texas Eastern's *pro-forma* tariff sheets contain a weekly cashout mechanism as part of a comprehensive imbalance management approach. As Richard J. Kruse explains, Texas Eastern prefers a daily pricing cashouts, with monthly invoicing. Daily pricing would give a signal each day as to what it will cost a customer (or pipeline) to carry imbalances between scheduled and allocated quantities. However, to accommodate customer concerns to an immediate change to daily cashout, Texas Eastern is implementing a weekly cashout, with a change to spot price indices tied to each zone on the pipeline system. As set forth in Section 8 of the GT&C of Texas Eastern's tariff, the predicate for weekly cashout is first the cashout party's responsibility to maintain each day as nearly as practicable the equality between quantities actually taken under each service agreement and schedule quantities under each service agreement, and to maintain concurrent balance between receipts and deliveries under the service agreements. Additionally, to reduce or eliminate cashout exposure, the customer may use any or all of the imbalance management services offered which include Rate Schedule TABS-1 and MBA, an OBA (where applicable), storage options under Rate Schedule ISS-1, the Rate Schedule PAL service, Imbalance Netting and trading, and any imbalance management services that may be offered by Texas Eastern's customers third parties.

Assuming that a customer's imbalance is not eliminated, weekly imbalances would be cashed out in accordance with revised Section 8. of the GT&C. In the case of an imbalance due Texas Eastern (caused when allocated deliveries exceed scheduled deliveries or when scheduled receipts exceed allocated receipts), Texas Eastern will calculate an imbalance percentage, defined as the lesser of the operational imbalance percentage or the actual imbalance percentage for the Gas Week. If a cashout party's weekly imbalance percentage is less than or equal to four percent (4%), the weekly cashout will be based on the average of the applicable daily MidPoint prices for the Gas Week. If the imbalance percentage is greater than four percent (4%), the weekly cashout amount will be based on the highest applicable Common Price for the Gas Week applied to the entire weekly imbalance. The amount due the pipeline will be determined by multiplying the applicable weekly index price for the applicable Operational Impact Area (defined in new Section 1.29A in the Definitions section of the GT&C) times the actual quantities of excess deliveries or deficiency of receipts for the Gas Week. Rate Schedule SCT customers' imbalances will be determined after Texas Eastern subtracts up to 700 dekatherms times the number of days in the Gas Week (never to be less than 2500 dekatherms) from SCT customers' total weekly imbalance. For Rate Schedule SCT customers the imbalance within the exempted quantities will be cashed out at the average of the applicable MidPoint Price for the Gas Week. The same formula will be used to calculate the cashout due customers.

Texas Eastern's netting and trading mechanism contained in the *pro-forma* tariff sheets tracks its weekly cashout mechanism. Transportation differentials are taken into account and must be paid by the trading parties.

Finally, as suggested by the Commission in Order No. 637, Texas Eastern is creating a new park and loan service for customers to use as an imbalance management tool. Texas Eastern will credit park and loan revenues to customers in accordance with the IT crediting provisions of the Amended Global Settlement and its Tariff. The priority of this service is addressed in Section 4.1(I) of the GT&C and the curtailment priorities set forth in Section 4.2(B) of GT&C. The park and loan service has the lowest priority for scheduling purpose and is restricted first over other services pursuant too the curtailment provisions of Texas Eastern's Rate Schedule PAL is consistent with other park and loan services approved by the Commission.

Customers may use netting and trading and the park and loan service to avoid altogether any cashout impact. In addition, should a third party propose to provide imbalance management services, such services could likewise be used to avoid any cashout impact. Finally, some customers are covered by OBAs will not be directly affected by the cashout provisions.

### **Penalties**

Texas Eastern is modifying the penalty amount for OFO violations and curtailment order violations. Section 4.2(G)(2) of the GT&C has been modified to reflect a curtailment penalty equal to 3 times an appropriate daily Index Price. Section 4.3 (A)(7) establishes a two-tear penalty scheme to reflect different levels of severity. The Action Alert Penalty Charge will be calculated as 110% of the appropriate daily Index Price, and the OFO Penalty Charge will be calculated as 3 times the appropriate daily Index Price. Texas Eastern submits that this comports with the requirements of Order No. 637 to carefully craft penalties to different levels of severity of operational impact on the Texas Eastern system which might impair Texas Eastern's ability to render safe reliable service.

Additionally, Texas Eastern is modifying its tariff to provide that any revenue collected from curtailment and OFO penalties (the only penalties in Texas Eastern's existing tariff) will be credited with the offending/non-offending customer principles articulated in Order No. 637. Texas Eastern will maintain a separate accounting of the revenues collected and credited for two penalties and will calculate the credit for the non-offending customers on a monthly basis, with credits to be provided on an annual basis or sooner if the total accumulated amount of each individual account reaches \$1,000,000.

Additionally, Texas Eastern has added a new Section 2.5 to Rate Schedule TABS-1 which contains specific information relating to the calculation of the TABS scheduling penalty that Texas Eastern will impose on TABS-1 parties whose TABS service points are out of balance on a scheduled basis (but not on an actual flow basis) at the end of a Gas Day. Any such penalty revenues will be credited to TABS-1 parties that did not incur a penalty pursuant to this new Section 2.5 for a month. This provision is being added to eliminate an abuse of the system, consistent with the imbalance management service requirements of Order No. 637.

### **Operational Flow Orders**

Texas Eastern has made minor changes to its already detailed OFO provisions (in addition to the change in the penalty levels described above) to ensure that OFOs are only issued in the event there is a threat of impairment of reliable service. Additionally, Texas Eastern will provide additional information regarding system operations which will alert customers as to the possibility of an OFO and will provide further information as to the reason for an OFO on its Internet Web site. Texas Eastern is also instituting a pre-OFO provision, termed an Action Alert, to address in as localized as manner as possible, situations which, if remediated, would not require Texas Eastern to issue an OFO. Finally, Texas Eastern has created different penalty provisions for deviations from Action Alerts and from OFOs. Briefly, the Action Alert penalties are based on 110% of the applicable daily price index, while OFO penalties are based on three times such index. The penalty amounts collected under these provisions will be credited back to customers.

### **Other Issues**

#### **Right of First Refusal**

Texas Eastern's right of first refusal mechanism has been approved repeatedly by the Commission since implementation in connection with Texas Eastern's Order No. 636 proceedings in Docket No. RS92-11. In Order No. 637, the Commission discussed a "regulatory right of first refusal." Texas Eastern believes that its current tariff is fully in accord with this so-called "regulatory right of first refusal," but in any event, as discussed by the Commission in its brief before the US Court of Appeals for the District of Columbia Circuit in *Interstate Natural Gas Association of America v. FERC, No. 98-1333*, et al. any changes in Texas Eastern's right of first refusal provisions would have to be made pursuant to a properly implemented NGA Section 5 proceeding in which the burden of proof would be on the Commission or third parties, and any changes would have to be based on substantial record evidence. Texas Eastern believes that its current right of first refusal, if anything, favors customers because of the bias created by the five year cap imposed on the right of first refusal.

#### **Implementation**

Texas Eastern request that the Commission permit Texas Eastern at least 90 days after a final Commission decision on its compliance filing to place its approved Order No. 637 tariff sheets into effect, with a further period of time to implement depending on the timing of software implementation, and that it not be required to place such tariff sheets into effect during the winter heating season.

August 30, 2001- PGW filed a protest to the July 31, 2001 compliance filing by Texas Eastern.

## **BACKGROUND OF COMPLIANCE FILING**

In Order No. 637, the Commission required all interstate pipelines to make pro forma tariff filings to comply with new regulatory directives. On August 15, 2000, Texas Eastern tendered for filing pro forma tariff sheets in Docket No. RP00-468-000 to implement modifications required by Order No. 637. Following collaborative meetings held by Texas Eastern with its customers and other interested parties, the submission of written comments by various parties to the Commission, a technical conference scheduled by the Commission Staff and status reports filed by Texas Eastern, the Commission, by Order issued June 12, 2001, notified Texas Eastern that the Commission would process Texas Eastern's Order No. 637 filing, either as originally filed or as might be filed by Texas Eastern on or before July 31, 2001. PGW hereby submits its protest of Texas Eastern's July 31, 2001 filing on the grounds identified below.

## **PROTEST-**

### **A. Hourly Flows/Prioritization of Service:**

Texas Eastern states that although under Section 4 of the General Terms and Conditions of its current tariff it has the right to require uniform hourly flows both as a matter of scheduling and pursuant to the Operational Flow Order ("OFO") provisions of its tariff, to the extent operationally available, it has allowed customers on the Texas Eastern system to swing on an hourly basis.

Texas Eastern states however, under its tariff there is no directive as to how to prioritize hourly swing among various secondary or interruptible services for scheduling and containment/restriction purposes. So to address the issue, Texas Eastern proposes to clarify, as set forth in proposed new Section 31 of the General Terms and Conditions of Texas Eastern's tariff, rights of customers under Rate Schedules CDS, FT-1, SCT and SS-1 to take at their Primary Delivery Points scheduled daily quantities at hourly rates in excess of a uniform hourly flow rate.

