



Transcontinental Gas Pipe Line
Corporation
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February 20, 2007

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Attention: Magalie R. Salas, Secretary

Re: Transcontinental Gas Pipe Line Corporation
Reservation of Capacity
Docket No. RP07-_____

Ladies and Gentlemen:

Pursuant to Section 4 of the Natural Gas Act ("NGA") and Part 154 of the Federal Energy Regulatory Commission's ("Commission") regulations thereunder, and for the reasons discussed herein, Transcontinental Gas Pipe Line Corporation ("Transco") hereby submits for filing with the Commission Ninth Revised Sheet No. 250A, Original Sheet No. 374V, and Original Sheet No. 374V.01 to its FERC Gas Tariff, Third Revised Volume No.1 ("Tariff"). The tariff sheets are proposed to be effective March 22, 2007.

Statement of Nature, Reasons, and Basis for Filing

The purpose of this filing is to add Section 55, "Reservation of Capacity," to the General Terms and Conditions of Transco's Tariff ("GT&C"). Proposed Section 55 is divided into two subsections, one setting forth the conditions under which Transco may enter into a service agreement to start at a specific date up to three years in the future, and the other setting forth the conditions under which Transco may reserve capacity for an upcoming pipeline expansion project. The proposed tariff language submitted herein is similar to provisions that have been approved by the Commission for inclusion in other pipelines' tariffs.

Reservation of Capacity for Service to Commence at a Future Date

The Commission has recognized that "[P]ermitting pipelines to sell capacity for service to commence in the future has efficiency benefits... and will benefit customers with long lead

times who do not need capacity immediately, but need assurance that they can get capacity in the future.”¹ The Commission set forth certain conditions under which pipelines may reserve capacity for future service and has subsequently approved provisions that comport with those conditions for inclusion in several pipelines’ tariffs.² Transco proposes herein to add provisions to its Tariff to allow Transco, subject to certain conditions, to enter into a prearranged deal with a shipper willing to execute a service agreement to start at a specific date up to three years in the future utilizing either currently available unsubscribed capacity or capacity expected to become available at some future date. Further, once capacity is reserved for service in the future, Transco will make it generally available on an interim basis, but a right of first refusal would not be available to any interim long-term service agreement utilizing such capacity.

Reservation of Capacity for Expansion Projects

With regard to the reservation of capacity for future pipeline expansion projects, the Commission has previously found that “the reservation of capacity [for future expansions] will minimize facility construction and associated environmental impacts, will encourage fuller utilization of capacity, and will minimize the rate impact of allocating costs of unsubscribed capacity to existing customers once the pipeline completes the expansion.”³ Transco’s proposed tariff provisions allow Transco to reserve capacity for future expansion projects consistent with those goals.⁴

Transco’s proposed tariff provision provides that prior to reserving capacity for an expansion project, the capacity must first have been posted as available capacity in accordance with Section 49 of the GT&C, Procedures for Allocating Available Firm Capacity. Transco proposes to notify shippers of its reservation of capacity by means of a posting which would include specific information about the capacity being reserved and the expansion project for which it is intended. Once reserved, the capacity would be available to shippers on an interim basis, but a right of first refusal would not be available to any interim long-term service agreement utilizing such capacity.

The Commission has previously approved tariff provisions that allow a pipeline to reserve capacity for a future expansion project up to one year prior to submitting the certificate application for that project. As further described below, the long-lead time required for filing certificate applications for expansion projects, particularly LNG-related expansions, makes the one-year period for reserving capacity impractical, and, accordingly, Transco is proposing a tariff provision that will allow Transco to reserve capacity for a future expansion project for up to two years prior to the submittal of the certificate application for the project.

¹ Gas Transmission Northwest Corporation, 109 FERC ¶ 61,141 at P 15 (2004) (“GTN”).

² See ANR Pipeline Company, 112 FERC ¶ 61,003 (2005); Northern Natural Gas Company, 109 FERC ¶ 61,388 (2004); and GTN.

³ Midwestern Gas Transmission Company, 106 FERC ¶ 61,229 at P 6 (2004).

