130 FERC ¶ 61,229
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

ANR Pipeline Company | Docket Nos. RP09-428-000
RP09-428-001

ORDER FOLLOWING TECHNICAL CONFERENCE

(Issued March 22, 2010)

1. By order dated March 31, 2009,[1] the Commission accepted and suspended revised tariff sheets[2] filed by ANR Pipeline Company (ANR), to be effective April 1, 2009 subject to refund and conditions and the outcome of a technical conference. ANR filed the revised tariff sheets on February 27, 2009 in Docket No. RP09-428-000 to adjust its fuel[3] and electric power cost (EPC) rates for transportation and storage services under section 37 of the General Terms and Conditions (GT&C) of its tariff (February 27 filing). In addition, ANR proposed a new charge in GT&C section 18.12 for in-field transfers requested by Rate Schedule FSS shippers between ANR's Cold Springs 1 storage facility and its other storage facilities.[4] On April 2, 2009, in Docket No. RP09-428-001, ANR filed a revised tariff sheet[5] to comply with a directive in the March 31 Order to remove

[1] *ANR Pipeline Company,* 126 FERC ¶ 61,313 (2009) (March 31 Order).

[2] First Revised Sheet No. 10A, Twenty-Sixth Revised Sheet No. 19, Fourth Revised Sheet No. 19A, and Seventh Revised Sheet No. 149 to FERC Gas Tariff, Second Revised Volume No. 1.

[3] Unless indicated otherwise, the term "fuel" as used in this order refers to natural gas fuel.

[4] This order adopts the parties' use of the term "in-field transfer" to describe the transaction for which ANR proposes to charge.

[5] Twenty-Seventh Revised Sheet No. 19 to FERC Gas Tariff, Second Revised Volume No. 1.

losses due to Hurricane Ike from its proposed general system fuel retention percentages, requesting an April 3, 2009 effective date.

2. ANR states that due to the limited time to implement the March 31 Order's directive, it committed to its shippers in an April 1 posting to implement the revised retention percentages in time for nominations for the April 3 gas day. ANR further states that it will true up any under or over collections for April 1 and 2, 2009 in its next tracker filing. For reasons discussed below, the Commission accepts the revised tariff sheets identified in footnote 2 effective April 1, 2009, subject to conditions, except for Twenty-Sixth Revised Sheet No. 19, which is rejected as moot. Twenty-Seventh Revised Sheet No. 19 to FERC Gas Tariff, Second Revised Volume No. 1 is accepted effective April 1, 2009. Additionally, the Commission seeks comments from interested parties regarding any inefficiencies that may have resulted from our earlier decision to require ANR to separately track EPC costs attributable to the Cold Springs 1 facility."

I. Background

3. GT&C section 37 authorizes ANR to track and annually revise its in-kind fuel retention percentages for transportation and storage services. The revised fuel retention percentages are based on the previous 12-month period's Transporter's Use (fuel use) and lost-and-unaccounted-for gas (LAUF), calculated by transportation rate segments and storage services. The revised fuel retention percentages may include adjustments for (1) known and measurable changes, and (2) true-ups of previous under and over recoveries of fuel as reflected in the ending balances of the applicable Deferred Use subaccounts. ANR applies the retention percentages to nominated volumes tendered by shippers.

4. GT&C section 37 also authorizes ANR to track and annually revise its EPC charges for electrically-powered compression used in providing transportation services, and storage service at the Cold Springs 1 storage field. The revised EPC charges may include adjustments for (1) known and measurable changes, and (2) true-ups of previous under and over recoveries of EPC as reflected in the prior period's ending balances of its Deferred EPC subaccounts. ANR bills each shipper monthly for applicable EPC based on the shipper's activity during the previous month times the approved EPC charge.

5. In the February 27 filing, ANR proposed additional tariff language in GT&C section 18.12 authorizing a new charge for in-field transfers between shippers utilizing the capacity in the Cold Springs 1 storage facility and shippers utilizing ANR's other storage fields (hereinafter, the rolled-in fields), when the shipper requesting and receiving the transfer takes service under Rate Schedule FSS. The Cold Springs 1 field, whose working gas capacity is approximately 14.7 Bcf, has electrically-driven compression and also appurtenant facilities that are fueled by natural gas. ANR assesses injections nominated by Cold Springs 1 shippers an incrementally designed in-kind retention percentage, and also bills each shipper monthly for its electric power usage.