Texas Eastern further states that if necessary, to limit excess hourly flow rates, it would limit, on an Operational Impact Area basis, excess hourly flow rates to a rate equivalent to one hundred and twenty percent (120%) of the uniform hourly flow rate, and if such reductions are insufficient to resolve operational concerns, Texas Eastern will limit hourly flow rates to a uniform hourly flow.

**Protest:** Historically, PGW has been able to take its gas supply entitlements based upon a maximum daily contracted quantity comprised of hourly swing variations in its gas supply take on the pipeline. Texas Eastern proposes a fundamental change in the nature of service provided under PGW's existing CDS and FT-1 contracts. Currently, Texas Eastern offers a daily service which can be curtailed to an hourly service. The curtailment is established through the issuance of a Commission approved OFO mechanism contained in Texas Eastern's tariff. In the instant proceeding, the pipeline proposes to eliminate the customer's daily entitlement service while replacing it with an hourly entitlement service. Texas Eastern avers that it will allow customers on its system to take gas beyond the proposed hourly entitlement where operationally feasible.

Although this may appear to render the same level of service to Texas Eastern's customers, in reality, this is a significant change in the service currently provided. The change manifests itself in the fact that the pipeline must currently use the Commission approved OFO mechanism identified in Texas Eastern's tariff to curtail service. As proposed, the customer's level of service will always be at the pipeline's discretion. This represents a diminution of its existing excess hourly flow level of service. If Texas Eastern's system is properly designed, adequately maintained, coupled with the curtailment prioritization of interruptible and secondary services, there should be no reason why Texas Eastern cannot honor its existing firm contract entitlements even during design day/hour circumstances. PGW requests that the Commission accept Texas Eastern's language regarding the curtailment prioritization of interruptible and secondary services, as these issues should be clearly defined in Texas Eastern's tariff anyway. The Commission should not permit any reference to changing the firm customer's firm daily entitlements to firm hourly entitlements absent the issuance of the appropriate OFO or Action Alert. Further, with the issuance of an OFO or Action Alert, firm hourly entitlements should first be reduced to 120% of firm hourly entitlements prior to the reducing of service of 100% of firm hourly entitlements.

Under Texas Eastern's current tariff, there is no directive as to how to prioritize hourly swing among various secondary or interruptible services for scheduling and curtailment/restriction purposes. In order to address this issue, Texas Eastern proposes to clarify the rights of customers under Rate Schedules CDS, FT-1, SCT, and SS-1 to take at their Primary Delivery Points scheduled daily quantities at hourly rates in excess of a uniform hourly flow rate, so long as this excess hourly flow rate does not adversely affect Texas Eastern's ability to meet its firm obligations to customers or otherwise affect safe and reliable operation of its system. PGW has additional firm transportation services with Texas Eastern, namely FTS-2, 7, and 8. The filing is unclear if these firm schedules will also receive the highest priority during times of curtailment or other interruptible transactions on the pipeline. PGW has asserted its belief in various proceedings that Texas Eastern's past willingness to issue OFO's was predicated upon the fact that the pipeline was essentially limiting the rights of firm capacity holders in order to generate additional revenues by selling secondary firm capacity. While PGW applauds the fact the Texas Eastern proposes to include the prioritization of curtailment of service identified in this proceeding in its tariff, as stated above, PGW does not agree that it is subject to hourly entitlements absent the issuance of an OFO.

#### **Imbalance Management Services/Park and Loan Service**

**Background:** Under Order No. 637, pipelines are required to implement imbalance management services so that their systems will no longer be dependent on a "command and control" system of addressing imbalances. The Commission has stated that Imbalance Management Services should be employed based on an economically rational system that will provide balancing services and tools to the shipper community that are both appropriately priced and give proper market signals. Additionally, pipelines may not discriminate against the provisions of such services by third parties.

Texas Eastern acknowledges that the existing tariff does not fully satisfy the requirements of Order No. 637 to employ an economically rational system that gives customers *appropriate price signals to resolve imbalances*.

**Proposed:** Texas Eastern states that to address this issue it has revised its pro forma tariff sheets to include (i) netting and trading, (ii) a new park and loan ("PAL") service, (iii) revised weekly cashout procedures, and (iv) a new Rate Schedule TABS-1 Scheduling Penalty. Texas Eastern is implementing a weekly cashout, with a change to spot price indices tied to each zone on the pipeline system. Assuming a customer's imbalance is not eliminated, weekly imbalances would be cashed out in accordance with revised Section 8.5 of the General Terms and Conditions.

**Protest:** PGW believes that the current cashout mechanism is deficient since it provides no degree of uncertainty to shippers that wish to arbitrage the system. Essentially, there is little motivation for a shipper to remain in balance throughout the month since the monthly cashout mechanism is predictable. This is coupled with the fact that shippers may be able to game the system since all costs are calculated within the month. Therefore, PGW supports moving away from the current cashout mechanism. However, PGW believes that the proposed cashout mechanism is onerous from the perspective that it *limits the customer's ability to rectify any unintentional imbalances that may occur during a week*. This is further exacerbated by the fact that under the proposed mechanism, a week may be as short as three days at the beginning and end of the month. PGW believes that it may be operationally impossible to operate effectively under these conditions.

Texas Eastern is creating a new park and loan service for customers to use as an imbalance management tool. Despite Texas Eastern's assertions that the park and loan service has the lowest priority for scheduling purpose and is restricted first over all other services, PGW is concerned about how this new service will degrade its current firm transportation and storage services, particularly as it applies to hourly swing capabilities.

**CP98-540-000**  
**TRANSCO**  
**MARKETLINK PROJECT**

**DATE FILED:** May 13, 1998

**ISSUES:** PGW has only filed for Intervenor status at this time in order to protect its rights in this case.

**BACKGROUND:**

The purpose of this filing is for authorization to construct and operate certain pipeline facilities to create additional firm transportation capacity of 700,000 dekatherms per day (dth/d) to serve increased market demand in the Mid-Atlantic and South Atlantic regions of the United States by a proposed in-service date of no later than November 1, 2000 (MarketLink Project).

Transco states that the MarketLink Project will provide a link in the transportation of Canadian and Midwestern natural gas supplies, from expansion projects currently under development and proposed, to markets in New York, New Jersey, Pennsylvania and upstream markets along the Atlantic Seaboard which are accessible through backhaul arrangements on Transco's system. Transco also states that the MarketLink Project provides shipper access to diverse gas supplies at the developing market hub at Leidy, Pennsylvania, including gas supplies sources on any of the six interstate natural gas pipelines that interconnect with Transco at Leidy (including the pipeline system proposed by Independence Pipeline Company) or gas supplies delivered from storage at the Leidy hub.

Transco proposes to provide firm transportation service on an open access, non-discriminatory basis for the following shippers:

Shipper	Maximum Daily Term Quantity (Dth/d)	(Yrs.)
AEC Marketing (USA) Inc.	15,000	10
Coral Energy Resources, LP	50,000	10
Eastern Energy Marketing, Inc.	90,000	10
Engage Energy (U.S.), LP	210,000	10
Enron Capital & Trade Resources Corp.	30,000	10
LFG Energy, LLC	5,000	15
Natural Gas Clearinghouse	30,000	5
Renaissance Energy (U.S.) Inc.	23,000	10
Williams Energy Services Company	210,000	10
	Total 663,000	

The firm transportation service under the MarketLink Project will be provided under Rate Schedule FT of Transco's FERC Gas Tariff, Volume No. 1, and Transco's blanket certificate under Part 284(G) of the Commission's regulations. Transco states that the MarketLink shippers were provided the option of paying a cost based recourse rate or an individually negotiated rate plus fuel and all applicable surcharges under Rate Schedule FT. Transco states that the proposed recourse rate is based on a straight fixed-variable rate design methodology and an incremental cost of service.