⁴ See e.g., Midwestern Gas Transmission Company, 106 FERC ¶ 61,229 (2004); Northern Border Pipeline Company, 105 FERC ¶ 61,228 (2003); Kern River Gas Transmission Company, 105 FERC ¶ 61,114 (2003); Northern Natural Gas Company, 105 FERC ¶ 61,057 (2003); and Tennessee Gas Pipeline Company, 84 FERC ¶ 61,304 (1999), reh’g 86 FERC ¶ 61,066 (1999) (“Tennessee”).

The Commission's approval of tariff filings reflecting the one-year limitation dates back to the late 1990's.⁵ Since that time, the Commission has adopted certain new certificate filing procedures and requirements which result in the need for a greater amount of time between when the pipeline reserves capacity for an expansion project and the submittal of the certificate application for that project.

Specifically, the Commission has adopted a pre-filing process which encourages stakeholder and governmental agency involvement early in the planning phase of a project to allow for early identification and resolution of potentially contentious issues, including environmental and siting issues. The intent of the pre-filing process is to ensure that a complete certificate application is submitted based on a thorough exploration of potential issues. Although these procedures were initially voluntary, they are now mandatory for LNG terminal siting and construction and for the construction of related jurisdictional pipeline facilities.⁶ These procedures are also strongly encouraged by Commission Staff for any sizeable construction project undertaken pursuant to Section 7 of the Natural Gas Act. Pursuant to Section 153.6 of the Commission's Regulations, a minimum of 180 days must be allowed for the pre-filing process; however, Commission Staff suggests that pipelines allow at least seven to eight months for this process. Transco's experience has shown that this process actually can take from nine months to a year.⁷

Another more recent development affecting the timing of when an applicant files its certificate application is the requirement that an applicant submit applications for all required federal permit authorizations before, or contemporaneously with, the filing of the certificate application.⁸ This requirement increases the lead time required to submit a certificate application due to the detailed design drawings and maps that must be completed for inclusion in the applications for federal permit authorizations.⁹

In addition to the lead time necessitated by the pre-filing process and compilation of the applications for federal authorizations, the pipeline (except in rare instances) will also conduct an open season for the future expansion project. The duration of the open season is typically from thirty to sixty days and is an important factor in determining the market demand for a project. The results of the open season provide information for the pipeline to properly plan the scope and cost of the project, *i.e.*, to design the required facilities, the proposed route and estimated rate. This critical phase takes place prior to initiating the pre-

⁵ See Tennessee and Texas Eastern Transmission Corp., 80 FERC ¶ 61,270 (1997).

⁶ Final Rule in Docket No. RM05-31-000, Order No 665, issued October 7, 2005.

⁷ Transco submitted its request to use FERC's pre-filing process for the Leidy to Long Island Project on December 10, 2004 in Docket No. PF05-6. The certificate application was submitted on December 7, 2005, in Docket No. CP06-34. Further, Transco submitted its request to use FERC's pre-filing process for its Sentinel Project on July 21, 2006, in Docket No. PF06-32, and anticipates submitting the certificate application for this project in May 2007.

⁸ Final Rule in Docket No. RM06-1-000, Order No. 687, issued October 19, 2006.

⁹ Transco estimates that an additional three months will be required to complete the necessary federal permit applications prior to submittal of a certificate application for an expansion project.

filing process and can easily require five months or longer to finalize.¹⁰ Finally, in situations where the terms of the open season depend on the assured availability of the reserved capacity, the reservation of capacity will need to occur prior to the initiation of the open season.

This need for certainty is particularly true with respect to LNG importation projects. The long lead time associated with LNG projects places considerable pressure on pipelines to provide the LNG project participants, early in the project planning cycle, as much certainty as possible with respect to the availability of downstream pipeline capacity, which is a critical component of the LNG developers' project planning.¹¹

Proposed Effective Date

The revised tariff sheets submitted herein are proposed to be effective March 22, 2007. In the event these tariff sheets are suspended, modified, or accepted subject to conditions, in accordance with Section 154.7(a)(9) of the Commission's regulations, Transco reserves the right to file a later motion to place such tariff sheets into effect at the end of the applicable suspension period.