6. ANR has historically operated the rolled-in fields as a pool whose working gas capacity is approximately 200 Bcf. The rolled-in fields' compressors are fueled by natural gas rather than electric power. Accordingly, ANR assesses injections nominated by rolled-in shippers an in-kind retention percentage designed to recover the pool's aggregate fuel costs.

7. Cold Springs 1 began operating in 2008. The 2007 certificate order certificating Cold Springs 1 approved ANR's proposed incremental storage rates, but rejected its proposal to roll-in Cold Springs 1 fuel and EPC costs into the rolled-in storage cost recovery mechanism in GT&C section 37.[6] Instead, the 2007 Certificate Order required ANR to design Cold Springs 1 fuel and EPC rates incrementally, explaining that if the facility's fuel use exceeded the "system" fuel charge, existing customers could subsidize the expansion shippers.[7] The order therefore required ANR to ensure that the Cold Springs 1 fuel and EPC costs "are the responsibility of only the shippers receiving service under the project and ANR Pipeline, and that no costs attributable to the proposed expansion be charged to existing shippers."[8] However, the order also stated that ANR was not precluded from filing a proposal to assess an appropriate part of such costs to system customers "to the extent that it can demonstrate that system customers benefit from the facilities."[9] The Commission denied ANR's request for rehearing, stating ANR could demonstrate the facility's system benefits to support a request for rolled-in fuel and EPC cost treatment in a future fuel tracker filing.[10]

8. The March 31 Order established a technical conference that was held on May 19, 2009. Post-technical conference initial and reply comments were filed in accordance with the procedural schedule agreed to by the attendees. Comments were filed by ANR; Nexen Marketing U.S.A. Inc. (Nexen); Indicated Shippers;[11] ONEOK Energy Services Company, L.P. (ONEOK); and Southwest Energy, L.P. (SWE). On August 7, 2009, the Commission issued a request for ANR to provide additional information, to which ANR

[6] *ANR Pipeline Company*, 119 FERC ¶ 61,220 (2007) (2007 Certificate Order), *reh'g denied*, 122 FERC ¶ 61,061 (2008).

[7] The 2007 Certificate Order's use of the term "fuel" included EPC.

[8] 2007 Certificate Order at P 23.

[9] 119 FERC ¶ 61,220 at P 23.

[10] 122 FERC ¶ 61,061 at P 20.

[11] Chevron U.S.A. Inc. and ConocoPhillips Company.

responded on August 28, 2009 (Data Response). The parties' comments and Commission findings are set forth in the discussion section of this order.

II. Discussion

A. Cold Springs 1 Fuel and EPC Rates

1. Proposed Rates

9. ANR proposes to increase the Cold Springs 1 in-kind fuel retention percentage of 0.5 percent for the 2008 period to 2.06 percent in 2009. ANR states that Cold Springs 1 fuel use, EPC and injection volumes in 2008 were not representative of those anticipated in 2009. ANR explains that the facility's electric compressor was not available for injections, which began in April 2008. Therefore, ANR states that in an effort to facilitate injections for storage services committed to Cold Springs 1 during the start-up year, ANR contracted for interim service from ANR Storage Company, which billed ANR on an in-kind basis. ANR also represents that at the request of Cold Springs 1 customers, it agreed to defer in-kind recovery of fuel costs related to 2008 service, and instead to include 2008 fuel costs in this fuel tracker proceeding. The resulting recovery true up of 1.60 percent increases the fuel use projected for 2009 from 0.46 percent to 2.06 percent.

10. ANR proposes to increase the Cold Springs 1 EPC rate from $0.0400 to $0.1060 per Dth. The proposed Cold Springs 1 EPC rate is based on 12 months of projected compression utilization rather the electric power costs incurred during the truncated 2008 utilization period. According to ANR, this increases the EPC rate proposed in this filing. However, ANR also states that due to the delayed installation of the Cold Springs 1 electric compressor in 2008, it over recovered 2008 Cold Springs 1 EPC costs it had projected in Docket No. RP08-240. Consequently, the negative true-up resulting from such over recovery reduces the EPC rate projected in this filing from $0.1444 per Dth to $0.1060 per Dth.

