Colorado Interstate Gas Company, L.L.C.
a Kinder Morgan company

November 14, 2024

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

Attention: Ms. Debbie-Anne A. Reese, Secretary

Re: Colorado Interstate Gas Company, L.L.C.;
Docket No. CP24-124-000
Responses to Data Request – Office of Energy Market Regulation

Dear Ms. Reese:

On November 6 2024, Colorado Interstate Gas Company, L.L.C. ("CIG"), received a data request ("Data Request") in Docket No. CP24-124-000 from the Office of Energy Market Regulation ("OEMR") seeking information related to CIG's Totem Enhanced Deliverability Project. CIG is herein filing with the Federal Energy Regulatory Commission ("Commission") its responses to the Data Request.

Description of Proceeding

On April 8, 2024, CIG filed an application, pursuant to Section 7(c) and (b) of the Natural Gas Act, and Part 157.5, et seq., of the Commission's Regulations for a certificate of public convenience and necessity and abandonment authorization to modify and enhance its existing Totem storage field located in Adams County, Colorado in order to increase the maximum withdrawal rate by approximately 50 million cubic feet per day. Specifically, CIG proposes to: (1) install six new injection and withdrawal wells; (2) replace and install various sections of storage pipeline; (3) reclassify one existing injection/withdrawal well to an observation well; (4) install various appurtenant and auxiliary facilities; and (5) inject approximately one billion cubic feet of additional base gas into the Totem storage field. The proposed project, is referred to as the "Totem Enhanced Deliverability Project".

Description of Information Being Filed

CIG is herein submitting its responses to the November 6, 2024 OEMR Data Request.

Filing Information

CIG is e-Filing this letter and attachments with the Commission's Secretary in accordance with the Commission's Order No. 703, *Filing Via the Internet,* guidelines issued on November 15, 2007 in Docket No. RM07-16-000.

Please direct any questions regarding this matter to Francisco Tarin at 719-667-7517 or via email at Francisco_Tarin@kindermorgan.com.

Respectfully submitted,
COLORADO INTERSTATE GAS
COMPANY, L.L.C.

By *\/s\/ Francisco Tarin*
Francisco Tarin
Director, Regulatory

Enclosures

Cc. Ms. Marsha K. Palazzi, OEMR

1. In Exhibit N, page 1 of 5, note 3, it is stated that the pre-tax return used for this project of 15.5% is the one used in Totem's certificate filing in Docket No. CP08-30-000. The Tax Cuts and Jobs Act (TCJA) of 2017 reduced the corporate federal income tax rate from 35% to 21%. Please confirm if a 35% federal income tax rate was used for the calculation of the pre-tax return. In the case that a 35% of federal income tax rate was used for calculation of the pre-tax return, please provide 1) a new recalculated pre-tax return based on a federal income tax rate of 21%, per the TCJA or 2) an explanation of why it is not possible to recalculate the pre-tax return.

Response:

The 15.5% percent pre-tax return used by CIG is based on the stated pre-tax return established in its settlement of a general section 4 rate proceeding approved in Docket No. RP01-350-000. *See* "Stipulation and Agreement", page 4 n.1, Dockett No. RP01-350-000 (May 23, 2002) (Approved by *Colorado Interstate Gas Co.*, 100 FERC ¶ 61,154 (Aug. 5, 2002)). The individual components of the 15.5% pre-tax return were not stated in the settlement. This pre-tax return was incorporated by reference in the approved pre-filing settlements of general section 4 rate cases in Docket Nos. RP06-397-000 and RP11-2107-000. A pre-tax return or its components have not subsequently been approved. Because the individual components were not stated, the pre-tax return cannot be recalculated and the 15.5% is the appropriate return to be used in this proceeding consistent with Commission policy and precedent. *See, e.g., Transcontinental Gas Pipe Line, LLC*, 158 FERC ¶ 61,125 at PP 38-39 & n.60 (2017) (Commission approved the pipeline's use of a pre-tax return of 15.34% percent specified in a settlement because it was the last approved pre-tax return and therefore consistent with Commission policy); *ANR Pipeline Co.*, 171 FERC ¶ 61,233, at P 18 (2020) (Pipeline used its last approved pre-tax rate of return of 15.60% as established in a black box settlement for its return and tax allowance and was unable to update its pre-tax rate of return to account for current tax rates); *Columbia Gas Transmission, LLC*, 164 FERC ¶ 61,137 at P 8 (2018) (In revising its cost of service for an initial rate, pipeline was allowed to use its existing overall pre-tax return as approved in a black-box settlement that did not state the assumptions for capital structure and rates of return on debt and equity).

Response prepared by or under the supervision of:

Shelly Busby
Director, Regulatory
719-520-4657

2. In Exhibit N, page 3 of 5, note 2, it is stated that the depreciation rate was calculated using a 14.25-year depreciation term to match the length of the contract term. Commission policy is to use the depreciation rate approved in the pipeline's last NGA section 4 general rate proceeding.[1] Please explain why CIG chose to use a 14.25-year depreciation term instead of its last stated depreciation rate from its most recent settlement.