Materials Submitted Herewith

In accordance with, Section 154.7(a)(1) of the Regulations, the following material is submitted herewith:

- (1) In accordance with Section 154.209 of the Regulations, a proposed form of notice for the instant filing suitable for publication in the Federal Register, and a diskette copy of such notice labeled NT022007.ASC;
- (2) The revised tariff sheets and the "redlined" version of the revised tariff sheets, in accordance with Section 154.201(a) of the Regulations; and
- (3) As required by Section 154.4 of the Regulations, a diskette copy of the revised tariff sheets labeled TF022007.ASC.

¹⁰ For example, Transco held its open season for the Leidy to Long Island Expansion Project from June 13 to July 14, 2004 and submitted its request to use FERC's pre-filing process the following December 10, 2004, in Docket No. PF05-6. In addition, the open season for Transco's Sentinel Expansion Project was held from October 31 to December 2, 2005, and the request to use FERC's pre-filing process for this project was submitted on July 21, 2006, in Docket No. PF06-32.

¹¹ See, e.g., AES Ocean Express LLC v. Florida Gas Transmission Co., 107 FERC ¶ 61,276 at 62,280 (2004) (wherein the Commission recognized the long lead time between project inception and beginning of operations of a new source of LNG and how decisions on the downstream pipeline (in that case, gas quality requirements) are essential to the LNG developers' project planning and financial arrangements; the Commission also recognized the importance of the development of new sources of LNG to satisfying projected demands for natural gas in the U.S.).

Posting and Certification of Service

In accordance with the provisions of Section 154.2(d) of the Regulations, copies of this filing are available for public inspection, during regular business hours, in a convenient form and place at Transco's main office at 2800 Post Oak Boulevard in Houston, Texas. In addition, Transco is serving copies of the instant filing to its affected customers, interested State Commissions, and other interested parties.

Any communication regarding this filing should be sent to:

Scott Turkington
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Respectfully submitted,
TRANSCONTINENTAL GAS PIPE LINE CORPORATION

/s/ Marg Camardello

By _____
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Filed: February 20, 2007

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Transcontinental Gas Pipe Line
Corporation

Docket No. RP07-

Notice of Proposed Changes in FERC Gas Tariff
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Take notice that on February 20, 2007, Transcontinental Gas Pipe Line Corporation (“Transco”) tendered for filing as part of its FERC Gas Tariff, Third Revised Volume No. 1 (“Tariff”), Ninth Revised Sheet No. 250A, Original Sheet No. 374V, and Original Sheet No. 374V.01 to become effective March 22, 2007.

Transco states that the purpose of the instant filing is to add Section 55, “Reservation of Capacity,” to the General Terms and Conditions of Transco’s Tariff. Proposed Section 55 sets forth the conditions under which Transco may enter into a service agreement to start at a specific date up to three years in the future and the conditions under which Transco may reserve capacity for an upcoming pipeline expansion project.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed in accordance with the provisions of Section 154.210 of the Commission’s regulations (18 CFR 154.210). Anyone filing an intervention or protest must serve a copy of that document on the Applicant. Anyone filing an intervention or protest on or before the intervention or protest date need not serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Magalie R. Salas
Secretary

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GENERAL TERMS AND CONDITIONS
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55. RESERVATION OF CAPACITY

55.1 Reservation of Capacity for Service to Commence in the Future.

Seller may elect to enter into a prearranged deal with a creditworthy Buyer ("Prearranged Shipper") willing to execute a service agreement to start at a specific date up to three years in the future for service utilizing either currently available unsubscribed capacity or capacity expected to become available at some future date, provided such capacity is not subject to a right-of-first-refusal or the applicable Buyer does not exercise its right-of-first-refusal to retain the capacity.