11. As described further, commenters express general concerns about the proposed increases in Cold Springs 1 fuel and EPC rates, and object to specific costs included in ANR's rate calculations. They also seek Commission reconsideration of the incremental Cold Springs 1 fuel and EPC rate design required under the 2007 Certificate Order.

2. Requests for Reconsideration of the Cold Springs 1 Fuel and EPC Rate Design

12. The commenters note that the proposed Cold Springs 1 fuel and EPC rates are significantly higher than previously anticipated by the parties. Indicated Shippers state they are concerned about the size of the proposed increases in the rates, given their expectation based on ANR's reassurances prior to this proceeding that such rates would

be minimal or nominal. Nexen and SWE request the Commission to reconsider its decision to require incremental treatment of Cold Springs 1 fuel and EPC costs. Indicated Shippers and SWE request, in the alternative, that the Commission require ANR to file data demonstrating the system benefits of Cold Springs 1 that would support a rolled-in determination of Cold Springs 1 fuel and EPC costs. SWE seeks further deliberations based on such data.

13. In general, the commenters maintain that the Commission's decision to reject rolled-in treatment of Cold Springs 1 fuel and EPC costs will adversely impact their business plans, the liquidity of commodity trading within the affected market, and ANR's ability to realize operational benefits it expected from Cold Springs 1. SWE, while acknowledging that the 2007 Certificate Order required Cold Springs 1 shippers to be solely responsible for the facility's costs, believes that the impact would be minimal of rolling-in the fuel and EPC costs associated with 12 [sic] Bcf of Cold Springs 1 capacity into the fuel costs of ANR's 200 Bcf rolled-in storage pool. SWE maintains that ANR's response to the orders has created inefficiency in its operations, accounting burdens, and harm to the liquidity of the in-field transfer market.

Discussion

14. ANR asserts that the 2007 Certificate Order limits its ability to use the facility as part of its integrated storage complex to the benefit of all its shippers.[12] Our denial of ANR's request for rehearing of the 2007 Certificate Order was in part based on a lack of data at the time to support rolling in Cold Springs 1 fuel and EPC based on system benefits. In the August 7, 2009 Data Request to ANR, the Commission asked ANR to describe and quantify the extent to which it has been able to integrate the operation of Cold Springs 1 into its pool of storage assets to provide service to all its shippers. In Data Response 1-13, ANR states that it believes there is still insufficient data to demonstrate Cold Springs 1 system benefits, and that complying with the incremental fuel and EPC requirement limits its ability to operate Cold Springs 1 in a manner that would produce such data. ANR states that instead of injecting and withdrawing gas from Cold Springs 1 based on operational considerations[13] as it had planned to do at the time it applied for certificate authorization, ANR must now match physical and accounting

[12] In Data Response 1-13, ANR notes that it might temporarily operate Cold Springs 1 to fulfill its contractual obligations to all shippers in response to an operational constraint, but to date it has not needed to do so.

[13] Data Response 1-13. ANR describes such operational considerations as nomination levels, the type of field (base load or peaker), the availability of its fields, and maintenance activities.

inventories at Cold Springs 1 in order to comply with the Commission's incremental fuel and EPC rate design requirement.

15. The Commission is concerned that its decision in the 2007 Certificate Order to reject ANR's proposal to roll into the existing system-wide fuel and electric power cost charges the fuel and electric costs associated with the Cold Springs facility may have led to various negative impacts, including the unintended consequence of interfering with ANR's operation of its storage assets as an integrated pool and other inefficiencies. Therefore, at this time, the Commission finds that it is important to revisit the issue.

16. ANR and all interested parties should file comments addressing the following, and any other relevant, issues: whether any inefficiencies or difficulties are being created due to the separate tracking of costs as mandated by the 2007 Certificate Order; whether it is appropriate to roll in the Cold Springs fuel and electric costs into the system rates; whether rolling in those costs would have any adverse rate impacts on existing shippers; and whether rolling in those costs would have system benefits. Initial comments should be filed within 20 days of the date of this order and reply comments should be filed 10 days thereafter. The Commission will determine the appropriate course of action after the pleadings are reviewed.

