

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

CenterPoint Energy - Mississippi River
Transmission Corporation

Docket No. CP04-334-001

ORDER ON REHEARING

(Issued March 7, 2005)

1. On November 24, 2004, Union Electric Company d/b/a/ AmerenUE (Ameren), and on November 29, 2004, CenterPoint Energy – Mississippi River Transmission Corporation (Mississippi River) and the Missouri Public Service Commission (Missouri Commission), filed requests for rehearing of the Commission’s order issued in this proceeding on October 28, 2004.¹ The October 28 Order granted Mississippi River’s request for abandonment authority for certain pipeline facilities located in northern Louisiana, Arkansas and southern Missouri. For the reasons discussed herein, we are granting Mississippi River’s rehearing request, in part, and denying Ameren’s and the Missouri Commission’s requests for rehearing. This action is in the public interest because the age and deterioration of the facilities make maintenance and operation uneconomic, and Mississippi River has made arrangements to ensure the reliability of service.

Background

2. Mississippi River’s Main Line System consists of three 22- to 24-inch diameter pipelines – Main Lines 1, 2 and 3 -- that run roughly parallel to each other from Mississippi River’s compressor station at Perryville, Louisiana, to its primary market area in and around St. Louis, Missouri. These facilities are used to transport gas produced and stored in the Perryville area in the south to markets in the St. Louis area in the north, and from various receipt points along the pipeline system to storage fields in the Perryville area.

¹ CenterPoint Energy – Mississippi River Transmission Corporation, 109 FERC ¶ 61,091 (2004).

3. Mississippi River proposed to abandon approximately 307 miles of its Main Line No. 1, consisting of 22-inch diameter, 1929-vintage, uncoated, mechanically-coupled pipe extending from the Perryville compressor station to its compressor station at Poplar Bluff, Missouri, along with various associated appurtenances, crossover pipes, backup interconnections, and compression facilities.
4. The October 28 Order found that the age and deterioration of the 307 miles of pipe at issue make maintenance and operation uneconomic. In the October 28 Order, we also found that Mississippi River does not need to incur the expense of replacing the deteriorated facilities at issue in order to meet its service obligations. As discussed in that order, when Mississippi River takes the subject facilities out of service, Mississippi River's affiliated intrastate pipeline, CenterPoint Energy Transmission Company (CenterPoint), will turn back a sufficient amount of its reserved firm downstream capacity on Mississippi River's system to ensure the continued reliability of Mississippi River's firm southbound transportation services to inject gas into storage.
5. The October 28 Order also found that Mississippi River has made arrangements with CenterPoint to ensure the reliability of firm northbound transportation services to market areas. Specifically, as discussed in the October 28 Order, Mississippi River and CenterPoint have entered into an agreement under which CenterPoint will receive a discounted transportation rate for its entire MDQ of 348,837 Dth/d in exchange for agreeing to deliver up to 85,000 Dth/d to the Olyphant interconnection, as needed by Mississippi River to ensure that it has sufficient volumes flowing north to meet its firm service delivery obligations in market areas.

Requests for Rehearing

6. Ameren and the Missouri Commission state that the Commission erred in failing to require Mississippi River to revise its tariff so that it would be required, if necessary, to purchase gas to ensure its contractually obligated northbound deliveries to the St. Louis market area. Mississippi River states that the Commission erred in concluding that Mississippi River's tariff provisions relating to system management gas do not authorize purchases of gas to make up for shippers' gas that Mississippi River is unable to deliver from storage due to capacity constraints. Mississippi River states that section 9.4 of its tariff's General Terms and Conditions (GT&C) expressly authorizes such purchases in order to ensure, among other things, that it is able "to provide services as set forth in [its] tariff . . . and to perform other functions of Mississippi River in connection with

transportation and storage services.”² Mississippi River argues that if the Commission finds that section 9.4 does not authorize the pipeline to purchase gas to make up for any shortfalls at Olyphant, the pipeline has no tariff authority under which it can make such purchases.

7. Ameren and the Missouri Commission also state that the Commission erred in failing to convene a technical conference, and that it failed to address concerns regarding certain new contracts for northbound capacity; specifically, the Missouri Commission states that the new subscriptions should have a lower scheduling priority should curtailment become necessary.