Transco states that in order to create the additional 700,000 Mcf/d of firm capacity, Transco proposes to construct and operate the following facilities:

1. The Haneyville Loop; 24.19 miles of 42-inch diameter pipeline loop between milepost 161.29 in Lycoming County, Pennsylvania and milepost 185.48 in Clinton County, Pennsylvania,
2. The Williamsport Loop; 13.23 miles of 42-inch diameter pipeline loop between milepost 129.51 in Lycoming County and milepost 142.74 in Lycoming County, Pennsylvania and 1.79 miles of 36-inch diameter pipeline loop between milepost 142.74 in Lycoming County and milepost 144.53 in Lycoming County, Pennsylvania,
3. The Benton Loop; 17.73 miles of 42-inch diameter pipeline loop between milepost 28.56 in Luzerne County, Pennsylvania and milepost 115.18 in Columbia County, Pennsylvania,
4. The Allentown Loop; 6.27 miles of 42-inch diameter pipeline loop between milepost 30.29 in Northampton county, Pennsylvania and milepost 36.56 in Northampton County, Pennsylvania,
5. The Clinton Loop; 29.23 miles of 42-inch diameter pipeline loop between milepost 0.14 in Somerset County, New Jersey and milepost 29.37 in Warren County, New Jersey,
6. The Stirling Loop; 23.88 miles of 42-inch diameter pipeline loop between milepost 1789.53 in Somerset County, New Jersey and milepost 1812.36 in Morris County, New Jersey,
7. The Roseland Loop; 18.81 miles of 36-inch diameter pipeline loop between milepost 1820.66 in Essex County, New Jersey and milepost 1839.47 in Bergen County, New Jersey,
8. The Woodbridge Loop; 5.46 miles of 42-inch diameter pipeline loop between milepost 1802.73 in Middlesex County, New Jersey and milepost 1808.19 in Union County, New Jersey,

9. The Bordentown Loop; 7.10 miles of 36-inch diameter pipeline loop between milepost 18.96 in Burlington County, New Jersey and milepost 26.06 in Burlington County, New Jersey,

10. The Raritan River Loop; 0.30 miles of 42-inch diameter pipeline loop crossing the Raritan River between milepost 1794.70 in Middlesex County, New Jersey and milepost 1795.00 in Middlesex County, New Jersey,

11. The Mt. Laurel Replacement; The replacement of an existing 6.3 miles of 12-inch diameter pipeline loop between milepost 30.53 in Burlington County, New Jersey and milepost 36.83 in Burlington County, New Jersey, with a 36-inch diameter pipeline loop. The 12-inch pipeline segment will be removed and the 36-inch replacement pipeline will be installed in the same trench,

12. Impeller replacement on two (2) existing 12,600 horsepower, turbine-driven compressor units at Transco's existing Compressor Station 520, located at milepost 157.52, in Lycoming County, Pennsylvania,

13. The installation of two (2) new 15,000 horsepower, turbine-driven compressor units, re-wheeling of one (1) existing 12,600 horsepower, turbine-driven compressor unit and impeller replacement on two (2) existing 5,500 horsepower, turbine-driven compressor units at Transco's existing Compressor Station 517, located at Milepost 115.80, in Columbia County, Pennsylvania,

14. The installation of one (1) 15,000 horsepower, turbine-driven compressor unit, the re-wheeling and up-rating of an existing 12,600 horsepower, turbine-driven compressor unit to 15,000 horsepower at Transco's existing Compressor Station 515 located at milepost 68.95, in Luzerne County, Pennsylvania,

15. The installation of one (1) 15,000 horsepower, electric motor-driven compressor unit and impeller replacement on two (2) existing 7,000 horsepower, electric motor-driven compressor units at Transco's existing Compressor Station 205 located at milepost 1773.30 in Mercer County, New Jersey,

16. The installation of a 36-inch diameter interconnecting pipeline from the proposed meter building outlet of Independence Pipeline Company, (as proposed in Docket No. CP97-315) to Transco's existing 23-inch Leidy Line "A", 24-inch Leidy Line "B", and 30-inch Leidy Line "C" at milepost 194.06 in Clinton County, Pennsylvania,

17. Modifications to reduce pressure in Transco's 42-inch Mainline C from 1,200 psig to 800 psig at Transco's existing Centerville Regulator Station located at milepost 0.11 in Somerset County, New Jersey,

18. Modifications to reduce pressure in Transco's 36-inch Mainline D from 800 psig to 638 psig at Transco's existing Roseland Regulator Station, located at milepost 1820.66 in Essex County, New Jersey,
19. Modifications to reduce pressure in Transco's 42-inch Mainline E from 800 psig to 638 psig at Transco's existing Linden Regulator Station, located at milepost 1808.19 in Union County, New Jersey, and
20. Modification of inlet/outlet headers at existing Compressor Station 200 at milepost 1722.24 in Chester County, Pennsylvania to provide flow control under certain operating conditions on Transco's Trenton Woodbury Lateral.

The proposed facilities, for the most part, will be installed either entirely within or immediately adjacent to existing pipeline or utility rights-of-way and Transco's existing compressor station yards. Transco states that the proposed facilities will cost an estimated \$528,767,973. Transco requests that the Commission issue a preliminary determination on the non-environmental aspects of its proposal by November 1, 1998, and a final order granting the authorizations requested herein by May 1, 1999.

**ACTIVITY:**

June 5, 1998- PGW filed a motion with the Commission for "Leave to Intervene."

## **RP97-71**

### **Transco Rate Case**

**DATE FILED:** November 1, 1996

**ISSUES:** PGW addresses a variety of issues in this case including rate of return, throughput, cost determination and allocation and the roll-in of incrementally priced facilities. PGW activity participated with a) the Transco Customer Group regarding cost of service and throughput issues, b) the Transco Municipal Group to addresses rate of return issues and c) Con-Ed Et. Al. regarding roll-in of incrementally priced facilities.

#### **BACKGROUND:**

On November 1 , 1996, in Docket No. RP97-71-000, Transco filed revised tariff sheets to increase its rates pursuant to section 4 of the Natural Gas Act. In addition, Transco proposed to: (1) roll in the cost of the incrementally-priced facilities on the Leidy Line and Southern Expansion projects, (2) set the rate for an interruptible back haul equal to the rate of its forward haul, and (3) lift Mobil Bay "at-risk" condition. On November 29, 1996, the Commission accepted and suspended the proposed tariff sheets to be effective May 2, 1997, subject to refund and the outcome of a hearing, The Commission also consolidated the roll-in issues raised by the proceeding in Docket No. RP95-197. On April 1, 1997, in Docket No. RP97-312, Transco filed revised tariff sheets to implement a new interruptible parking and borrowing service under Rate Schedule PBS. On April 30, 1997, the Commission accepted and suspended the tariff sheets to be effective, subject to refund, on May 1, 1997, and also consolidated the rate issues raised by the filing with Docket No. RP97-71.

#### **ACTIVITIES:**

A variety of settlement and technical conference, depositions and assorted rounds of testimony were completed and filed during 1997 resulting in a settlement offer that was mutually acceptable to all parties.

On January 20, 1998, Transco filed a proposed settlement offer to resolve many of the outstanding issues in Docket No. RP97-71, including cost of service (excluding rate of return), throughput and certain allocation and rate issues. the settlement also modifies Transco scheduling and balancing "cash out" provisions for its firm and interruptible transportation rate schedules. Finally as delineated below, the settlement reserves several issues for further litigation or settlement.

On March 5, 1998, the settlement was certified to the Commission by the Presiding Administrative Law Judge ALJ as a contested settlement. The ALJ certified the instant settlement offer to the Commission, as contested, because of the comments of several parties (including PGW) requesting changes or clarifications of certain provisions of the settlement proposal. However, the ALJ noted that, although twenty-one parties had filed comments on the settlement offer all of the participants either that they supported or that they did not oppose the Settlement offer.

The settlement resolves numerous issues on the Transco system. Article I of the settlement outlines the settlement cost of service. The overall cost of service, as of May 1, 1997, is \$689.7 million, a reduction of approximately \$103.3 million from the cost of service underlying Transco's filed rates in Docket No. RP97-71. The settlement after tax return of 12.00 percent is subject to the Commission's final decision in this proceeding.

Article II and Appendix C of the settlement describe the settlement throughput. The settlement establishes an overall throughput of 2,570,938.716 Dth, exclusive of gathering throughput volumes. This consists of 1,334,000,000 Dth of firm service volumes and 965,000,000 of interruptible service volumes. Overall gathering throughput volumes are established at 52,167,765 Dth for gathering services.

Article III of the settlement describes the settlement cost classification, cost allocation, and rate of design. Article III also states that the a"at risk" condition imposed by the Commission in certificating Transco's Mobil Bay Facilities remains in effect and that the settlement resolves the application of this condition for Docket No. RP97-71 rate period.

Article IV of the settlement described the provision for Transco's accumulated deferred income tax account (ADIT) and establishes ADIT levels of \$5,364,447 and \$1,492,573 for Federal income taxes and for state income taxes (net of Federal) of \$1,492,573, respectively.

Article V states that Appendix D contains the settlement rates for the period from May 1, 1997, until the effectiveness of the settlement. The settlement rates are subject to the outcome of the reserved issues and the refund floor. Article V further provides that within sixty days of the settlement becoming effective, Transco will provide refunds with interest and states that Transco's refund obligation is limited by the settlement rates in Docket No. RP95-197, as adjusted by final decisions of the Phase I and II issues. Article VI further states that effective May 1, 1997, Transco will share with certain customers 75 percent of the fixed cost component of revenues from Rate Schedule PBS, ISS and ICTS and any new service. Article VI further states that if Transco is authorized to "spin-down" its gathering facilities, it will file a limited Section 4 filing to the extent it is necessary to prevent over collection of costs. Article VI also states that Transco will implement a firm gathering service upon the effectiveness of the settlement. Finally, Article VI provides that Transco will modify its scheduling and balancing "cash out" provisions for its firm interruptible transportation rate schedules. Appendix F contains the modification to be implemented upon the effectiveness of the settlement.

Article VII of the settlement reflects Transco's agreement to file a section 4 (e) general rate case to be effective no later than September 1, 2001, assuming a five-month suspension period. Article VIII of the settlement sets forth the issues from the instant proceeding and the proceeding in Docket No. RP95-197 that are reserved for hearing or further settlement. With respect to the contingent issues from the Docket No. RP95-197 settlement, Article VIII preserves the procedures adopted at the initial prehearing conference in the instant proceeding.