3. Base Gas Injection Costs

17. Indicated Shippers and Nexen request that any costs incurred by ANR to inject base gas into Cold Springs 1 be removed from the tracker filing.[14] Indicated Shippers assert that ANR admitted in the technical conference that it included such costs in the tracker filing. Accordingly, Indicated Shippers seek removal of both fuel and EPC costs associated with ANR injecting 2.82 Bcf of gas into the facility, the amount of base gas ANR represented in its certificate application it would inject into Cold Springs 1. Nexen states that fuel to inject base gas is not the type of recurring cost that should be included in a tracker filing.

18. In support of their request, Indicated Shippers cite to GT&C sections 37(c)(2) and 37(f)(2) which describe, respectively, how fuel and EPC rates should be calculated. Indicated Shippers note language in both sections providing that fuel use and EPC charges are to be calculated based on costs "attributable to storage operations."[15]

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[14] Indicated Shippers' request removal of EPC and fuel costs, whereas Nexen requests removal of only fuel costs.

[15] GT&C section 37(f)(2) uses the word "attributed," whereas section 37(c)(2) uses the word "attributable."

Indicated Shippers argue that such language does not contemplate injection of base gas. They maintain that such costs should have been included in the capital costs listed in Exhibit K of the Cold Springs 1 certificate application, and recovered through the facility's storage rates. They argue that also including such costs in the tracker filing would constitute a double recovery.

19. In Data Response 1-2, ANR states that it incurred 23,777 Mcf of third-party fuel costs to inject 1,590,498 Dth of base gas into Cold Springs 1 during the period May 15-29, 2008.[16] ANR identifies such fuel costs in its proposed Cold Springs 1 fuel charge calculation on Attachment 3, Page 2 of 2, under the column "Fuel Reimbursed to Others." ANR argues that base gas is needed for storage operations and therefore fuel costs incurred to inject such gas are "attributable to storage operations" within the meaning of GT&C section 37.2(c)(2). ANR asserts that it should be allowed an opportunity to recover such costs and that the fuel tracker filing is an appropriate recovery vehicle.

Discussion

20. The Cold Springs 1 electric compressor was not installed until after the May 15-29, 2008 period when ANR incurred additional base gas injection costs. Because ANR could not have incurred EPC costs to inject base gas into the facility at that time, we accept ANR's explanation that it incurred only third-party fuel costs to inject such gas. However, we agree with Indicated Shippers' contention that "fuel use attributable to storage operations" in GT&C section 37(c)(2) is intended to refer to costs incurred by ANR to inject shipper's nominations into storage, not to inject base gas into storage. The purpose of the above-quoted language is to describe how ANR should calculate "Transporter's Use (%)". GT&C section 1.67 states that "[t]he term 'Transporter's Use' shall mean the quantity of <u>Gas required by Transporter</u> . . . <u>for service under each Agreement</u>, and shall be equal to the Transporter's Use (%) <u>under each such Agreement</u> times <u>Receipt Point quantities tendered</u> to Transporter."[17] (Emphasis supplied). Therefore, the definition of the term "Transporter's Use" in GT&C 1.67 limits the application of GT&C section 37 to quantities tendered by shippers under their service agreements. The tariff does not authorize ANR to apply GT&C section 37 to injection of base gas volumes.

21. Furthermore, fuel costs includable in a tracker filing are limited to periodically recurring costs. In an order clarifying its policy concerning the tracking of individual

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[16] ANR Data Response No. 1-2.

[17] GT&C section 1.67.

cost of service items, the Commission noted that it does not permit pipelines to change any single component of their cost of service outside of a general section 4 rate case.[18] However, the Commission stated that there were exceptions "to this policy for a few cost items that are subject to significant changes from year to year and are thus particularly difficult to project. One such cost item is fuel."[19] Accordingly, because costs to inject base gas are one-time costs that are not subject to significant changes from year to year, they should not be included in a periodic fuel tracker filing. ANR is directed to remove costs incurred to inject base gas into Cold Springs 1 from the fuel tracker filing.