Response:

The Commission's general policy on the appropriate depreciation rate applicable to expansion facilities is to use the existing system rate approved in the pipeline's last general rate proceeding but has made exceptions and approved the use of contract life as the basis for determining depreciation rates for expansion facilities involving a delivery lateral built for a single shipper. *See, e.g., Gas Transmission Northwest LLC*, 187 FERC ¶ 61,023 at P 40 (2024) (Commission stating its general policy and its exception); *Mountain Valley Pipeline, LLC*, 171 FERC ¶ 61,232 at P 59 (2020) (Commission stating its general policy and its exception); *Transcontinental Gas Pipe Line Co.*, 147 FERC ¶ 61,102 at PP 53-54 (2014) (Commission approving the use of contract life for project); *Gas Transmission Northwest, LLC*, 142 FERC ¶ 61,186 at P 17 (2013) (Commission approving the use of contract life); *Algonquin Gas Transmission Co.*, 118 FERC ¶ 61,222 at PP 35-36 (2007) (Approved use of contract life); *Colorado Interstate Gas Co.*, 142 FERC ¶ 62,229, at 64,530 (2013) (Approved use of contract life for depreciation rate where pipeline argued such a rate would ensure limited impact after the initial term of the contracts); *Wyoming Interstate Co.*, 119 FERC ¶ 61,251 at P 22 (2007) (Commission stating its general policy and its exception).

As noted in the certificate application, the Totem Enhanced Deliverability Service ("ESD-T") increases the deliverability for existing storage capacity and does not provide any storage capacity itself. Only shippers with firm storage service agreements for capacity in the Totem Field under Rate Schedules FS-T or TSB-T may benefit from ESD-T service. All the firm storage capacity in the Totem field is contracted to one shipper who also has executed an agreement for all the available enhanced deliverability being offered under the proposed ESD-T service. In that way, it is highly analogous to a delivery lateral constructed for a single shipper. The ESD-T service is an adjunct to provide the service desired by the shipper and no other shipper. As such, the expansion costs to provide the ESD-T service should be only borne by the sole ESD-T shipper similar to the expansion costs for a delivery lateral to be used by a single shipper should be borne by only that shipper. Moreover, the expansion facilities in question are leased and not owned by CIG. In fact, the depreciation rate is included in the lease payment used for the cost of service in Exhibit N. Although the facilities are subject to FERC abandonment jurisdiction, at the termination of the lease and contracts, CIG does not have the right to continue to use of

[1] *See Wyoming Interstate Co.,* 119 FERC ¶ 61,251, at P 22 (2007).

the expansion facilities to provide additional service unlike integrated, owned facilities. As such, the use of contract life is the most reasonable indicator of economic life under these facts. To be clear, the ESD-T service agreement and the lease payment for the expansion facilities contemplated a lease payment and initial rate that include the depreciation based on the contract life. CIG's use of the contract life for the depreciation rate implements, in part, the financial agreement between it and its shipper, and CIG and the lessor. Therefore, similar to a delivery lateral for a single shipper, the use of contract life is the most reasonable and appropriate way to establish initial rates pursuant to section 7(c) of the Natural Gas Act for these particular expansion facilities, ensuring that the associated costs are borne by the sole entity benefiting from them and reasonably estimates the economic life of the facilities.

Response prepared by or under the supervision of:

Shelly Busby
Director, Regulatory
719-520-4657

STATE OF COLORADO)
)
COUNTY OF EL PASO)

FRANCISCO TARIN, being first duly sworn, on oath, says that he is the Director of the Regulatory Department of Colorado Interstate Gas Company, L.L.C.; that he has read the foregoing Responses to the Office of Energy Market Regulation's Data Request dated November 6, 2024 in Docket No. CP24-124-000, that as such he is authorized to verify the Responses, that he is familiar with the contents thereof; and that the matters and facts set forth therein are true to the best of his information, knowledge and belief.

Francisco Tarin

SUBSCRIBED AND SWORN TO before me, the undersigned authority, on this 14th day of November 2024.

STACIE S GONZALEZ
NOTARY PUBLIC - STATE OF COLORADO
NOTARY ID 20184008426
MY COMMISSION EXPIRES FEB 21, 2026

Stacie S. Gonzalez
Notary Public, State of Colorado
My Commission Expires: February 21, 2026

Certificate of Service

I hereby certify that I have this day caused a copy of the foregoing documents to be served upon each person designated on the official service list compiled by the Commission's Secretary in this proceeding in accordance with the requirements of Section 385.2010 of the Federal Energy Regulatory Commission's Rules of Practice and Procedure.

Dated at Colorado Springs, Colorado as of this 14th day of November 2024.

/s/
Francisco Tarin

Two North Nevada Avenue
Colorado Springs, Colorado 80903
(719) 667-7517