Finally, Article VIII provides for retention of the participants' right to seek resolution or dismissal of any reserved issue without an evidentiary hearing and sets forth the issues reserved for hearing.

Article IX of the settlement addresses the rights of contesting parties and provides for refunds, with interest, or surcharges to contesting parties. Article X allows Transco to revise its rates and make refunds and collect surcharges based on settlement rates, should a court reverse the Commission's decision on the settlement offer. This article states that it is severable and survives if the Commission's order approving settlement is subsequently reversed or modified on appeal. Article XI contains certain reservation provisions. Among other things, it states that the settlement represents a negotiated compromise and that no participant has agreed to any underlying principle. Article XII provides that the settlement becomes effective on the first day of the month commencing at least 30 days after the final Commission order approving the settlement.

The settlement provides benefits for Transco's customers by reducing Transco's cost of service by approximately \$103 million from its initial filing in Docket No. RP97-71. The settlement also increases the service choices for customers because it would allow Transco's gathering customers the option of electing a firm gathering service. Further, the settlement requires that Transco will file a new NGA general rate case by September 1, 2001, which will allow the Commission and Transco's customers a full review of Transco's rates.

With regard to the revenue sharing provision, PGW requested a clarification of the revenue sharing provision, of Article VI, Section A of the settlement offer which states in part:

*Transco shall implement, effective May 1, 1997, and extending through the RP97-71 Rate Period, revenue sharing procedures under which the fixed cost component of revenues received by Transco from service provided under its Rate Schedules PBS, ISS, AND ICTS and from any "New Service" .... shall be shared, subject to the provisions of Section A, annually 75% to the customers as identified below and 25% to Transco. For purposes of this Section A only, the RP97-71 Rate Period, as defined in Article I, shall not end as a result of a Commission order directing a change in Transco's jurisdictional rates pursuant to NGA Section 5 if and only if Transco agrees, or the Commission determines, that said order will have a de minimis effect on Transco's ability to recover the Settlement Cost of Service.*

For the purpose of settlement, PGW states that it agreed to accept the de minimis standard as set out in the settlement offer to allow the revenue sharing provision to continue. However, PGW objected that the settlement offer affords "Transco a unilateral right to make this [de minimis] determination". PGW requested that this section of the settlement offer should be clarified so that the de minimis determination be made solely by Commission order with all the protection available to the parties pursuant to proceeding which must precede an order by the Commission.

In its Reply Comments, Transco contends that the clarification by PGW is unnecessary. Transco argued that the only unilateral determination it can make is to agree to a particular NGA Section 5 order will have a de minimis effect on its ability to recover its settlement cost of service. In that event, according to Transco, the revenue sharing procedures of the settlement proposal will continue and PGW would be satisfied with that outcome. Transco further argued that if, on the other hand, it does not agree that the effect would be de minimis, PGW's rights are still protected, since the Commission would determine this issue.

Because of the fairly complicated settlement language involved, the Commission believes that a clarification of the settlement is warranted on this issue. PGW, has, in essence, requested that the Commission clarify that the Commission alone, not Transco, will make the determination of whether an NGA Section 5 order, which would otherwise terminate the Docket No. 97-71 Rate Period, will have a de minimis effect on Transco's ability to recover its settlement cost of service. The settlement ambiguously provides for agreement by Transco or a determination by the Commission. While the Commission generally agrees with Transco's explanation, the process by which the de minimis finding should be clarified. Given the operation of the settlement provisions, as described above, the Commission must first issue an NGA Section 5 order, which would otherwise terminate the Docket No. RP97-71 Rate Period in order for the de minimis standard contained in Article I, Section A to come into play. Because the Commission must first specifically determine that a NGA section 5 rate order has the effect of terminating the Docket No. RP97-71 Rate Period, it will also specifically determine in the same proceeding whether such a rate order will have de minimis effect on Transco's ability to recover its settlement cost of service and, as a result, will specifically order revenue crediting either to continue or to terminate. As Transco has indicated, if it agrees that the effect is de minimis, the Commission will order revenue sharing to continue. If Transco does not agree, then the Commission will determine whether or not the effect is de minimis and will issue a ruling and an order deciding the matter. In so doing, the Commission will fully evaluate the effect of its NGA section 5 order and give due consideration to Transco's position, as well as the positions of the other parties, on the matter.

### **Outstanding Issues Of Importance To PGW**

This case was divided into two phases plus the resulting severed issues. The settlement only addresses issues contained in Phase II as discussed above. Phase I refers to the rate

of return issue which cannot be settled until the Commission makes a determination on Rule 404 which determines the appropriate use of the company's capital structure or that of its parent, appropriate risk assessment and the rate of return. Please see RP95-197 for additional details regarding this matter.

Due to size and complexity of this issue, coupled with the variety of outcomes that could be generated, PGW cannot determine the rate level or an associated refund level. PGW has no procedural basis to believe that any associated refund resulting level. PGW has no procedural basis to believe that any associated refund resulting from settlement of this issue will necessarily occur in PGW's 1999-00 fiscal year.

**Reference:** RP95-197, RP97-312

April 27, 2001-Consolidated Edison Company, PECO Energy Company, Pennsylvania Office of Consumer Advocate, Philadelphia Gas Works, and Washington Gas Light Company (collectively, Con Edison, et al) request a rehearing of the Commissions March 28, 2001 Order on Rehearing.

**Summery of Position:**

The March 28, Order erred in disposing of this case under the 1995 Pricing Policy Statement rather than the 1999 Certificate Policy Statement. The case law is clear to the effect that, having adopted a new policy, the Commission must consider whether the application of that policy to this case will best effectuate the policies underlying the Natural Gas Act. The facts are also clear. Transco has proposed a roll-in of projects certificated with incremental pricing for no other reason than to obtain an anti-competitive advantage over other pipelines. The intervenors in support of the roll-in base their position on nothing more than a desire to obtain a \$55 million subsidy from Transco's system customers. These objectives have been found unacceptable by the 1999 Certificate Policy Statement. The Commission should grant a rehearing, conclude that the record is adequate to apply the 1999 Certificate Policy Statement, and conclude that Transco has not demonstrated that its roll-in proposal is just and reasonable.

**Specification of Errors**

1. The Commission erred in failing to apply the 1999 Certificate Policy Statement in this proceeding.
2. The Commission erred in failing to find that the proposed roll-in of the Leidy Line and Southern Expansion projects had not been shown to be just and reasonable.

**Conclusion:**

The Commission having adopted the 1999 Certificate Policy Statement, is not free to refuse to apply this policy to this proceeding solely because of the date of the hearing or a perceived inadequacy of the record. Its first obligation is to determine whether the goals

of the NGA are best met by applying its new policy or its old policy to this case. Since the 1999 Certificate Policy Statement is currently being applied to Transco's current rate case for previously certificated projects, there can be no rational for refusing to do so in this proceeding.

If the record in this proceeding were inadequate to resolve the incremental v. roll-in question under the 1999 Certificate Policy Statement, the only appropriate course of action would be to remand the proceeding to the Presiding Judge to build that record. However, the record is clear as to each fact of concern under the 1999 Certificate Policy Statement. The Commission already knows that

(1) Transco is seeking a subsidy from its other customers, (2) these projects were not certificated on the basis of any claim that they would be for the benefit of any entity other than the expansion customers, (3) neither Transco nor the expansion shippers relied on Battle Creek or the 1995 Pricing Policy Statement when the projects were certificated and (4) there have been no changes in circumstances since the original dates of certification.

## **RP95-197**

### **Transco Rate case**

**DATE FILED:** March 1, 1995

**ISSUES:** Increase in rate base (\$132M) resulting from additional plant and higher working capital requirements and a reduction in Accumulated Deferred Income Taxes; an increase in operational and maintenance expenses; and an increase in Transco's cost of capital resulting from an increases in the equity component of the capital structure.

Proposed rate of return on equity of 15.25 percent.

Transco states that changes reflected in the filing compared to the pre-filed methods in place on the Transco system are principally: (1) elimination of the Non-Gas Demand Charge under Rate Schedule FS; (2) refunctionalization of certain jointly owned transmission facilities to the gathering functions pursuant to Commission orders issued since Transco's last rate case filing; (3) elimination of the IT revenue crediting mechanism based upon Transco's allocation of almost \$87 million to interruptible transportation and gathering services which reflects the trend of Transco's operating experience under Order No. 636; (4) elimination of a reverse South Georgia adjustment due to the fact that as of September 1995 Transco will have flowed back to ratepayers the entirety of its formerly-over funded deferred taxes; (5) elimination of revenue credits to cost of service for the transportation of liquefiabiles (because such transaction are herein reflected as part of the projection of IT throughput); (6) reduce FASB No. 106 expense resulting, in part, from the flowback of a regulatory liability created during the Docket No. RP92-137 rate period; and (7) miscellaneous tariff revisions as described in the Statement of Nature, Reasons, and Basis.

