

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter of the application of	)	
<b>WASHINGTON 10 STORAGE CORPORATION</b> and	)	
<b>WASHINGTON 10 STORAGE PARTNERSHIP</b> for	)	
issuance of certificates of public convenience and	)	Case No. U-10424
necessity, for authority to issue and sell securities,	)	
and for approval of natural gas storage rates.	)	
_____	)	

At the April 24, 1997 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman  
 Hon. John C. Shea, Commissioner  
 Hon. David A. Svanda, Commissioner

**OPINION AND ORDER**

On December 16, 1994, the Commission issued an order that, in pertinent part, granted Washington 10 Storage Corporation and Washington 10 Storage Partnership (collectively, Washington) certificates of public convenience and necessity to establish the Washington 10 Storage Field and to engage in the storage and transportation of natural gas. That order also approved market-based storage and transportation rates, and authorized Washington to issue up to \$130 million of securities needed to finance the capital costs of the proposed storage field and related facilities.

On February 20, 1997, Washington filed a request for approval of a cost-based storage rate to be offered in addition to its market-based storage and transportation rates. According to Washington, Federal Energy Regulatory Commission regulations mandate that interstate storage service be provided only under cost-of-service based rates. Washington therefore asserted that although its existing market-based storage rate can

and will continue to be made available to customers seeking exclusively intrastate storage service, a cost-based storage rate must be approved for use by customers seeking interstate storage service.

Washington went on to point out that the level of service required by storage customers varies from base load service (covering between 90 and 150 days) to peaking service (covering 30 to 50 days). Because the cost of providing peaking service is inherently higher than providing base load service, Washington continued, rates should be designed to reflect that fact. Washington therefore proposed implementing a two-part cost-based rate. The first component would consist of a “monthly maximum deliverability rate” of \$2.4788 per thousand cubic feet (Mcf) of maximum daily withdrawal quantity. The second would consist of a “monthly maximum capacity rate” of \$0.0238 per Mcf of maximum storage quantity. Washington asserted that in addition to allowing it to provide the varying levels of service demanded by its prospective customers, the proposed rates will result in an average price for storage service that equals its cost-of-service on a per-Mcf basis.

Washington further noted that although its proposed cost-based storage service tariff offers significant flexibility, that flexibility is not unlimited. Nevertheless, Washington pointed out that if a customer’s needs fall outside the flexibility provided by that tariff, the market-based rate would still be available (at least for services not involving interstate commerce). Within the physical and contractual constraints of the storage field, Washington continued, the existing market-based storage rate would allow negotiation of a customized service to meet the customer’s needs.

Finally, Washington asserted that granting its request will not (1) result in increased rates, (2) alter the Commission’s prior determinations regarding the public convenience and necessity, as well as the safety, of the Washington 10 Storage Field, and (3) adversely affect the interests of any parties involved in this proceeding. Washington therefore requested ex parte approval of the cost-based storage service described in proposed Rate Schedules S-1 and S-2.

On March 11, April 4, and April 15, 1997, Armand, Inc., and Katherine E. Roy (who were previously granted intervenor status as a working interest owner and a royalty interest holder, respectively) filed joint objections to Washington's request. According to them, both the Washington 10 Storage Corporation and the Washington 10 Storage Partnership have ceased to exist and, contrary to Washington's assertions, adopting the cost-based rate structure could result in higher rates for some of Washington's storage customers. Armand and Ms. Roy therefore asked the Commission to conduct a hearing and to provide for briefs regarding these issues. Washington submitted a response on March 19, 1997 stating (1) that the Washington 10 Storage Corporation and the Washington 10 Storage Partnership are still in existence, and (2) that because Armand and Ms. Roy are not potential storage customers, they lack standing to contest the tariff revision.

The Commission Staff reviewed Washington's request and did not object to the proposed tariff revisions. Moreover, although copies of Washington's request and its proposed tariff changes were provided to all participants in the case, including potential customers, none of those parties objected to implementation of the cost-based storage rates.

After reviewing Washington's February 20, 1997 request, the Commission finds that the implementation of a cost-based storage tariff (in addition to Washington's existing market-based storage and transportation tariffs) is reasonable and in the public interest, and that ex parte approval is appropriate. This ex parte approval is based on Washington's representations that (1) these tariffs will have no adverse effect on present customers' rates or charges, (2) the Washington 10 Storage Corporation and the Washington 10 Storage Partnership continue to exist, and (3) the interests of Armand and Ms. Roy are not subject to the tariff changes sought in this case.<sup>1</sup>

---

<sup>1</sup>The petitions for leave to intervene filed by Armand and Ms. Roy appear to support Washington's claim that these two parties lack standing to address this issue. Those petitions, filed on November 15, 1993, assert only that Armand is a working interest owner and that Ms. Roy is a royalty interest holder of at least one well in the gas field that Washington ultimately converted to a storage field. Neither petition

The Commission FINDS that:

a. Jurisdiction is pursuant to 1929 PA 9, as amended, MCL 483.101 et seq.; MSA 22.1311 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; Section 2 of 1923 PA 238, as amended, MCL 486.252; MSA 22.162; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1969 PA 165, as amended, MCL 483.151 et seq.; MSA 22.1332(1) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACSR 460.17101 et seq.

b. Washington's proposed tariff revisions, which are reflected on Rate Schedules S-1 and S-2 and attached to this order as Exhibits A and B, respectively, are reasonable and in the public interest, and should be approved.

c. Ex parte approval is appropriate.

THEREFORE, IT IS ORDERED that:

A. The Washington 10 Storage Corporation is authorized to implement a cost-based storage rate, as reflected on proposed Rate Schedules S-1 and S-2.

B. Implementation of Rate Schedules S-1 and S-2 shall take effect on the date following issuance of this order.

C. The Washington 10 Storage Corporation shall, within 30 days of issuance of order, file tariff sheets incorporating all tariff revisions and additions approved in this order and shown on Exhibits A and B.

The Commission reserves jurisdiction and may issue further orders as necessary.

---

claimed that they were potential customers of Washington's storage field.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

John G. Strand  
Chairman

( S E A L )

John C. Shea  
Commissioner

David A. Svanda  
Commissioner

By its action of April 24, 1997.

Dorothy Wideman  
Executive Secretary

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

By its action of April 24, 1997.

\_\_\_\_\_  
Executive Secretary

In the matter of the application of )  
**WASHINGTON 10 STORAGE CORPORATION** and )  
**WASHINGTON 10 STORAGE PARTNERSHIP** for )  
issuance of certificates of public convenience and )  
necessity, for authority to issue and sell securities, )  
and for approval of natural gas storage rates. )  
\_\_\_\_\_ )

Case No. U-10424

Suggested Minute:

“Adopt and issue order dated April 24, 1997 granting the Washington 10 Storage Corporation authority to revise its tariff sheets and to implement a cost-based storage rate schedule, as set forth in the order.”