Discussion

8. The Commission’s October 28 Order addressed the Missouri Commission’s concern that Mississippi River’s agreement with CenterPoint does not guarantee that CenterPoint will always deliver sufficient volumes at the Olyphant interconnection to make up for capacity lost in the southern section of the system as the result of the proposed abandonment. The Missouri Commission argued that in the event Mississippi River needs CenterPoint to provide a certain quantity of gas at Olyphant at a time when the market price for gas has spiked, the agreement actually provides an incentive for CenterPoint *not* to increase deliveries to the Olyphant.

9. The Commission found that, since the gas delivered by CenterPoint at Olyphant will not be owned by CenterPoint, but by shippers on CenterPoint’s system, spikes in gas prices should have no influence on CenterPoint’s incentive to transport gas to Olyphant. We also noted that fluctuations in commodity prices could provide such an incentive for a shipper only to the extent it does not have an immediate need for the gas itself or, in the case of a shipper who will not be the end user, only to the extent that its contractual commitments are sufficiently flexible that it can delay tendering the gas. We noted that there is no evidence that CenterPoint’s load so heavily reflects spot market purchases that they could impede its ability to make 85,000 Dth/d available at Olyphant, especially considering CenterPoint’s MDQ is 348,837 Dth/d.

10. The October 28 Order further noted that, pending approval of its abandonment proposal, Mississippi River had already taken two of the deteriorated segments of Main Line No. 1 out of service during the 2003-2004 winter heating season, but was still able

² Mississippi River quoting from FERC Gas Tariff, Third Revised Volume No. 1, First Revised Sheet No. 135, approved by the Commission in *Mississippi River Transmission Corporation*, 75 FERC ¶ 61,095 (1996).

to fulfill its contractual commitments during the 2003-2004 winter heating season and has been continuing to meet its service obligations since May 1, 2004 through its new agreement with CenterPoint.

11. In view of the above considerations, the Commission affirms its conclusion in the October 28 Order that Mississippi River's proposed abandonment of facilities should not jeopardize its ability to meet its service obligations. The October 28 Order also noted that, in any instances where deliveries at Olyphant are not sufficient, Mississippi River stated that it would rely on its authority under section 9.4 of its tariff's GT&C to purchase system management gas as needed to support its service obligations, and that costs associated with such gas purchases would not be charged and/or flowed through to customers. The Missouri Commission, however, requested that Mississippi River be required to revise section 9 of its tariff so that it would be required to purchase any volumes necessary to meet this contingency. As explained in the October 28 Order, the Commission does not agree with Mississippi River that section 9 of Mississippi River's GT&C clearly contemplates gas purchases by Mississippi River to ensure adequate deliveries at Olyphant if it experiences capacity restraints on the southern portion of its system that prevent it from being able to deliver its shippers' gas from storage. Since Mississippi River states such purchases may be necessary to meet its firm service obligations, the Commission is directing Mississippi River to make a compliance filing to revise the language of section 9 of Mississippi River's GT&C to make clear that it accommodates the pipeline's contemplated actions. Since the pipeline may have other means of ensuring that its service obligations are met, the Commission is not requiring, as requested by Ameren and the Missouri Commission, that section 9 be revised to require that Mississippi River purchase gas to make up for shortfalls at Olyphant. There is no need for such a requirement. Mississippi River is contractually obligated to meet the terms of its firm service agreements with its northbound shippers. The Commission's approval of Mississippi River's abandonment proposal does not relieve it of any of its firm service obligations or shield it from damage claims in the event it fails to meet those obligations.

12. The issues raised regarding the possible need for prioritization of service obligations for scheduling or curtailment purposes are speculative. If such issues should arise, they would be governed by Mississippi River's tariff. The Commission affirms its denial of the requests for a technical conference since the record in this proceeding is adequate to make the necessary findings.

The Commission orders:

(A) Mississippi River's rehearing request is granted, in part, as discussed herein. The requests for rehearing filed by Ameren and the Missouri Commission are denied.

(B) Mississippi River is directed to make a compliance filing to revise the language of section 9 of its tariff's GT&C to authorize action by Mississippi River to ensure fulfillment of its firm service obligations, as discussed herein.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.