

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

October 31, 2005

Reply Refer To:

Panhandle Eastern Pipe Line Company, LP  
Docket No. RP05-700-000

Panhandle Eastern Pipe Line Company, LP  
5444 Westheimer Road  
Houston, TX 77056-5306

Attention: William W. Grygar  
Vice President, Rates & Regulatory Affairs

Reference: Revised Fuel Reimbursement Percentages

Ladies and Gentlemen:

1. On September 30, 2005, Panhandle Eastern Pipe Line Company, LP (Panhandle) filed revised tariff sheets<sup>1</sup> and supporting work papers reflecting adjustments to its Fuel Reimbursement Percentages (FRPs). Section 24 of Panhandle's General Terms and Conditions (GT&C) requires it to periodically adjust the FRPs. The Commission accepts Panhandle's tariff sheets, to become effective November 1, 2005, as proposed.

2. Section 24 of the GT&C requires Panhandle to adjust its FRPs each April 1 and November 1 to reflect increases or reductions in fuel usage and lost and unaccounted for gas. This filing reflects the FRPs that will become effective November 1, 2005. Panhandle's revised tariff sheets reflect the following:

- 0.14% decrease in the Gathering Fuel Reimbursement Percentage from 0.73% to 0.59%;
- 0.14% decrease in the Field Zone Fuel Reimbursement Percentage from 1.09% to 0.95%;

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<sup>1</sup> See Appendix for list of tariff sheets.

- 0.03% increase in the Market Zone Fuel Reimbursement Percentage from 0.47% to 0.50%;
- 0.12% decrease in the Injection Field Area Storage Reimbursement Percentage from 1.54% to 1.42% and a 0.12% decrease in the Withdrawal Field Area Storage Reimbursement Percentage from 0.51% to 0.39%; and,
- 0.12% decrease in the Injection Market Area Storage Reimbursement Percentage from 1.65% to 1.53% and a 0.12% decrease in the Withdrawal Market Area Storage Reimbursement Percentage from 0.87% to 0.75%.

3. Public notice of this filing was issued on October 5, 2005. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2003)), all timely unopposed filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted.<sup>2</sup> Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burden on existing parties. Aquila, Inc., d/b/a Aquila Networks filed a motion to intervene out-of-time on October 14, 2005. The Missouri Public Service Commission (MoPSC) filed a notice of intervention and protest on October 12, 2005.

4. MoPSC protests that Panhandle does not adequately support the Field Zone Fuel Reimbursement Percentage it proposes to charge its shippers. MoPSC claims that Panhandle's fuel usage percentage, based on historical five-year throughput figures and forecasts of projected throughput, creates an incorrect trendline which Panhandle used to calculate an inflated fuel usage percentage of 1.02%. MoPSC used an alternate methodology that created a different trendline that it used to calculate what it avers is the correct fuel usage percentage 0.95%. Based on projected throughput and current high gas prices, MoPSC estimates Panhandle's calculation would result in over-recoveries in excess of \$47 million. MoPSC further claims that, despite the tariff's reconciliation procedures, due to the current unprecedented high prices of natural gas, this true-up process will not adequately compensate customers for the dollar values of the over-recoveries. Adding the .07% reimbursement for lost and unaccounted for gas to the calculated 1.02% fuel usage percentage yields a total reimbursement amount of 1.09%. However, adding to this sum the .014% decrease attributable to the reconciliation of the deferred amounts in Annual Fuel

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<sup>2</sup> Motions to intervene were filed by Consumers Energy Group, Laclede Gas Company, Michigan Consolidated Gas Company, Missouri Gas Energy, a Division of Southern Union Company, Process Gas Consumers Group, Semco Energy Gas Company and UGI Utilities Inc.

Reimbursement Surcharge, Panhandle's overall Field Zone fuel usage and lost and unaccounted for gas reimbursement percentage totals 0.95%. MoPSC urges the Commission to direct Panhandle to decrease this amount by 0.07% to 0.88% rather than the proposed rate of 0.95%.

5. On October 14, 2005, Panhandle filed an answer to the protest filed by the MoPSC. While the Commission's Rules of Practice and Procedure<sup>3</sup> generally prohibit answers to protests, the Commission will accept the answer to provide a better understanding of the issues in this proceeding.

6. In its answer, Panhandle claims that MoPSC's analysis resulting in MoPSC's alternative trendline is flawed. Panhandle states that, while it is true that Panhandle uses a five-year history of annual field and market zone throughput and fuel usage data for developing the plot-graph for projected fuel usage in each zone, such projections are not simply mathematical formulas, but require application of historical experience in predicting what future circumstances will likely occur. In addition to such historical data, Panhandle also takes into account projected levels of throughput, anticipated market conditions, current shipper delivery patterns and available regional sources of gas supplies to be used by shippers. In fact, taking into account these factors as well as operational changes based on current shipper usage patterns for sourcing gas supplies, Panhandle lowered its fuel retention percentage for the period commencing November 1, 2005 to 1.02%, even though the mean of the historical field zone compressor fuel usage for the previous five years is 1.07%. Panhandle therefore contends that the derivation of throughput projections and associated adjustments for experience to reflect anticipated patterns of use is more than the product of calculations. Panhandle argues that MoPSC's strictly mathematical approach fails to offer a true projection, but would require Panhandle to rely on various historical averages without analysis.

7. MoPSC filed an answer to Panhandle's answer on October 21, 2005. As noted above, the Commission's Rules of Practice and Procedure generally prohibit answers to answers, however the Commission will accept this response to assist in clarifying MoPSC's position concerning the issues here. First, MoPSC acknowledges that Panhandle's forecast of increased customer usage of the Cheyenne Plains Gas Pipeline Company receipt point to reduce field zone fuel usage is reasonable but adds Panhandle should have included this explanation with its initial filing. Next, MoPSC restates its original argument and maintains that the pipeline's supporting "trendline was incorrect". MoPSC also notes that Panhandle, in its answer, "does not refute MoPSC's calculation nor does it explain why its trendline is sloping the wrong way." MoPSC does not raise any additional arguments.

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<sup>3</sup> 18 C.F.R. § 385.213(a)(2) (2003).

8. The Commission finds that MoPSC's pure calculation approach is insufficient and does not form a basis for supplanting Panhandle's judgment under the governing statute, regulations and the tariff. There is nothing in Panhandle's tariff that precludes it from calculating its throughput projections and reimbursement percentages according to the method it used in the current filing. The Commission is satisfied that Panhandle's projections are reasonable and consistent with both its tariff and its methodology for making projections in past FRP filings. In addition, its tariff requires a true-up which will ensure that Panhandle will not over-recover fuel. Accordingly, we deny MoPSC's protest and Panhandle's revised tariff sheets are accepted to become effective, as proposed.

By direction of the Commission.

Magalie R. Salas,  
Secretary

cc: All Parties

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APPENDIX

**Panhandle Eastern Pipe Line Company, LP  
FERC Gas Tariff, Third Revised Volume No. 1**

**Revised Tariff Sheets Accepted Effective November 1, 2005:**

Eighth Revised Sheet No. 4  
Eighth Revised Sheet No. 5  
Eighth Revised Sheet No. 6  
Eighth Revised Sheet No. 7  
Eighth Revised Sheet No. 8  
Third Revised Sheet No. 9  
Third Revised Sheet No. 10  
Third Revised Sheet No. 11  
Third Revised Sheet No. 12  
Third Revised Sheet No. 13  
Third Revised Sheet No. 14  
Eighth Revised Sheet No. 15  
Eighth Revised Sheet No. 17  
Third Revised Sheet No. 18