Finally, the filing proposes on a prospective only basis the following changes to the pre-filed methods: (1) a new Rate Schedule ICTS (Interconnect Transfer Service) that provides short-haul transfer services between pipeline interconnections or third-party facilities connected to TGPL; (2) a new Rate Schedule GMS (Gas Management Service) that provides for the borrowing or parking of gas at designated pooling points; and (3) elimination of the "at risk" certificate condition governing Transco's Mobile Bay facilities.

#### **BACKGROUND:**

Essentially, the case is currently divided into phases. Phase I deals with Rate of Return issues and Phase II with Cost of Service. PGW has elected to conserve resources and litigation expense in this proceeding by participating in two industry groups. The *Transco Municipal Group* is comprised of four companies that are dealing with Phase I

issued. An expert witness has been obtained by the group to refute Transco's ROR assertions.

Second, PGW is actively participating in the Transco Customer Group which is comprised of 15 LDC's in an effort to address Cost of Service (COS) issues.

#### **ACTIVITY:**

March 10, 1995- PGW filed a motion for "Leave to Intervene, Protest, Request For Rejection, And In The Alternative, Full hearing Procedures. In this filing, PGW protest the following:

1. Transco filed inadequate documentation to support an increase.
2. Excessive ROR.
3. Elimination of revenue credits for transportation of liquifiables.
4. Elimination of the "At Risk" for Mobil Bay Lateral.
5. Environmental remediation costs.
6. Introduction of rate schedules GMS and ICTS.

April 21, 1995- PGW and COS Group filed data requests.

May 26, 1995- Transco objects to several of the data requests filed by PGW and the COS Group.

June 1, 1995- Transco issued a "Motion To Transfer Issues From Technical Conference to Phase II of the Rate Case". This represents a consensus between the pipeline and the customers when it became apparent that in the technical conference forum the pipeline and the customers would be bound by the decision of the judge with little opportunity to arrive at a clear settlement of the issues. Furthermore, both sides could potentially end up with less than desirable results. Therefore, this was deemed procedurally acceptable to all parties.

June 13, 1995- The judge granted consolidation of the issues formerly in the technical conference as requested in Transco's motion of 6/01/95.

June 15, 1995- The ROR group filed an "Application to Subpoena" Transco and Williams Energy for discovery response.

August 1, 1997- The Commission issued its Opinion and Order Modifying Initial Decision in this proceeding (Opinion No. 414). In Opinion No. 414, the Commission modified the Kentucky West Virginia capital structure analysis and, following the modified analysis, adopted Transco's own capital structure for ratemaking purposes. To determine Transco's allowed return on equity (ROE), the Commission utilized the two-step Discount Cash Flow (DCF) methodology as it was modified by Opinion No. 396-B. Finally, in accordance with Opinion No. 396-B analysis, the Commission assessed

Transco's risk and set its ROE at the midpoint of the Zone of reasonableness established by reference to the proxy companies. On rehearing, the Commission has determined that further revisions to its ROE policies are warranted.

July 29, 1998, the Commission issued an "Order On Rehearing" also known as "Opinion No. 414-A

December 1, 1998- The Commission issued its Order on Rehearing (Opinion No. 414-B). The Commission denied rehearing of Opinion No. 414-A.

January 11, 1999- Transco filed a motion for "Extension of Time in which to File Refunds".

January 22, 1999- PGW filed an answer in Opposition to Motion for Extension of Time.

January 28, 1999- The Commission issued an Order granting an extension of time until March 31, 1999.

#### **BACKGROUND FOR ROR:**

This proceeding commenced on March 1, 1995, when Transco filed a request for a general rate increase of \$132 million. Transco proposed a 12.59 percent after-tax return based on its own capital structure and a 15.25 percent ROE. On March 31, 1995, the Commission issued an order accepting and suspending the proposed tariff sheets to be effective September 1, 1995, and setting the matter for hearing.

The Presiding Administrative Law Judge (ALJ) issued the Phase I initial decision on December 18, 1996 (Initial Decision). The ALJ rejected Transco's request to utilize its own capital structure, finding that Transco's parent company, The Williams Companies (TWC) controls Transco's financing and has manipulated Transco's capital structure in order to increase its common equity ratio. The ALJ also found that Transco's own 57.58 percent common equity ratio does not reasonably reflect its operating risks. Accordingly, the ALJ adopted TWC's capital structure, with its common equity ratio of 48.21 percent. In determining the appropriate ROE for Transco, the ALJ utilized the two-step DCF methodology established in Ozark Gas Transmission System. The ALJ determined Transco's projected growth by averaging a short-term growth projection based on data from the Institutional Brokers Estimate System (IBES) and a long-term growth projection based on commodity data from DRI/McGraw Hill (DRI). Finally, the ALJ found Transco to be appreciably less risky than most regulated pipeline companies; therefore, he adopted a risk-based downward adjustment to Transco's allowed ROE.

On exceptions, the Commission modified the Initial Decision and held that Transco's own capital structure should be utilized in this proceeding. The Commission found that Transco issues its own non-guaranteed debt and has a bond rating separate from that of its corporate parent. Additionally, rather than relying on an assignment of the pipeline's

financial independence or the degree of parental involvement in developing a capital structure for the pipeline, the Commission announced that it would utilize the pipeline's equity ratio if it fell within the range of equity ratios established by proxy companies used for the DCF analysis.

In setting Transco's allowed ROE, the Commission followed the Ozark two-step DCF methodology, as it was modified in Opinion No. 396-B. The Commission required that IBES data be utilized in determining the short-term growth projection to be averaged with a long-term growth projection. However, for the long-term growth projection, the Commission relied on Opinion No. 396-B and required that the long-term growth be that of the Gross Domestic Product (GDP), as determined by reference to three well known sources. Finally, again following the Opinion No. 396-B methodology of setting the applicant's ROE at the top, midpoint, or bottom of the zone of reasonableness established by the proxy companies, the Commission assessed Transco's relative risk and set its ROE at the midpoint of the zone of reasonableness.

With regard to capital structure, in Opinion No. 414, the Commission modified the Initial Decision and adopted Transco's own capital structure for ratemaking purposes in this proceeding. Although they disagreed regarding its application, all of the parties accepted the capital structure analysis established in Kentucky West Virginia. That case reaffirmed the Commission's general preference for using a regulated pipeline's own capital structure for rate making purposes. However, the Commission held in Kentucky West Virginia that it would use an alternative if (1) the pipeline's financing is controlled by another entity, such as a corporate parent, or (2) the pipeline's actual capital structure does not reasonable reflect its operating risk.

In Opinion No. 414, the Commission applied the first prong of the Kentucky West Virginia test, finding that Transco issued its own debt, which is not guaranteed by TWC, and that Transco has its own separate bond rating, different from that of TWC. Although the Commission recognized that subsidiaries commonly have close financial, operational, and managerial relationships with their corporate parents, it found that Transco had demonstrated that it bears responsibility for its own financing. In reaching its decision, the Commission relied on evidence of (1) the termination of Transco Energy Company's (TEC) restrictive debt covenants that prevented Transco from accessing the financial markets independently; (2) TWC's policy that requires its subsidiaries to be financially independent; (3) Transco's use of the Revolver, which contains provisions indicating that the lending institutions view Transco as solely responsible for repayment of its borrowing; (4) Transco's separate agreement under which a major bank could purchase up \$100 million of Transco's trade receivables; and (5) Transco's upgraded bond ratings applicable to pre-merger debt for which Transco remains solely responsible.

The Commission also recognized in Opinion No. 414 that, under the first prong of the Kentucky West Virginia test, it previously had conducted a more searching inquiry into the financial autonomy of a pipeline applicant than simply determining whether the pipeline issued its own debt and had a separate bond rating. However, the Commission

indicated that case-by-case examination of the pipeline financial autonomy under the first prong of the Kentucky West Virginia test could lead to anomalous results. For example, if the existence of typical financial, operational, and managerial ties to a corporate parent were to prevent the use of the subsidiary's own capital structure, that would almost always require use of the parent's capital structure, contrary to the Commission's preference for using the regulated pipeline's actual capital structure. Moreover the Commission held that divining and judging the worthiness of a corporate parent's motivations and then establishing an appropriate capital structure based largely on that process involves a degree of subjectivity that is ill-suited to fulfilling the Commission's obligation to protect ratepayers through its ratemaking process.

Although the Commission acknowledged that its ratemaking policies can create an incentive for the parent of a regulated utility to maintain an equity-rich capital structure in the subsidiary, the Commission emphasized that it remained committed to its obligation to protect rate payers from excessive rates, including those that could result from manipulation of a regulated subsidiary's capital structure. Accordingly, the Commission announced a revised capital structure analysis under which it would continue to ascertain whether the regulated pipeline issued its own non-guaranteed debt and has its own separate bond rating. However, the Commission modified other aspects of the Kentucky West Virginia analysis, explaining that it now would determine whether the pipeline's equity ratio falls within the range of equity ratios of the market-tested proxy companies employed in the DCF analysis. If so the Commission stated that it would utilize the pipeline's own capital structure for ratemaking purposes. On the other hand, should the pipeline's equity ratio fall outside the zone of reasonableness, the Commission stated that it would employ the capital structure of the pipeline's corporate parent. The Commission concluded that its revised analysis would lead to more consistent results because it would not require an elevation of the underlining motives of the corporate parent. The Commission further announced that this portion of the capital structure analysis no longer would include an evaluation of the pipeline's relative risk, as it formally did under the second prong of the Kentucky West Virginia test. Finally, the Commission concluded that intervenors in this proceeding had not shown that TWC's actions were unreasonable or created an excessive increase in Transco's equity ratio.