- (a) As soon as the prearranged deal is entered into (but before capacity is actually awarded or reserved by an executed service agreement), Seller will post on Line the prearranged deal as part of an open season bidding process in accordance with the provisions of Section 49 of these General Terms and Conditions to permit other parties an opportunity to bid on the capacity on a long-term basis. This open season bidding process will take place even if the capacity has already been subject to an open season and is currently posted as available. Any third party who meets Seller's creditworthiness standards, as set forth in Section 32 of these General Terms and Conditions, wishing to subscribe to the firm capacity, whether for service commencing immediately or in the future, can participate in the open season.
- (b) Bids will be evaluated on a net present value ("NPV") basis. Such evaluation shall take into account the time value of the delay in Seller's receiving revenue under a bid for firm service to commence in the future. If a competing bid for service to commence immediately, or in the future, provides a higher NPV than the prearranged deal, the Prearranged Shipper will have a one-time right to match the highest NPV bid by notifying Seller in writing within fifteen (15) business days of receiving Seller's notification of the best bid.
- (c) If the Prearranged Shipper matches the highest NPV bid, the Prearranged Shipper will be awarded the capacity; otherwise, the capacity will be awarded to the shipper providing the highest NPV bid. If the Buyer to whom the capacity is awarded meets all qualifications for service under the applicable rate schedule, Seller shall submit a service agreement to Buyer which sets forth the terms of such bid. Buyer shall execute the Service Agreement within thirty (30) days of receipt of the same.
- (d) Once capacity for service to commence in the future is reserved, Seller will make such capacity available on an interim basis in accordance with Section 49 of these General Terms and Conditions. A service agreement for capacity available on such interim basis shall not be eligible for a right of first refusal for purposes of Section 48 of these General Terms and Conditions.

55.2 Reservation of Capacity for Expansion Projects.

Seller may elect to reserve for a future expansion project any currently available unsubscribed capacity or capacity expected to become available at some future date, provided such capacity is not subject to a right-of-first-refusal or the applicable Buyer does not exercise its right-of-first-refusal to retain the capacity.

- (a) Seller may reserve capacity only for a future expansion project for which an open season has been held or will be held within one year of the date Seller posts such capacity as being reserved. If Seller elects to reserve capacity for a future expansion project under this Section, such capacity may be reserved for up to two years prior to Seller filing for certificate approval for construction of the proposed expansion facilities, and thereafter until such expansion is placed into service.

GENERAL TERMS AND CONDITIONS
(Continued)

55. RESERVATION OF CAPACITY (Continued)

55.2 Reservation of Capacity for Expansion Projects (Continued)

- (b) Seller shall, on a limited-term basis up to the in-service date of the expansion project, make available any capacity reserved under this section in accordance with Section 49 of these General Terms and Conditions. A service agreement for capacity available on such interim basis shall not be eligible for a right of first refusal for purposes of Section 48 of these General Terms and Conditions.
- (c) Prior to reserving capacity for future expansion projects under this section, such capacity shall first have been made available in accordance with Section 49 of these General Terms and Conditions.
- (d) Subject to the foregoing, Seller may reserve capacity by means of a posting on lLine which shall include, without limitation:
 - (i) A description of the expansion project for which the capacity will be reserved;
 - (ii) The total quantity of capacity to be reserved;
 - (iii) The location of the proposed reserved capacity on Seller's system;
 - (iv) When Seller held or anticipates holding an open season in connection with the expansion project;
 - (v) The projected in-service date of the expansion project; and
 - (vi) On an ongoing basis, how much of the reserved capacity has been subscribed on an interim basis.
- (e) To the extent that capacity reserved pursuant to this Section 55.2 is not sufficient to satisfy the requirements of an expansion project, Seller shall conduct, no later than ninety (90) days after the close of an open season for such expansion project, a reverse open season setting forth not unduly discriminatory terms for the turn back of capacity. Capacity obtained through a reverse open season shall be reserved for an expansion project pursuant to the terms of this Section 55.2; provided, however, that the posting requirements of Section 55.2(c) shall not apply to that capacity.
- (f) Any capacity reserved for an expansion project that does not go forward for any reason shall be reposted as available capacity within 30 days of the date the capacity becomes available, except for capacity committed in service agreements entered into on an interim limited term basis.

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GENERAL TERMS AND CONDITIONS
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55. RESERVATION OF CAPACITY

55.1 Reservation of Capacity for Service to Commence in the Future.

Seller may elect to enter into a prearranged deal with a creditworthy Buyer ("Prearranged Shipper") willing to execute a service agreement to start at a specific date up to three years in the future for service utilizing either currently available unsubscribed capacity or capacity expected to become available at some future date, provided such capacity is not subject to a right-of-first-refusal or the applicable Buyer does not exercise its right-of-first-refusal to retain the capacity.