4. <u>Double Charges During September and October 2008</u>

22. Indicated Shippers maintain that ANR's filing includes double charges for Cold Springs 1 fuel and EPC incurred during the months of September and October 2008. Indicated Shippers note that ANR had contracted with ANR Storage and was being billed for gas-fired compression during those months because electric compression was not yet available at Cold Springs 1. They note that ANR has included such charges in its proposed Cold Springs 1 fuel rate calculations, as well as EPC demand costs for the same months in its proposed Cold Springs 1 EPC rate calculations.[20] Indicated Shippers therefore argue that Cold Springs 1 customers should not be required to pay EPC charges for an electric compressor that was not yet in service. Nexen makes a similar argument.

23. ANR states that there is no double recovery of costs because fuel charges and electric power demand charges are different costs. In addition, ANR asserts that the fact that the demand charges began two months before the compressor was operational is not a reason to exclude such costs. ANR explains that it was required to enter into a contract and begin paying demand charges to its electric power provider based on an anticipated in-service date.[21] ANR states that it could not wait to line up electric service until it knew for certain when the compressor would be operational. According to ANR, even though the compressor became operational later than anticipated, ANR was required under the agreement with its electric power provider to begin paying demand charges. ANR asserts that under these circumstances, the demand costs were prudently incurred and should be recoverable under the tracker.

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[18] *ANR Pipeline Co.*, 110 FERC ¶ 61,069, at P 18-19 (2005).

[19] *Id.*

[20] Such costs were related to ANR's contract with the provider of electric power for Cold Springs 1, Great Lakes Energy Cooperative (Great Lakes).

[21] ANR Data Response No. 1-3.

Discussion

24. We will require ANR to remove from the proposed EPC rate calculations $52,259 in demand charges for September and October 2008 that ANR paid under its service agreement with Great Lakes.[22] GT&C section 37(f) allows ANR to recover "Transporter's EPC" which GT&C section 1.67A defines as "the dollar amount required by Transporter to recover the cost of electric power purchased, including surcharges, by or for Transporter <u>for use in the operation of electric powered compressor units</u>, and shall be equal to the EPC Charge times Delivery Point quantities." (Emphasis supplied). Although demand charges paid by ANR are allowed as a component of EPC rates, the emphasized language in GT&C section 1.67A contemplates that EPC costs to be included in the tracker filing are incurred by ANR when operating its compressors, which can only happen if the compressors are in service. Since the Cold Springs 1 compressor was not operational during September and October of 2008, ANR is not authorized to recover such charges under GT&C section 37.

5. Retroactive In-field Transfer Charges

25. In initial comments, Nexen claims that ANR has "attempted to impute retroactively fuel charges" for in-field transfers between Cold Springs 1 and the rolled-in fields in 2008. Nexen did not identify the basis for its assertion. ANR responds that it did not charge for such transfers in 2008, and has not done so through any adjustment in this filing. Nexen has not supported its assertion, and we do not find evidence in the filing contrary to ANR's representation that it did not impute fuel charges for in-field transfers in 2008. Accordingly, we find no merit in Nexen's claim.

6. Demand Response Opportunities and Credits

26. Indicated Shippers request a clarification that ANR will explore, and negotiate with Great Lakes, any and all opportunities to receive demand response credits from Great Lakes. They also request that ANR clarify that to the extent it is able to enter into a demand response arrangement with Great Lakes and/or to market any of its unutilized electric capacity on Great Lakes, ANR will flow through any related credits to Cold Springs 1 customers.

27. ANR replies that although the Michigan Public Service Commission has begun an initiative to explore collaborative demand response issues, no such program yet exists in the state that would enable ANR to reduce the electric power costs under its contract with

[22] ANR included such payments in the proposed Cold Springs 1 EPC charge calculation on Attachment 4, Page 2 of 3, under the column "Electric Power Costs".

Great Lakes. Nonetheless, ANR clarifies that if it ever participates in such demand response opportunities, it will pass through any resulting credits. We accept ANR's clarification as satisfying Indicated Shippers' request.

B. Proposed In-Field Transfer Charge

1. Details of Proposal, Comments and Discussion

28. ANR proposes to charge for fuel and EPC when performing in-field transfers between Cold Springs 1 shippers and shippers holding capacity in the rolled-in fields, when the shipper requesting and receiving the transfer subscribes to Rate Schedule FSS. ANR notes that it currently does not charge for fuel or EPC when performing in-field transfers because it has historically operated its storage fields as an integrated pool subject to a rolled-in fuel rate. Therefore such transfers did not incur operational costs.