The request for rehearing concerning the capital structure to be utilized in this proceeding address two issues. First, Transco and the intervenors generally challenge the Commission's modification of the Kentucky West Virginia analysis. Second, the intervenors contend that the facts of the case mandate the use of TWC's capital structure.

On rehearing, the Commission has concluded that the modified Kentucky West Virginia analysis does not provide sufficient flexibility to permit it to evaluate individual pipeline circumstances. Thus as discussed below, the Commission will vacate the policy announced in Opinion No. 414 that favors utilization of the applicant's own capital structure if its equity ratio falls within the range of the proxy companies' ratio. Traditionally, the Commission has preferred to utilize the applicants own capital structure and will continue to do so if the applicant issues its own non-guaranteed debt and has its

own bond rating. But the Commission will utilize an imputed capital structure (most often that of the corporate parent) if the record in a particular case reveals that the pipeline own equity ratio is so far outside the range of other equity ratios approved by the Commission and the range of proxy company equity ratios that it is unreasonable.

Despite this change, this Commission affirms its determination to employ Transco's own capital structure in this proceeding. As the Commission found in Opinion No. 414, Transco issued its own non-guaranteed debt and has a bond rating separate from that of TWC. Although they are not essential under the revised test, other factors cited by the Commission in Opinion No.414 support a determination that Transco is responsible for payment of its own debts. Finally, as discussed below, Transco's equity ratio is reasonable when compared to equity ratios approved by the Commission in other proceedings and when compared to those of the proxy companies.

The Commission was persuaded that the Opinion No. 414 modification to the Kentucky West Virginia analysis that would limit it to the range of proxy companies is overly mechanistic and would, as the parties have suggested, focus almost entirely on the two companies at the top and the bottom of the proxy range. However, reversing Opinion No. 414 on this issue does not necessarily require a different result. Accordingly, in addition to considering whether the applicant issues its own non-guaranteed debt and has a separate bond rating, the Commission also will compare the applicant's capital structure with those approved by the Commission for other pipelines, as well as those of the proxy companies.

The Transco Municipal Group disputed the significance of the different bond ratings held by Transco and TWC, contending the credit quality of many pipelines is heavily influenced by the consolidated capitalization and credit quality of their parent companies, the reciprocal shifts in bond ratings actually demonstrates the linkage between TWC and Transco. However, the Commission rejected these arguments, as it did in Opinion No. 404.

In that proceeding the Commission declined to accept a claim that the credit quality of a pipeline is strongly influenced by that of the consolidated parent, finding that this did not undercut Panhandle's independent status in the financial market.

In Opinion No. 414, the Commission observed that it had utilized Transco's own capital structure in a previous rate case, based in part on a finding that the pipeline had its own standing in the financial markets.

TMG challenged the finding that Transco issued its own debt without guarantees from TWC. For example, TMG challenges the Commission's reliance on statements by Transco and TWC officials that TWC requires its subsidiaries to be responsible for their own financing, maintaining that, in fact, TWC exerts heavy influence on Transco's day-to-day financial activities. However, in Opinion No. 414, the Commission stated that it would no longer examine the possible motivations of a corporate parent in increasing a

pipelines subsidiary's equity ratio but, nonetheless, stated that, even if it did examine this evidence, the evidence did not show that TWC's actions were unreasonable or created an excessive increase in Transco's equity ratio.

In Opinion No. 414, the Commission also examined provisions of the Revolver and concluded that the banks lending money under the Revolver treat Transco as a stand-alone entity, solely responsible for repayment of its debts. 44/On rehearing, the intervenors continue to argue that Transco's participation in the Revolver demonstrates reduced financial independence for Transco. TMG asserts that the Revolver was imposed on Transco by TWC, that requests for borrowing under that instrument are forwarded by TWC, indicating that TWC is the borrower, and that TWC oversees subsidiary borrowing in order to manage the available credit. TMG also cited a provision of the Revolver providing that an event of default existing as to any TWC subsidiary "also exists as to TWC".

While the Commission acknowledged in Opinion No. 414 that there is evidence relating to the Revolver that is consistent with a finding that there are close managerial and financial ties between Transco and TWC, the Commission also recognized other evidence supporting a conclusion that banks loaning money under the Revolver look to Transco as Solely responsible for repayment of its own debt. In fact, the Commission emphasized that Transco actually has borrowed and repaid \$105 million under the Revolver without any guarantees from TWC.

In reaching its conclusion that Transco's use of the Revolver shows that the leading banks treat Transco as a stand-alone entity, the Commission observed that the joint credit agreement in that case could be compared to the provisions of the Revolver in this proceeding.

With regard to capital structure, in Opinion No. 414, the Commission reversed the Initial Decision, rejecting allegations that TWC had manipulated Transco's capital structure so that the resulting capital structure, with its equity ratio of 57.58 percent, was atypical. The Commission observed that an appropriate structure for the pipeline can fall within a very broad range, depending on the record in a particular case. The commission also emphasized its obligation to protect ratepayers from excessive rates, including those that might result from the thickening of a subsidiary capital structure. Thus seeking more consistent results in establishing capital structures, the Commission announced that, in addition to determining whether the pipeline issues its own debt and has its own bond rating, the Commission would ascertain whether the subsidiary's equity ratio falls within the range established by the proxy companies. The Commission also found that, even if it were to examine the motivations of Transco's corporate parent, the intervenors had not shown that TWC's actions were unreasonable or created an excessive increase in Transco's equity ratio.

In this case, the Commission concluded that Transco's own capital structure, with its equity ratio of 57.58 percent, is appropriate and will result in just and reasonable rates.

TMG alleges that the record contains no evidence that TWC or Transco intended to achieve a least-cost capital structure. Had that been a consideration, TMG points to evidence suggesting that Transco could have achieved a favorable bond rating with between 44 percent and 49 percent common equity. The Commission rejected these arguments. The Commission stated in Opinion No. 414 and has affirmed here that it will not examine the underlying motivations or actions of a pipeline's corporate parent. Apparently, Transco meets the Commission's objective criteria in that it has non-guaranteed publicly held debt, has a separate bond rating, and has an equity ratio that is reasonably related to other equity ratios approved by the Commission and to the equity ratio of the proxy companies. Additionally, while TMG is engaging in speculation about the bond rating, even if Transco could have received an equally favorable bond rating with a lower common equity ratio, that does not require Transco to maintain the equity ratio at the lowest possible level that the rating agencies would find acceptable to warrant that bond rating.

Finally, TMG submits that a proper market-driven comparison can be fashioned on the record of this case by relying on a percentage deviation above and below the midpoint of the proxy group range. For example, states TMG, the Commission could monitor pipeline capital structures effectively by ensuring that they are within 15 percent of the midpoint of the proxy group. In TMG's view, this more constructive process would use a broader group of companies as the market test, rather than focusing on a single company at one extreme. TMG also asserts the Commission's new approach is defective because it does not utilize sampling data of the proxy companies.

The Commission has stated that it will no longer require a pipeline's equity ratio to be within the range of the proxy companies' equity ratio. Second, TMG has not demonstrated that its proposal to require a pipeline's equity ratio be within 15 percentage points, of the midpoint of the proxy group is a superior way to determine the capital structure for ratemaking purposes. The Commission also rejects the argument that its approach is defective because it does not rely on sampling data. Ascertaining the appropriate capital structure for pipeline ratemaking purposes does not require the use of sampling data.

Accordingly, because Transco has demonstrated that it has (1) publicly held debt that is not guaranteed by TWC, (2) its own bond rating, separate from that of TWC, and (3) an equity ratio that is reasonably consistent with other equity ratios approved by the Commission and those of the proxy companies, The Commission that the use of Transco's own capital structure in this proceeding will result in just and reasonable rates.

With regard to Return On Equity, in Opinion No. 414, the Commission modified the Initial Decision with respect to Transco's allowed ROE. While the Commission affirmed the ALJ's ruling that long term growth must be considered, it reversed the Initial Decision and required Transco ROE be calculated under the approach adopted in Opinion No. 396-B. In that case the commission renewed its commitment to a two-step DCF analysis of growth that calculates a short-term growth projection with a separately

determined long-term growth projection. However, in Opinion No. 396-B, the Commission revised the manner in which it determines long-term growth, adopting the long-term growth rate of the GDP. Further, in Opinion No. 396-B, the Commission announced that, after making the return calculation for each proxy company, the Commission would set the applicant's ROR at the lowest, mid, or highest point of the range of the proxy group, depending on an assessment of the applicant's risk or other special circumstances.