- (a) As soon as the prearranged deal is entered into (but before capacity is actually awarded or reserved by an executed service agreement), Seller will post on line the prearranged deal as part of an open season bidding process in accordance with the provisions of Section 49 of these General Terms and Conditions to permit other parties an opportunity to bid on the capacity on a long-term basis. This open season bidding process will take place even if the capacity has already been subject to an open season and is currently posted as available. Any third party who meets Seller's creditworthiness standards, as set forth in Section 32 of these General Terms and Conditions, wishing to subscribe to the firm capacity, whether for service commencing immediately or in the future, can participate in the open season.
- (b) Bids will be evaluated on a net present value ("NPV") basis. Such evaluation shall take into account the time value of the delay in Seller's receiving revenue under a bid for firm service to commence in the future. If a competing bid for service to commence immediately, or in the future, provides a higher NPV than the prearranged deal, the Prearranged Shipper will have a one-time right to match the highest NPV bid by notifying Seller in writing within fifteen (15) business days of receiving Seller's notification of the best bid.
- (c) If the Prearranged Shipper matches the highest NPV bid, the Prearranged Shipper will be awarded the capacity; otherwise, the capacity will be awarded to the shipper providing the highest NPV bid. If the Buyer to whom the capacity is awarded meets all qualifications for service under the applicable rate schedule, Seller shall submit a service agreement to Buyer which sets forth the terms of such bid. Buyer shall execute the Service Agreement within thirty (30) days of receipt of the same.
- (d) Once capacity for service to commence in the future is reserved, Seller will make such capacity available on an interim basis in accordance with Section 49 of these General Terms and Conditions. A service agreement for capacity available on such interim basis shall not be eligible for a right of first refusal for purposes of Section 48 of these General Terms and Conditions.

55.2 Reservation of Capacity for Expansion Projects.

Seller may elect to reserve for a future expansion project any currently available unsubscribed capacity or capacity expected to become available at some future date, provided such capacity is not subject to a right-of-first-refusal or the applicable Buyer does not exercise its right-of-first-refusal to retain the capacity.

- (a) Seller may reserve capacity only for a future expansion project for which an open season has been held or will be held within one year of the date Seller posts such capacity as being reserved. If Seller elects to reserve capacity for a future expansion project under this Section, such capacity may be reserved for up to two years prior to Seller filing for certificate approval for construction of the proposed expansion facilities, and thereafter until such expansion is placed into service.

GENERAL TERMS AND CONDITIONS
(Continued)

55. RESERVATION OF CAPACITY (Continued)

55.2 Reservation of Capacity for Expansion Projects (Continued)

- (b) Seller shall, on a limited-term basis up to the in-service date of the expansion project, make available any capacity reserved under this section in accordance with Section 49 of these General Terms and Conditions. A service agreement for capacity available on such interim basis shall not be eligible for a right of first refusal for purposes of Section 48 of these General Terms and Conditions.
- (c) Prior to reserving capacity for future expansion projects under this section, such capacity shall first have been made available in accordance with Section 49 of these General Terms and Conditions.
- (d) Subject to the foregoing, Seller may reserve capacity by means of a posting on Line which shall include, without limitation:
- (i) A description of the expansion project for which the capacity will be reserved;
- (ii) The total quantity of capacity to be reserved;
- (iii) The location of the proposed reserved capacity on Seller's system;
- (iv) When Seller held or anticipates holding an open season in connection with the expansion project;
- (v) The projected in-service date of the expansion project; and
- (vi) On an ongoing basis, how much of the reserved capacity has been subscribed on an interim basis.
- (e) To the extent that capacity reserved pursuant to this Section 55.2 is not sufficient to satisfy the requirements of an expansion project, Seller shall conduct, no later than ninety (90) days after the close of an open season for such expansion project, a reverse open season setting forth not unduly discriminatory terms for the turn back of capacity. Capacity obtained through a reverse open season shall be reserved for an expansion project pursuant to the terms of this Section 55.2; provided, however, that the posting requirements of Section 55.2(c) shall not apply to that capacity.
- (f) Any capacity reserved for an expansion project that does not go forward for any reason shall be reposted as available capacity within 30 days of the date the capacity becomes available, except for capacity committed in service agreements entered into on an interim limited term basis.