29. However, ANR maintains that the proposed charge is needed to recover costs it will incur to comply with the 2007 Certificate Order requiring it to design Cold Springs 1 fuel and EPC rates incrementally, and to ensure that rolled-in shippers do not bear Cold Springs 1 fuel and EPC costs. ANR argues that because the Cold Springs 1 fuel rate and EPC charge are different from the rolled-in fuel rate, it must match volumes of gas physically injected into Cold Springs 1 based on shippers' nominations and in-field transfers with volumes recorded in Cold Springs 1 shippers' inventory accounts.[23] According to ANR, the matching methodology enables it to recover all fuel and EPC costs incurred there, while at the same time ensuring that rolled-in shippers do not bear such costs. ANR maintains that in-field transfers between Cold Springs 1 and the rolled-in fields must be incorporated into the matching methodology, since ANR must charge the same fuel and EPC rates for injecting transferred volumes as it charges for injecting nominated volumes.

30. ANR provides the following hypothetical to illustrate the impact of complying with the 2007 Certificate Order on its recovery of storage costs, and how the matching methodology addresses this impact: ANR contends that if Cold Springs 1 is not utilized and all customer gas is injected into the rolled-in fields, then it will experience accounting under recoveries of fuel for injections into the rolled-in fields and accounting over recoveries of fuel and EPC at Cold Springs 1.[24] The under recoveries would raise

[23] ANR refers to this process as a "matching methodology."

[24] The over and under recoveries of costs occur because ANR must charge shippers based on nominations for capacity under their service agreements at the fuel and EPC rates applicable to the nominated capacity, as provided in the tariff. (Sections 5 and 6 of FSS Form of Service Agreement; Section 3.6 of Rate Schedule FSS.) Thus, in this

(continued…)

the rates of rolled-in shippers in the next tracking period, while the over recoveries would lower the rates of Cold Springs 1 shippers in the next tracking period. According to ANR, this would constitute cross-subsidization of the Cold Springs 1 shippers by the rolled-in shippers. ANR maintains that by matching Cold Springs 1 physical and accounting inventories, it will avoid a mismatch between the incurrence and recovery of injection costs. ANR described other scenarios to demonstrate that without the matching methodology, similar mismatches between cost incurrence and recovery will occur irrespective of shippers' usage patterns.

31. ANR represents that it will perform in-field transfers in either direction between Cold Springs 1 and the rolled-in fields by performing displacement injections.[25] ANR states that the displacement injection may occur on the day of the transfer or a subsequent day. ANR also asserts that by using displacement injections to perform such in-field transfers, it will avoid the need to withdraw transferred volumes from the sending facility for transmission and injection into the receiving facility in order to implement the matching methodology. However, ANR notes that because it currently does not charge for in-field transfers and is prohibited by the Commission from charging rolled-in shippers for Cold Springs 1 fuel and EPC costs, ANR would not be able to recover the fuel and EPC costs associated with displacing a rolled-in shipper's injection into Cold Springs 1 unless it can charge the Cold Springs 1 shipper requesting and receiving the transfer for such costs.

32. Accordingly, ANR proposes to charge a shipper requesting and receiving in-field transfers between Cold Springs 1 and the rolled-in fields the same fuel rate and applicable EPC rate that it charges for injecting nominations into the facility where the requesting shipper contracts for capacity. In other words, an in-field transfer received in the rolled-in facilities would be assessed the rolled-in facility's fuel charge, and a transfer in the opposite direction would be assessed the Cold Springs 1 fuel and EPC charges. The proposed charge would not be applicable to in-field transfers between shippers that

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hypothetical, ANR allocates recovery of fuel and EPC to Cold Springs 1 even though no compression was used at that facility. In other words, the Cold Springs 1 shipper is charged the incremental Cold Springs 1 fuel percentage and EPC rate even though its nomination is injected into a rolled-in field. Likewise, there is no allocation of fuel recovery to the rolled-in fields from Cold Springs 1 shippers' nominated injections even though all such injections occur at the rolled-in fields.

