

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

March 30, 2004

In Reply Refer To:  
ANR Pipeline Company  
Docket No. RP04-201-000

ANR Pipeline Company  
9 Greenway Plaza  
Suite 1882  
Houston, TX 77046

Attention: Christopher D. Young  
Senior Counsel

Reference: Annual Fuel Re-determination

Dear Mr. Young:

1. On March 1, 2004, ANR Pipeline Company (ANR) filed revised tariff sheets<sup>1</sup> reflecting its annual fuel re-determination for levels of "Transporter's Use (%)", i.e., fuel use percentages and lost-and-unaccounted (L&U) for gas percentages as required by its tariff, to be effective April 1, 2004. The tariff sheets listed in footnote No. 1 are suspended and accepted for filing, subject to refund and conditions, effective April 1, 2004. This decision benefits the public because it requires the pipeline to provide support for its calculations and allows further comment by the parties.

### **The Filing**

2. ANR's currently effective tariff at section 1.68 of its General Terms & Conditions (GT&C) requires ANR to re-determine its "Transporter's Use (%)" as of April 1 of each year. ANR's "Transporter's Use (%)" includes two separate percentages, one of which compensates ANR for the fuel used in its operations, the fuel use percentage, and the other compensates ANR for lost-and-unaccounted for gas. Section 1.68 requires ANR to calculate its fuel use percentage by dividing the average of the three previous calendar years' actual compressor fuel use in each rate segment by the average of the net physical throughput in each rate segment for the same time period. Section 1.68 further requires that the lost-and-unaccounted for gas percentages be calculated by dividing the average

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<sup>1</sup> Twentieth Revised Sheet No. 19 and Tenth Revised Sheet No. 68H to FERC Gas Tariff, Second Revised Volume No. 1

of the four previous calendar years' lost-and-unaccounted for gas quantities by the average annual sales, transportation and storage quantities for the same four years. The tariff further provides that the annual recalculation of these percentages does not include an adjustment for fuel over or under collections in prior years.

3. Existing section 1.68 is in effect pursuant to an Uncontested Settlement approved by the Commission on January 30, 2002, which describes how ANR re-determines its fuel use and lost-and-unaccounted for gas.<sup>2</sup> The January 30, 2002 Order and the Uncontested Settlement provided that ANR would apply the settlement's methodology on ANR's annual fuel matrix re-determination filings for the two succeeding filings and that for the filing due on March 1, 2004, the parties agreed to review the results of adopting the settlement methodology and that any party may propose changes to that filing or subsequent (fuel use) filings.<sup>3</sup> This proposal by ANR to re-determine its fuel matrix deriving its fuel use percentage and L&U percentage represents the March 1, 2004 filing discussed in the January 30, 2002 Order and the Uncontested Settlement.

4. In this annual re-determination fuel use filing, ANR proposes to make varying adjustments to its fuel use percentages applicable in the different segments and areas of its systems. The adjustments range from a decrease of 0.06 percent to an increase of 0.26 percent. Further, ANR proposes to increase the L&U percentage by 0.04% from 0.50 to 0.54% for each dekatherm (Dth) of gas delivered to ANR at receipt points in its Southeast Area. ANR indicates that the overall Transporter's Use (%) reflects an increase for the majority of the transportation fuel routes on its system, as well as for the storage fuel rates.

### **Interventions and Protests**

5. Public notice of this filing was issued on March 4, 2004, with protests due on or before March 15, 2004. Pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214), all timely filed motions to intervene and the motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Indicated Shippers filed a late protest and ConocoPhillips Company filed late comments agreeing with and adopting as its own Indicated Shippers' protest.

6. Indicated Shippers request that the Commission refer this filing to an Administrative Law Judge (ALJ) to evaluate and decide upon the type of administrative

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<sup>2</sup> See ANR Pipeline Company, 98 FERC ¶ 61,053 at 61,138 (January 30, 2002 Order).

<sup>3</sup> Id.

procedure best designed to permit the facts of the case to be fully developed and for alternative procedures to be evaluated for calculating and accounting for L&U gas on ANR's system. Indicated Shippers argue the source data ANR uses to calculate the Transporter's Use for 2001-2003 is unknown and provided two tables to support this contention. Further, Indicated Shippers argue that ANR has over recovered fuel and losses by 32,858,694 Dth based on Form No. 2 data for the period 1996-2002. Indicated Shippers contend that, based on ANR's fuel overrecovery, ANR's proposed L&U percentage is unjust and unreasonable. Further, Indicated Shippers argue that a just and reasonable L&U percentage should more accurately reflect ANR's actual experience. They believe the four year average for calculating the L&U percentage may be inappropriate in view of ANR's repeated over collection. Indicated Shippers argue that a mechanism permitting a pipeline to overrecover its fuel costs by such a large amount on a consistent basis needs to be revised.

