



Transcontinental Gas Pipe Line  
Corporation  
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March 30, 2007

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

Attention: Philis J. Posey  
Acting Secretary

Reference: Transcontinental Gas Pipe Line Corporation  
Request for Authorization and Waiver

Ladies and Gentlemen:

Pursuant to Section 4 of the Natural Gas Act (“NGA”), Transcontinental Gas Pipe Line Corporation (“Transco”) hereby seeks authorization from the Federal Energy Regulatory Commission (“Commission”) to use the posting and bid evaluation procedures in Section 43 of the General Terms & Conditions of its FERC Gas Tariff (“GT&C”) to sell certain excess top gas inventory. In conjunction with such sale, Transco requests that the Commission grant a waiver of Section 43.5 of the GT&C in order for Transco to recognize the appropriate accounting from the sale in its gas inventory account.

### **Background**

The basis for this filing is Transco’s general section 4 rate proceeding in Docket Nos. RP01-245, et al. The procedural history of that proceeding is extensive and has been set forth in detail in previous Commission orders.<sup>1</sup> Of relevance here is the Commission’s “Order on Rehearing, Remanding Issue for Further Hearing and Establishing Technical Conference”, 115 FERC ¶ 61,268 (2006), in which the Commission ordered Transco to, among other things, unbundle Emergency Eminence storage service provided as part of its Rate Schedule FT service and provide such service under a separate rate schedule. Id. at P 12. Subsequently, as a result of settlement discussions addressing the Emergency Eminence unbundling issue (and other issues), the participants in that proceeding filed an uncontested Stipulation and Agreement (“Agreement”) which, among other things, resolved that issue. The Commission approved the Agreement to be effective March 1, 2007.<sup>2</sup>

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<sup>1</sup> See, e.g., Transcontinental Gas Pipe Line Corp., 101 FERC ¶ 63,022 (2002) and Transcontinental Gas Pipe Line Corp., 106 FERC ¶ 61,299 (2004).

<sup>2</sup> Transcontinental Gas Pipe Line Corp., 117 FERC ¶ 61,232 (2006).

As part of the Agreement, Transco provided to each Rate Schedule FT customer eligible for Emergency Eminence storage service an allocation of its proportionate share of such service. Each eligible Rate Schedule FT customer was then given the opportunity to make an election: 1) to turn back to Transco, in whole or in part, its allocated share of the Emergency Eminence storage service; 2) to convert, in whole or in part, its allocated share of the Emergency Eminence storage service to Eminence Storage Service (“ESS”) under Transco’s Part 284 Rate Schedule ESS; or 3) to retain, in whole or in part, its allocated share of the Emergency Eminence storage service under a new Part 284 Rate Schedule Emergency Eminence Storage Withdrawal Service (“EESWS”).

Prior to the March 1, 2007 effective date of the Agreement, 9,276,968 dts of Eminence Storage Field capacity was dedicated to Emergency Eminence storage service. With the implementation of the Agreement on March 1, 2007, Emergency Eminence storage service was unbundled from Rate Schedule FT and Transco began providing service in accordance with the shipper elections reflected in the Agreement. As a result of those elections, including elections to turn back capacity to Transco, shippers retained 508,809 dts of Emergency Eminence capacity under Rate Schedule EESWS and Transco retained, as system flexibility, 909,169 dts of capacity turned back by shippers. Thus, Transco now requires only 1,417,978 dts of Eminence top gas inventory to support the Rate Schedule EESWS service and retained system flexibility. As a result, Transco now desires to sell the excess top gas inventory of 7,858,990 dts as requested herein.

#### **Request for Authorization and Waiver**

Although certain provisions of Section 43 do not apply to the sale proposed herein, the existing posting and bid evaluation procedures in Section 43 provide a useful framework for conducting the sale of the excess Eminence top gas. Specifically, Section 43 applies to purchases and sales of system management gas and may be used when operating conditions threaten the operational integrity of Transco’s system. Although those conditions are not present with respect to the sale proposed herein, Transco requests that the Commission authorize Transco to use the posting and bid evaluation procedures set forth in Section 43 to conduct the sale. The posting and bid evaluation procedures in Section 43 have been used successfully on numerous occasions and Transco sees no reason to “reinvent the wheel” to effectuate the sale of excess Eminence top gas when such sale can be accomplished under existing proven tariff provisions.

As part of its proposal to use Section 43, Transco requests that the Commission grant a waiver of Section 43.5 of the GT&C which requires that any costs incurred or revenues received from the purchase or sale of system management gas be accounted for as part of Transco’s imbalance cash-out program. The excess Eminence top gas to be sold was not purchased under Section 43 using the system management gas purchase mechanism and the proposed sale is not being undertaken to manage a threat to system integrity. Further, the top gas supporting the Emergency Eminence storage service is classified as working capital (inventory) and accounted for using the last-in-first-out (LIFO) methodology. While the Uniform System of Accounts prescribed for natural gas companies does not specifically address accounting for a sale of natural gas inventory, based on Generally Accepted Accounting Principles (GAAP), when inventory is sold, a gain or loss should be recognized (see Schedule A attached). Therefore, in order to account for the sale of the excess Eminence top gas inventory consistent with GAAP, a waiver of Section 43.5 is necessary.

**Request for Expedited Approval**

Transco respectfully requests that the Commission expeditiously review and grant the authorizations and waiver sought herein in order that Transco and its customers can take the availability of the Eminence top gas into consideration in planning their business. In particular, prompt action on Transco's request will allow Eminence Storage Service customers to evaluate this gas as a potential source of supply during the current storage injection season.

**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 2100 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 communications in regard to this filing should be sent to the undersigned and copies mailed to:

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Respectfully submitted,

Transcontinental Gas Pipe Line Corporation

/s/ Scott C. Turkington

By \_\_\_\_\_  
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Transcontinental Gas Pipe Line Corporation  
Summary of Anticipated Journal Entries Recording The  
Sale of Excess Top Gas Inventory

FERC Account Number	FERC Account Title	Amount	
		Debit	Credit
143.0	Other Accounts Receivable	XX	
117.2	System Balancing Gas		XX
421.1	Gain on Disposition of Property		XX

To record the removal of the cost of the excess top gas, at LIFO, and to record the assumed gain on the sale of the excess top gas.