



BILLING CODE 6717-01-P
DEPARTMENT OF ENERGY
Federal Energy Regulatory Commission

Enterprise Texas Pipeline LLC

Docket No. PR15-26-000

Notice of Staff Protest to Petition
for Rate Approval

1. Commission staff hereby protests pursuant to the section 284.123(g)(4)(i) of the Commission's regulations,¹ the Petition for Rate Approval pursuant to section 284.123(b)(2) filed by Enterprise Texas Pipeline LLC (Enterprise) on March 13, 2015, in the above referenced docket. Pursuant to the Stipulation and Agreement approved by the Commission in Docket Nos. PR10-14-000 and PR10-14-001,² Enterprise filed a new petition for rate approval pursuant to 18 CFR 284.123(b)(2) proposing a new rate applicable to its Natural Gas Policy Act (NGPA) section 311 service. Enterprise elected to use the Commission's new optional notice procedures set forth in section 284.123(g). Enterprise proposes to increase its firm and interruptible transportation services for Rate Zone 1 – Legacy Assets and Rate Zone 2 – Sherman Extension. Enterprise also proposes to revise its Statement of Operating Conditions (SOC) applicable to its transportation services performed pursuant to NGPA section 311, which it states is updated solely to reflect the new proposed rates. Enterprise states it has not proposed any changes to the operating terms and conditions of its SOC.

2. Commission staff notes that Enterprise has not adequately supported its filing and shown that the proposed rates are fair and equitable. For instance, Enterprise has not provided sufficient support for the discount adjustment used in calculating the billing determinants. In addition, Enterprise has not provided adequate explanation and support for its proposed cost of service, rate base, cost of capital, and cost allocation, among other issues.

3. Commission staff's specific concerns include, in particular, Enterprise's development of its discount adjustment in designing rates. For example, in Zone 2 the

¹ 18 CFR 284.123(g)(4)(i) (2014).

² *Enterprise Texas Pipeline LLC*, Delegated Letter Order, December 16, 2010.

proposed rates are significantly higher than the rates Enterprise proposed in its prior rate case, Docket No. PR10-14-000, even though the cost of service for Zone 2 is 20 percent lower and the throughput is 55 percent higher using the same rate design methodology and imputed billing determinants from its prior case. Similarly, using the same methodology to design rates for Zone 1, Enterprise proposes a rate of \$0.7636 per Dth, yet the unit cost prior to any discount adjustment is \$0.2006 per Dth.

4. Commission staff has concerns that Enterprise has not classified any costs as variable costs when calculating its rates. Enterprise calculated straight-fixed variable rates for Zone 2 but did not classify any costs as variable cost rates. However, since Enterprise included \$91.6 million in Account No. 368, Compressor Station Equipment, it follows that there should be variable costs associated with operating and maintaining compressors. Moreover, Account No. 855, Other Fuel and Power for Compressor Stations, typically contains only variable costs. Similarly, for Zone 1, Enterprise did not classify any costs as variable costs, even though Enterprise booked over \$509 million to Compressor Station Equipment.

5. Commission staff has concerns regarding the allocation of Administrative and General (A&G) Expenses between Enterprise's two delivery zones. Exhibit H-1 shows that Enterprise allocated only 7.5 percent of A&G Expenses to Zone 2 which seems low considering that over 15 percent of Operating and Maintenance (O&M) Expenses, 15 percent of gross plant and over 14 percent of revenues were derived from Zone 2.

6. Enterprise proposes to include both gathering and storage plant in rate base. This is inconsistent with prior cases, where Enterprise has sometimes included gathering in rate base (see Docket No. PR07-12-000) and also excluded it from rate base (see Docket No. PR10-14-000). Enterprise has provided little to support its proposed treatment of gathering plant. In addition, Commission staff notes that Enterprise has market-based rate authority to provide storage services. Enterprise has not provided sufficient support to include storage plant in rate base for the first time. Further, Enterprise has not included any storage related O&M expenses to operate the plant.

7. Finally, Enterprise has requested a weighted average cost of capital of 10.41 percent without adequate support for either the proposed capital structure or the individual capital cost components.

Dated: May 8, 2015.

Nathaniel J. Davis, Sr.,
Deputy Secretary.