## Discussion

7. ANR has determined the Transporter's Use (%), including the fuel use percentages and the L&U percentage, based upon the methodology established by its tariff, and ANR has provided a detailed accounting of company fuel use for each of the applicable segments and areas on its system. However, ANR failed to provide information on where it obtained the data for the lost and unaccounted for volumes for the years 2001 to 2003.<sup>4</sup> ANR provided this information for the year 2000, indicating that the derivation of the unaccounted for gas could be found in its Form 2 as Gas Unaccounted for Transmission Losses.<sup>5</sup> However, ANR did not indicate where the information to verify its lost and unaccounted volumes for 2001 to 2003 is located.

8. To give the parties and the Commission an opportunity to verify the unaccounted for gas transmission losses on ANR's system, ANR is directed to provide information for the years 2001 through 2003 indicating where data on the lost and unaccounted volumes is located in ANR's Form No. 2 or other publication. ANR should also indicate if the information that it has provided on fuel use and line loss in its annual re-determination filings is estimated data that is later revised. If so, ANR must explain, with supporting documentation, how such revised data affects the fuel use and L&U percentages for previous years and in its current filing. Based on these concerns, ANR's tariff sheets identified in footnote No. 1 are accepted subject to refund and conditions. Within fifteen

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<sup>4</sup> See Table entitled "Transporter's Use Matrix L&U Calculation" attached to the transmittal letter of ANR's filing at Attachment 1, page 6 of 23. While ANR provided a cite for its 2000 data, it did not provide a cite for the 2001 to 2003 data.

<sup>5</sup> See ANR's Form No. 2 for 2000 at page 331, Line 6, Column (c) and page 520, Line 32, Column (c) in which ANR reported 7,669,134 Dth of gas unaccounted for transmission system losses.

days of the date of this order, ANR is required to submit a compliance filing, addressing the concerns discussed above about the data used in its fuel use and L&U percentage calculations. Parties will then have the comment period on ANR's compliance filing to respond to ANR's explanation.

9. Further, in accordance with the January 30, 2002 Order and the Uncontested Settlement, all parties may comment on whether the settlement methodology for determining fuel use and L&U percentages should be changed in light of experience with ANR's annual re-determination fuel use filings made since the settlement went into effect. In this connection, although ANR's tariff provides that the calculation of the Transporter's Use (%) does not include adjustments for fuel over or under-collections, ANR must describe in its compliance filing what over or underrecoveries of compressor fuel and L&U gas it has incurred since the settlement was approved. ANR must also state whether it interprets the tariff provisions adopted pursuant to the settlement as requiring it to absorb any underrecoveries, while retaining any overrecoveries. All parties may comment on whether ANR's tariff should be changed to require a tracking of over and under-recoveries in its annual fuel use re-determination filings. After ANR has submitted its compliance filing and comments have been received,<sup>6</sup> the Commission will determine what action is required on ANR's filing to re-determine its fuel use-and-lost and unaccounted for percentages and the methodology to derive those percentages.

### **Suspension**

10. Based on a review of the filing, the Commission finds that the proposed tariff sheets listed in footnote No. 1 have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission shall accept the tariff sheets for filing, and suspend their effectiveness for the period set forth below, subject to the conditions in this order.

11. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.<sup>7</sup> It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.<sup>8</sup> Such circumstances exist

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<sup>6</sup> Parties will have 12 days to comment on ANR's compliance filing as provided for in Section 154.210 of the Commission's regulations.

<sup>7</sup> See Great Lakes Gas Transmission Co., 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>8</sup> See Valley Gas Transmission, Inc., 12 FERC ¶ 61,197 (1980) (one-day suspension).

here where the pipeline is filing to re-determine its fuel use percentage and lost-and-unaccounted for gas percentage in a manner generally consistent with section 1.68 of its GT&C of its tariff. Accordingly, in this case, the Commission will exercise its discretion to suspend the rates for a shorter period and permit the rates to take effect on April 1, 2004, subject to refund and subject to the conditions set forth in the body of this order.

By direction of the Commission.

Linda Mitry,  
Acting Secretary.