In Opinion No. 414, the Commission also affirmed the ALJ's rejection of alternative DCF models presented by Transco and the intervenors. Moreover, the Commission stated that, while it had formally adopted IBES as the sole source of short-term data in Ozark Gas Transmission System, it consistently accepted those data in a number of later cases. The Commission reiterated that methods involving the use of trends in allowed returns and historical returns on book equity are susceptible to weakness that prevent them from meeting the Commission's requirements, including the requirements of Opinion No. 396-B that the long-term growth rate be determined by reference to the GDP. Finding that the record in this proceeding contains GDP data from DRI but does not contain such data from the EIA or Whorton, the Commission ordered that Transco's compliance filing utilize the two-step DCF analysis to calculate the zone of reasonableness for the proxy companies, employing IBES data to develop the short-term growth projection and, for the long-term growth projection, the average GDP growth rate projected by DRI, EIA, and Whorton for 25 years or the longest period for which data are available. Finally, the Commission stated that it would follow the Opinion No. 396-B methodology and would choose the allowed ROE from the highest, mid, or lowest points of the range of the proxy group.

On rehearing, TMG and Transco contended that the Commission erred in rejecting their proposed methodologies for determining Transco's ROE.

Transco claimed that the Commission's two-step DCF methodology produces a cost of equity far below investor expectations and denies Transco a reasonable opportunity to attract capital and to earn a fair return on its investment as required by Hope. Transco also argues that the Commission's preferred methodology determines what the investor expects to achieve over the next 20 to 25 years, rather than for the short-term locked-in period from September 1995 through April 1997, when the rates in this case will be effective.

The Commission continues to prefer the use of a two-step DCF methodology utilizing projections of long and short-term growth. As the Commission has held in a number of orders, the DCF methodology requires that a long-term evaluation be taken into account. Since Ozark, the Commission has been willing to rely solely on projections of five years or less. However, the Commission grants rehearing in part, in order to give greater weight to the short-term growth projection than to the long-term growth projection. In Opinion No. 396-B and other recent orders concerning rate of return, the Commission has averaged the two projections, thereby giving them equal weight. The Commission found

that approach to be reasonable “because no one knows the relative duration of the short and long term for a pipeline’s growth”. However, the Commission now has determined to give short-term growth a two-thirds weighting and long-term growth a one-third weighting. The other elements of the pipeline’s cost-of-service represents a short-term projection of the pipeline’s cost, because they do not reflect changes that may occur after the test period. While determining the cost of equity nevertheless requires that long-term evaluation be taken into account, long-term projections are inherently more difficult to make, and thus less reliable, than short-term projections. Over a longer period, there is a greater likelihood unanticipated developments to occur affecting the projection. Given the greater reliability of the short-term projection, the Commission believes it is appropriate to give it greater weight. Continuing to give some effect to the long-term growth will aid in normalizing any distortions that might be reflected in short-term data limited to a narrow segment of the economy.

Regarding the growth factor ( $g$ ) for projections of short and long-term growth that should be used, the Commission, in Opinion No. 414, required the short-term growth projection to be based on IBES five-year projections and the long-term growth projection to be based on GDP data from the three sources established in Opinion No. 396-B. TMG and Transco challenge the requirements that growth projections be developed only from these sources.

TMG concedes that it did not rely on IBES or GDP data in its ROE projection, but instead derived its long and short-term growth projections from Value Line data. TMG also asserts that the Commission misunderstood the DCF recommendations of its witness, believing them not to be forward looking. On the contrary, claims TMG, its witness used forward looking five-year growth forecasts in the first step of the DCF analysis and a forward looking estimate of long-term sustainable growth for the second step. The Commission rejected TMG’s argument stating that the Commission is satisfied that the ALJ properly assessed the weakness of TMG’s DCF proposal, pointing out that the Commission had not utilized the  $(b \times r)$  analysis in several years and that it would render DCF calculations “more complex, opaque, and subject to the discretionary judgment of the witness conducting them.” Further, the Commission did not accept TMG’s contention that, if the Commission rejects the validity of the  $(b \times r)$  method and the complex DCF model, it must reject the validity of the DCF methodology in its entirety. As the ALJ stated, while TMG’s proposed methodology follows the Ozark model more closely than the models presented by the other intervenors, it is “more elaborate and potentially subjective” than the Ozark methodology.

Transco argues that investors expect long-term growth to equal historical returns on stock plus future inflation minus dividends. According to Transco, the historic real return data drawn from Ibbotson’s Yearbook are a better starting point for determining long-term growth than either the Commission’s DRI revenue data or the data required by Opinion No. 396-B. Transco also contends that the Commission has not barred extrapolations from historical data. Further, Transco asserts that its alternative proposed methodology is

identical to the Staff's method in all respects except for derivation of the long-term growth rate.

TMG argues that the GDP requirement announced in Opinion No. 396-B should not apply in this case because the parties had no opportunity to present evidence justifying their alternative methodology. Transco also seeks a hearing to test the value of the new long-term growth data required by Opinion No. 396-B if the Commission rejects its request for rehearing on the issue of the two-stage DCF methodology. According to Transco, Opinion No. 414 fails to find what Transco's cost equity is, and if the Commission resolves this case without remand hearing, then the Commission will have settled on a method to determine Transco's cost of equity without knowing the end result, contrary to the requirement of the Hope decision.

TGM, Brooklyn Union, New York, and energy associates contend that the Commission erred in finding that the allocation of a substantial portion of Transco's cost to recovery through interruptible rates places Transco in somewhat more risk than other pipelines. TMG asserts that no outside analyst has given any credence to this factor, and even the Commission acknowledged in Opinion No. 414 that Transco probably will recover its cost. TMG and Brooklyn Union further explain that most of Transco's alleged volumetric cost recovery risk is related to IT feeder volumes, which are interruptible transactions feeding downstream firm transportation transactions. TMG submits that the extensive evidence of Transco's increasing market area demand and related capacity additions, plus the historical high load factor usage of Transco's capacity make it clear that the IT feeder volumes are not truly at risk.

Transco's Overall Allowed Return of 10.81%

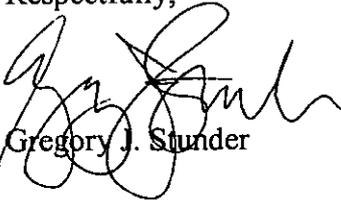
Type of Capital	% of Total Capital	Weighted Cost of Capital	Cost of Capital
Long-term Debt	42.42%	8.53%	3.62%
Common Equity	57.58%	12.49%	7.19%
Total	100.00%	10.81%	

**Filing Schedule for the Data Required by 52 Pa. Code § 53.64(c)(1)**

<b><u>Filing requirement:</u></b>	<b><u>Data filed with the February 1, 2004 pre-filing:</u></b>	<b><u>Data filed with the /March 1, 2004 annual filing:</u></b>
Schedule 1 - Twelve (12) month purchased gas costs expressed in terms of volumes and dollars for the period January 1, 2003 to December 31, 2003.	Actual data for the eleven (11) months ending November 30, 2003 and actual/estimated data for the one (1) month ending December 31, 2003.	Actual data for the twelve (12) months ending December 31, 2003.
Schedule 2 - Capacity release credits by pipeline by month for the period January 1, 2003 to December 31, 2003.	Actual data for the eleven (11) months ending November 30, 2003 and actual/estimated data for the one (1) month ending December 31, 2003.	Actual data for the twelve (12) months ending December 31, 2003.
Schedule 3 - Twenty (20) month forecasted summary of total fuel purchased for the period of January 1, 2004 through August 31, 2005.	N/A.	Twenty (20) month forecast.
Schedule 4 - Twenty (20) month forecast of capacity release credits by pipeline by month for the period of January 1, 2004 through August 31, 2005.	N/A.	Twenty (20) month forecast.

Please contact me if you have any questions regarding this filing at 215-684-6878.

Respectfully,



Gregory J. Stunder

Enclosure

cc: All Parties of Record  
Karen Moury, Esq. w/enc.  
Veronica Smith, Deputy Executive Director w/enc.  
Robert Rosenthal, Bureau of Fixed Utility Services w/enc.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

**VIA EXPRESS MAIL**

Stephen Keene, Esq.  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place Bldg.  
555 Walnut Street  
Harrisburg, PA 17101-1921

Charis Burak, Esquire  
McNEES, WALLACE, NURICK  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

Stephen Gray, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2<sup>nd</sup> Street  
Harrisburg, PA 17101

Richard LeLash  
Financial and Regulatory Consultant  
18 Seventy Acre Road  
Redding, CT 06896

Wendy Beetlestone, Esq.  
School District of Philadelphia  
Office of General Counsel  
2130 Arch Street, 5<sup>th</sup> Floor  
Philadelphia, PA 19103

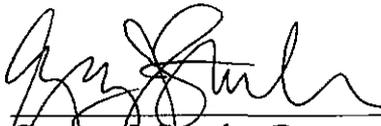
Janet Parrish, Esq.  
Philadelphia Gas Commission  
1515 Arch Street, 9<sup>th</sup> Floor  
Philadelphia, PA 19102

Johnnie Simms, Esq.  
Office of Trial Staff  
PA Public Utility Commission  
901 N. 7<sup>th</sup> Street, Rear  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Daniel Clearfield, Esq.  
Alan Kohler, Esq.  
Wolf, Block, Schorr and Solis-Cohen LLP  
212 Locust Street  
Suite 300  
Harrisburg, PA 17101

Phillip Bertocci, Esq.  
Community Legal Services  
1424 Chestnut Street  
Philadelphia, PA 19102

Robert Knecht  
Industrial Economics, Incorporated  
2067 Massachusetts Avenue  
Cambridge MA 02140

  
Gregory J. Stunder, Esq.

