FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 10, 2005

In Reply Refer To:
Transcontinental Gas Pipe Line Corporation
Docket No. RP05-35-000

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

Attention: Marg Camardello
Manager of Tariffs and Certificates

Reference: Supplemental Comments to Tariff Filing

Dear Ms. Camardello:

1. In this order we approve, subject to conditions, Transcontinental Gas Pipe Line Corporation's (Transco) proposed tariff language modifying section 5(a) of the General Terms & Conditions (GT&C) of its tariff to harmonize it with the language previously approved in section 20 of the GT&C. This order benefits customers because it ensures consistent language throughout Transco's tariff.

**Background**

2. On October 22, 2004 Transco filed revised tariff sheets purporting to "clean-up" certain tariff provisions set forth in its currently effective third revised Volume No. 1. The changes proposed by Transco included modifying section 5(a) of the GT&C, which it stated were to harmonize that section with Transco's previously-approved section 20, which governs Transco's policy for construction and installation of interconnect facilities. Transco proposed the following changes to section 5(a):

> Subject to the provisions of section 20 of these General Terms and Conditions, measuring stations will be installed, maintained and operated at or near each Point of Receipt and each Point of Delivery, which measuring stations will be properly equipped with standard orifice meters, flange

> connections, orifice plates and other necessary measuring equipment or other standard type meter suitable for the purpose by which the quantity of natural gas shall be measured and determined.

3. Transco's existing GT&C section 20 that is referred to in the proposed revision to section 5(a) provides, in pertinent part:

> 20. POLICY FOR CONSTRUCTION OF INTERCONNECT FACILITIES
>
> 20.1 General. This policy applies to any interconnect facilities for the receipt of gas into Seller's system or the delivery of gas out of Seller's system. References herein to the term interconnect facilities include new interconnect facilities and modifications to existing interconnect facilities. The provisions of this policy do not apply to facilities that are built as part of an expansion of Seller's mainline system, including without limitation mainline compression or looping facilities, or mainline extensions. . . .
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> * * * * *
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> 20.5 Responsibilities. Subject to the foregoing, the construction, ownership, operation and maintenance of the interconnect facilities will be mutually agreed upon between Seller and the requesting party. . . .
>
> 20.7 Payment for Costs Incurred by Seller.
>
> (a) The requesting party shall pay Seller for all reasonable costs incurred by Seller to design, construct, own, operate and maintain the interconnect facilities.

4. The Process Gas Consumers Group (PGC) filed a protest, raising two concerns relative to the proposed revisions to section 5(a). PGC stated that it is concerned about the impact of Transco's proposed changes on measuring facilities associated with mainline expansions and the impact of Transco's proposed changes on maintenance of existing measuring facilities.

5. PGC stated that, while it does not dispute Transco's harmonization of section 5(a) with section 20, it is concerned that, by bringing these two sections into alignment, Transco has inadvertently impacted the maintenance and operation of certain measuring stations on its system. PGC protested that under the proposed tariff language, it is unclear who is responsible for paying for the maintenance of existing measurement facilities on Transco's system. PGC further stated that "the apparent elimination of

Transco's financial and operational responsibility to maintain all measuring stations not associated with a section 20 interconnect raises cost allocation issues and poses potential problems for the operation of Transco's system."[1] Therefore, PGC requested the Commission order Transco to clarify the impact of the proposed section 5(a) language on existing measuring stations.

6. Also, as a result of the proposed tariff language, PGC stated that it appears that the installation, maintenance and operation of measuring stations associated with a mainline expansion are now not covered in Transco's tariff. Therefore, PGC requested that Transco clarify its provisions with respect to the installation, maintenance and operation of measuring stations associated with mainline expansions.

7. On November 12, 2004 Transco filed an answer to PGC's protest. Transco answered that the proposed changes to section 5(a) merely update a tariff provision originally implemented in 1950, long before the advent of unbundled transportation and the Commission's revised interconnect policy set forth in section 20. Transco further explained that in the event Transco agrees to construct measurement facilities as part of a mainline expansion project, that proposal would be included in its certificate application. It asserted that a separate tariff provision regarding the installation, maintenance and operation of measuring stations in an expansion project is not required and that any such tariff provisions would not afford the Commission any greater oversight or offer parties any greater protections than currently exist under the status quo. Transco also stated that the proposed tariff changes will have no impact on existing measurement stations. Transco stated that "the costs for maintenance of existing measurement facilities are subject to the terms and conditions of the existing interconnect agreements pursuant to which they were constructed and, for such facilities constructed pursuant to a case-specific certificate, the terms of the certificate under which they were constructed."[2]

8. On November 18, 2004 the Commission issued a letter order that accepted Transco's revised tariff sheets, effective November 22, 2004, subject to further review and order by the Commission.[3] The November 18, 2004 Order provided parties an opportunity to file additional comments in response to Transco's November 12, 2004 answer.

