

127 FERC ¶ 61,095
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 30, 2009

In Reply Refer To:
Quest Pipelines (KPC)
Docket No. RP09-483-000

John & Hengerer
1730 Rhode Island Avenue, N.W.
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Washington, DC 20036-3116

Attention: Matthew T. Rick

Reference: Fuel Reimbursement Adjustment

Ladies and Gentlemen:

1. On March 31, 2009, Quest Pipelines (KPC) filed revised tariff sheets¹ to adjust its Fuel Reimbursement Percentages pursuant to Section 23 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, with a proposed effective date of April 1, 2009. As discussed below, the Commission accepts and suspends the tariff sheets effective April 1, 2009, subject to refund and conditions.
2. Section 23 of the GT&C of KPC's tariff provides for an annual fuel reimbursement adjustment to reflect decreases or increases in fuel usage and lost and unaccounted for gas (L&U). KPC's tariff requires it to submit a filing thirty (30) days prior to April 1st of each year to update fuel reimbursement percentages in its tariff. On March 2, 2009, KPC filed a request for a thirty (30) day extension of time to submit its updated fuel reimbursement percentages, stating that underlying fuel and lost and unaccounted for data required further verification and analysis. This request was granted pursuant to a Notice of Extension of Time issued on March 16, 2009, in Docket No. RP09-451-000.

¹ See Appendix to this order.

3. On March 31, 2009, KPC filed the instant filing, proposing an effective date of April 1, 2009. KPC states it is willing to defer the implementation of the updated fuel reimbursement percentages until May 1, 2009, as indicated by KPC's March 2, 2009 request for an extension of time. However, KPC states that the updated percentages for the summer 2009 period are lower than the percentages in effect during March 2009 and that shippers would likely prefer the updated lower percentages to take effect on April 1, 2009, rather than deferring their implementation until May 1, 2009, as previously proposed.

4. KPC proposes an increase to the fuel reimbursement percentages for both the summer and winter periods in Zones 1 and 3, an increased percentage in the summer period for Zone 2, and a decreased collection percentage in the winter period for Zone 2. The increase in the fuel percentages for each Zone is shown below:

Table 1

Zone	Currently Effective Summer	Currently Effective Winter	Proposed Summer	Proposed Winter	% Increase Summer	% Increase Winter
Zone 1	1.6494%	2.0175%	1.9904%	2.5562%	20.7%	26.7%
Zone 2	.6460%	.8254%	.6467%	.7768%	.11%	(5.9)%
Zone 3	.3545%	.3842%	.5071%	.5655%	43.1%	47.2%

5. Notice of KPC's filing issued on April 1, 2009. Interventions and protests were due on April 13, 2009, as provided in section 154.210 of the Commission's regulations (18 C.F.R. 154.210 (2008)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2008)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. On April 13, 2009, the Kansas Corporation Commission (KCC) filed a request for additional documentation.

6. In its request for additional documentation, KCC states that KPC's rationale for requesting an effective date of April 1, 2009, is misleading since the proposed rates are actually increasing (as compared to the April 2008 summer rates) and not decreasing as stated by KCC. KCC states that the reason the proposed rates are lower than the current March 2009 rates, as claimed by KPC, is because the rates effective April 1, 2009, are summer rates whereas the March 2009 rate is the winter rate. KCC states the reduction in rates is due to seasonal changes, not an overall reduction in summer 2009 rates as compared to summer 2008 rates. Thus, the proposed 2009 summer rates actually represent an increase over the corresponding 2008 summer rates in all three Zones.

7. In addition, KCC states that although the fuel reimbursement percentages proposed by KPC are small in absolute terms, the percentage change in rates is

significant. KCC states that the summer rates in Zone 1 increased by 20.7 percent relative to KPC's prior fuel filing and winter rates in Zone 1 increased by 26.7 percent. KCC also states Zone 3 rates increased by 43.0 percent for the summer rates and 47.2 percent for the winter rates.

8. To further understand these changes and other issues, KCC requests the Commission require KPC to (1) provide support for the significant increases in the proposed fuel rates and (2) explain whether those increases result from a larger on-going issue or an identifiable non-reoccurring circumstance.

9. In addition, KCC contends there does not appear to be any correlation between changes in fuel use and changes in throughput on KPC's system. KCC states that, in its experience, fuel use and throughput are causally related. For this reason, KCC requests the Commission require KPC to explain the discrepancies between its fuel use and throughput.

10. Further, KCC states KPC's work papers do not adequately explain how KPC calculates the lost and unaccounted for factor. Thus, KCC requests the Commission require KPC to provide the source(s) and or derivation(s) of the amounts shown in Appendix B, page 5, Columns 12 and 13 with a narrative explanation of the calculation methodology.

11. The Commission finds that KPC's filing has not been shown to be just and reasonable, and may be unjust, unreasonable, and unduly discriminatory, or otherwise unlawful. KPC's filing fails to explain adequately the methodology it used to calculate the fuel reimbursement percentages. The Commission cannot determine whether the new fuel reimbursement percentages proposed by KPC are just and reasonable. Thus, we order KPC to submit the following:

(A) An explanation for how KPC derived the throughputs and compressor fuel usages listed in page 5 of Appendix B to its filing and the sources for the information used in the calculations.

(B) An explanation for the derivation of the .4000% L&U percentage set forth on page 2 of Appendix B.

(C) An explanation for the derivation of the "System L&U" and the "Percentage L&U" on page 5 of Appendix B and why the "Percentage L&U" numbers differ from the L&U percentage of .4000% set forth on page 2 of Appendix B.

12. Moreover, the Commission is also concerned by the fluctuations in KPC's fuel rates as indicated by KCC. The Commission further orders KPC to explain and support whether the increased percentages result from an ongoing, systemic issue or an identified,

non-reoccurring circumstance. KPC should also explain the relationship between changes in throughput levels and changes in fuel use on its system.

13. Finally, the Commission also observes that KPC failed to change the dates for the new percentages on its tariff sheets. For example, the table on the proposed Third Revised Sheet No. 21 refers to dates of “Apr 08-Oct 08” and “Nov 08-Mar 09” under the words “Fuel Reimbursement” rather than the 2009-2010 effective dates. Subsequent filings by KPC should include the corrected dates.

14. Based upon a review of the filing, the Commission finds that the proposed tariff sheets in the Appendix have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission shall accept such tariff sheets for filing and suspend their effectiveness for the period set forth below, subject to refund and the conditions set forth in this order.

15. 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. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspensions for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension). Such circumstances exist here where the pipeline has completed its annual filing pursuant to existing tariff mechanisms and no shipper is opposing KPC's proposed rates. Accordingly, the Commission will exercise its discretion to accept and suspend these tariff sheets for the shorter period. Because no shipper has protested the proposed April 1, 2009 effective date and KPC has made its filing pursuant to an existing tariff mechanism, the Commission also waives the 30-day notice requirement and allows the tariff sheets to become effective April 1, 2009, subject to refund.

16. Therefore, the tariff sheets listed in the Appendix are accepted and suspended to be effective April 1, 2009, subject to refund and to KPC's compliance with the directives of this order within thirty days and subsequent review by the Commission.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

Appendix

Quest Pipelines (KPC)
FERC Gas Tariff, Second Revised Volume No. 1

Tariff Sheets Accepted Subject to Refund Effective April 1, 2009:

Third Revised Sheet No. 21
Third Revised Sheet No. 37
Second Revised Sheet No. 47
Second Revised Sheet No. 49
Second Revised Sheet No. 51
Second Revised Sheet No. 53