Date: January 30, 2004

COMMONWEALTH OF PENNSYLVANIA

DATE: February 5, 2003

SUBJECT: R-00049157

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty *ddt*  
Secretary

DOCUMENT  
FOLDER

Philadelphia Gas Works

Attached is a copy of a Letter/Petition for Special Permission to Depart from Certain Requirements of 52 Pa. Code, Sections 53.45(b), 53.64(c) and 53.68(a) concerning the Provision of Public Notice in relation to the filing of Philadelphia Gas Works' Annual 1307(f) filing.

This matter is being assigned to your Bureau for appropriate action.

Attachments

cc: Office of Trial Staff  
Office of ALJ

ddt

DOCKETED

FEB 04 2004

**ORIGINAL**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
 :  
 v. : Docket No. R-00049157  
 :  
 Philadelphia Gas Works - 1307(f) :

**NOTICE OF APPEARANCE**

TO THE SECRETARY:

Please enter the appearance of the Office of Trial Staff of the  
Pennsylvania Public Utility Commission in the above-captioned proceeding.

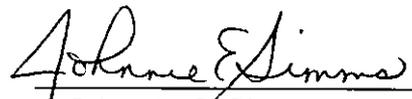
Prosecutor(s) for the Office of Trial Staff will be:

**JOHNNIE E. SIMMS**

All service on and communications to the Office of Trial Staff in this  
proceeding should be addressed:

**Johnnie E. Simms, Esquire  
Pa. Public Utility Commission  
Office of Trial Staff  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
(717) 787-1976**

RECEIVED  
2004 FEB - 6 AM 10: 06  
SECRETARY'S BUREAU

  
Johnnie E. Simms  
Chief Prosecutor

Dated: February 5, 2004

**DOCUMENT  
FOLDER**

**DOCKETED**  
MAR 5 2004

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
 :  
 v. : Docket No. R-00039011  
 :  
 T. W. Phillips Gas & Oil Company - 1307(f) :

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Notice of Appearance** of the Office of Trial Staff, dated February 5, 2004, either personally, by first class mail, electronic mail, express mail, or by fax upon the persons listed below:

Gregory J. Stunder, Esquire  
Philadelphia Gas Works  
800 West Montgomery Avenue  
Philadelphia, PA 19122

Irwin A. Popowsky, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place - 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

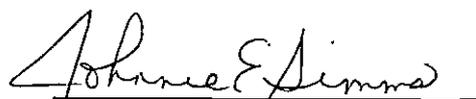
William R. Lloyd, Jr., Esquire  
Small Business Advocate  
Suite 1102, Commerce Bldg.  
300 North Second Street  
Harrisburg, PA 17101

Honorable Robert A. Christianson  
Chief Administrative Law Judge  
Pa. Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

RECEIVED

2004 FEB - 6 AM 10: 06

SECRETARY'S BUREAU



Johnnie E. Simms  
Chief Prosecutor  
Office of Trial Staff

Dated: February 5, 2004  
Docket No. R-00049157



McNees Wallace & Nurick LLC  
attorneys at law

ORIGINAL

CHARIS MINCAVAGE  
DIRECT DIAL: (717) 237-5437  
E-MAIL ADDRESS: CMINCAVAGE@MWN.COM

February 18, 2003

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
The Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

VIA HAND DELIVERY

DOCUMENT

**Re: Pennsylvania Public Utility Commission v. Philadelphia Gas Works;  
Docket No. R-00049157**

Dear Secretary McNulty:

Enclosed for filing with the Commission are the original and three (3) copies of a Petition to Intervene of the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp the extra copy of this transmittal letter and kindly return it for our filing purposes.

Very truly yours,

MCNEES WALLACE & NURICK LLC

By *Charis Mincavage*  
Charis Mincavage

Counsel to the Philadelphia Industrial and  
Commercial Gas Users Group

Enclosures

CM/lhe

c: Judy Weaver, Scheduling Officer (hand delivery)  
Certificate of Service

RECEIVED  
2004 FEB 18 PM 2:18  
SECRETARY'S BUREAU

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION

v.

PHILADELPHIA GAS WORKS

:  
:  
:  
:  
:  
:

DOCKET NO. R-00049157

PETITION TO INTERVENE

TO THE HONORABLE, THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to the provisions of 52 Pa. Code §§ 5.71-5.74, the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") hereby files this Petition to Intervene in the above-captioned proceeding. In support thereof, PICGUG states as follows.

1. Petitioner is the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), which for purposes of this proceeding include:

Apartment Association of Greater  
Philadelphia  
The Building Owners' and  
Managers' Association of Philadelphia

Newman & Company, Inc.  
Temple University  
Thomas Jefferson University/Jefferson  
Health Systems

The composition of PICGUG is also attached hereto as Appendix A. PICGUG reserves the right to modify Appendix A throughout the course of this proceeding, as necessary.

2. The names and address of Petitioners' attorneys are:

David M. Kleppinger  
Charis Mincavage  
McNEES WALLACE & NURICK LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
Phone: (717) 232-8000  
Fax: (717) 237-5300

RECEIVED  
2004 FEB 18 PM 2:18  
SECRETARY'S BUREAU

DOCUMENT

DOCKETED

MAR 12 2004

3. On January 30, 2004, Philadelphia Gas Works ("PGW" or "Company") made its preliminary Gas Cost Rate ("GCR") filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission"). PGW's filing indicates that the Company will submit its annual GCR filing on March 1, 2003.

4. PICGUG is an ad hoc group of large volume customers receiving service from PGW under various rate schedules. PICGUG members use substantial volumes of natural gas in their businesses, and natural gas cost comprises a significant element of their respective cost of operation. PGW's GCR proposal may impact several of the Company's rate schedules, including schedules under which PICGUG members receive service. As a result, PICGUG member interests may be impacted by any PUC determination regarding PGW's 2004-2005 GCR. Accordingly, PICGUG has a significant interest in this proceeding that is not represented by any other party of record. See 52 Pa. Code § 5.72.

**WHEREFORE**, the Philadelphia Industrial and Commercial Gas Users Group respectfully requests that the Commission grant this Petition to Intervene and provide PICGUG with full party status.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By Charis Mincavage

David M. Kleppinger  
Charis Mincavage  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
Phone: (717)232-8000  
Fax: (717)237-5300

Counsel to the Philadelphia Industrial and  
Commercial Gas Users Group

Dated: February 18, 2004

SECRETARIAT'S BUREAU  
2004 FEB 18 PM 2:18  
RECEIVED



**APPENDIX A**

**MEMBERS OF THE PHILADELPHIA  
INDUSTRIAL AND COMMERCIAL  
GAS USERS GROUP  
("PICGUG")**

Apartment Association of Greater Philadelphia

Building Owners' and Managers'  
Association of Philadelphia

Newman & Company

Temple University

Thomas Jefferson University/Jefferson Health System

RECEIVED

2004 FEB 18 PM 2:19

SECRETARY'S BUREAU

**CERTIFICATE OF SERVICE**

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

**VIA FIRST CLASS MAIL**

Johnnie Simms, Esq.  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
The Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Stephen Keene, Esq.  
Office of Consumer Advocate  
555 Walnut Street, Forum Place - 5<sup>th</sup> Fl.  
Harrisburg, PA 17120

Philip A. Bertocci, Esq.  
Community Legal Services, Inc.  
1424 Chestnut Street, 3<sup>rd</sup> Floor  
Philadelphia, PA 19102

Steven C. Gray, Esq.  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Daniel Clearfield, Esq.  
Mark S. Stewart, Esq.  
Wolf, Block, Schorr and Solis-Cohen LLP  
212 Locust Street  
Suite 300  
Harrisburg, PA 17101

Greg Stunder, Esq.  
Philadelphia Gas Works  
800 W. Montgomery Avenue.  
Philadelphia, PA 19122

  
Charis Mincavage

Dated this 18<sup>th</sup> day of February, 2004, in Harrisburg, Pennsylvania.

RECEIVED  
2004 FEB 18 PM 2:19  
SECRETARY'S BUREAU

DATE: February 25, 2004

SUBJECT: R-00049157

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *KB*

Pennsylvania Public Utility Commission  
v.  
Philadelphia Gas Works

---

Attached is a copy of a Petition to Intervene, filed by Philadelphia Industrial and Commercial Gas Users Group, in connection with the above docketed proceeding.

This matter is assigned to your Bureau for appropriate action.

Attachment

cc: ALJ  
OTS

ksb

DOCUMENT

DOCKETED  
MAR 12 2004