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[1] PGC Protest at pg. 4.

[2] Transco answer at pg. 3.

[3] *Transcontinental Gas Pipe Line Corp.*, 109 FERC ¶ 61,165 (2004) (November 18, 2004 Order).

9. Pursuant to the November 18, 2004 Order, PGC filed comments in response to Transco's November 12, 2004 answer. PGC states that it accepts Transco's explanation that measuring facilities as part of a mainline expansion project, including installation, maintenance and operation of measuring facilities would be included in a certificate application filed with the Commission. However, PGC states that it is still concerned regarding the impact of Transco's new language on existing measuring stations. PGC points out that in Transco's November 12, 2004 answer, Transco stated that the costs for the maintenance of existing measurement facilities are subject to the terms and conditions of the existing interconnect agreements pursuant to which they were constructed.

10. PGC points out that, currently, section 5(a) of the GT&C of Transco's tariff states that "Unless otherwise agreed to, Seller will install, maintain and operate, at its own expense… measuring stations properly equipped with… necessary measuring equipment… by which the quantity of natural gas shall be measured and determined." PGC argues that Transco has removed the default language in its proposed modifications and requests the Commission to order Transco to demonstrate that, in fact, the maintenance of all existing measuring facilities are covered by existing interconnect agreements, and that this proposed tariff change will not improperly shift the responsibility for maintenance of any existing measuring facilities to the customer.

**Discussion**

11. We agree with PGC that the proposed revisions to section 5(a) raise uncertainty. However, subject to the proposed language being revised to reflect the clarifications discussed below, we find that Transco's proposal is reasonable and will approve it.

12. In the instant filing, Transco proposes to delete the default language of its existing section 5(a), which provides that Transco will install, maintain, operate and bear the related expense of measuring facilities, and replace that language with a reference to section 20. Section 20, in turn, provides for installation, operation and maintenance of metering facilities at interconnects to be by mutual agreement and that the shipper will bear the expense. This proposed change is reasonable as it will remove the conflict between section 5(a) and section 20 of Transco's tariff. The Commission finds consistency within the tariff important and agrees with Transco that the proposed language meets that end.

13. Further, under Commission policy, Transco is under no general obligation to install, maintain, operate or bear the expense of meters and measuring facilities. The Commission has held that it is reasonable to require shippers who request service requiring the installation of meters to bear the costs of the meters since the shippers enjoy the bulk of the benefit from any such meter.[4]

14. However, because section 20.1 expressly states that section 20 does not apply to expansion facilities, including loops, we agree with PGC that the proposed changes to section 5(a) render unclear Transco's responsibilities regarding metering facilities on such expansions. Transco's response, that such responsibilities will be pursuant to the expansion project certificate under which the facilities are constructed, is an acceptable explanation but, nonetheless, should be set forth in the tariff. Acceptance and approval of the subject tariff proposal is conditioned on Transco filing revised language in section 5(a) to clarify that meter facilities responsibilities relative to expansion projects are to be governed by the related certificate authorization for the expansion project.

15. PGC also raises a reasonable concern over the impact the proposed revisions may have relative to existing metering facilities, and related existing contractual obligations. Transco responds that no changes in existing obligations are intended. However, Transco's pro forma service agreements incorporate the provisions of the relevant rate schedule and GT&C of the tariff. Unless meter facility responsibilities were expressly negotiated, the parties' service agreement would automatically incorporate the new revised section 5(a) tariff provision, which, as noted above, eliminates Transco's default responsibilities. Although shippers enter into service agreements for Transco's services knowing that such tariff changes may occur, we believe that it is fair, as well as consistent with Transco's clarifications, to only apply the newly revised tariff provision prospectively to new service agreements entered into on or after the effective date of the revised provision. Accordingly, any existing service agreements as of that date will be grandfathered and will operate under the previous tariff provision. The newly accepted tariff language and provision will apply to any new contracts or agreements entered into on or after the effective date of the tariff provisions, November 22, 2004. Acceptance and approval of Transco's proposed tariff revisions is conditioned on Transco filing revised tariff language to reflect this clarification.[5]

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[4] *Nicole Gas Production, Ltd.*, 104 FERC ¶ 61,193 (2003).

[5] As a result of this ruling, there is no need for the Commission to grant PGC’s request that the Commission order Transco to demonstrate that the maintenance of all existing measuring facilities are covered by existing interconnect agreements to ensure that the proposed tariff language will not improperly shift the responsibility for maintenance of any existing measuring facilities to the customer.

16. Therefore, the Commission accepts and approves Transco's proposed tariff changes, subject to Transco filing revised tariff language as directed above within 15 days of this order.

By direction of the Commission.

Linda Mitry,
Deputy Secretary.