[25] ANR uses the term "displacement injection" in this context to describe its injection into the facility of the shipper requesting and receiving the transfer of a volume of gas equal to the transfer but nominated by a third party for injection into the facility of the shipper sending the transfer.

subscribe to capacity within the same storage facility, whether the rolled-in storage pool or Cold Springs 1.

33. ANR also expresses concern that not charging for in-field transfers into Cold Springs 1 from the rolled-in fields will result in cross subsidization among Cold Springs 1 shippers and, eventually, prohibitively high Cold Springs 1 fuel and EPC rates. ANR offers the following hypothetical to explain this assertion: ANR contends that a Cold Springs 1 shipper could choose to fill its storage capacity at Cold Springs 1 through in-field transfers from shippers with inventory in rolled-in storage. Since ANR chooses to effectuate the in-field transfer through displacement, nominated injections to rolled-in storage would be diverted to Cold Springs 1 to complete the in-field transfer. Fuel retained from the displaced rolled-in nominations would be credited to rolled-in storage even though compression in the rolled-in fields would not be utilized, due to the injection of such nominations into Cold Springs 1. Without the proposed charge, the Cold Springs 1 shipper requesting the transfer would provide no fuel, or payment of the EPC charge, since it did not nominate an injection into Cold Springs 1 storage but increased its inventory through an in-field transfer.

34. Accordingly, the storage fuel collected in the rolled-in fields would exceed the actual fuel used. Also, the fuel and EPC costs in Cold Springs 1 would exceed the amount collected there since the actual amount injected into Cold Springs exceeded the nominated activity on which ANR collected fuel and EPC. When recovery of injection costs at both facilities is trued up through the tracking mechanism, the fuel collected would exceed the fuel used for the rolled-in storage activity and fuel and EPC collected would be less than fuel and EPC used for the Cold Springs 1 storage activity. ANR would return the fuel over collection to all rolled-in storage shippers through the tracker mechanism. Similarly, ANR would recover the Cold Springs 1 under-collected fuel and EPC expense from the next tracking period's Cold Springs 1 nominations. Thus, through operation of ANR's fuel tracker, the over and under-collection of fuel and EPC expenses is shifted to those shippers who did not engage in the in-field transfer activity.[26] Moreover, ANR contends that such under recoveries at Cold Springs 1 would constitute a subsidy of shippers that use such transfers to fill their accounts by Cold Springs 1 shippers that do not use such transfers. ANR points out that if allowed to continue, such practice would result in prohibitively high fuel and EPC charges for shippers nominating into Cold Springs 1.

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[26] As illustrated in the previously described hypothetical, the over and under recoveries of costs occur because ANR must charge shippers based on nominations for capacity under their service agreements at the fuel and EPC rates applicable to the nominated capacity, as stated in the tariff.

35. In its comments, ANR rejects a suggestion by Indicated Shippers that in order to capture the cost efficiencies of the lower rolled-in fuel rate, it should fill the rolled-in fields before injecting gas into Cold Springs 1. ANR states that such suggestion is not consistent with its operations because it cannot wait until the rolled-in fields are filled before beginning to inject into Cold Springs 1. ANR explains that when Cold Springs 1 is empty, it takes approximately 170-180 days to fill the field at the maximum injection rate, assuming no down time. Thus, it must begin injecting into Cold Springs 1 no later than May 1 to fill the field in order to meet its contractual obligations. In addition, ANR states that if it waited until the rolled-in fields were filled as suggested, it would not have backstop capacity in the rolled-in fields if an operational problem developed at Cold Springs 1.

36. Indicated Shippers believe that ANR's adoption of the matching methodology is based on a misinterpretation of the 2007 Certificate Order. According to Indicated Shippers, the order recognized the integrated nature of ANR's storage fields and simply required Cold Springs 1 customers to be responsible for any additional costs related to Cold Springs 1 electrically fired compression until ANR can demonstrate that the facility provides system benefits. They assert that the order does not require ANR to match Cold Springs 1 shippers' inventory accounts with the volumes physically stored in the facility, to inject only Cold Springs 1 shippers' gas or an equivalent amount into that facility, to operate the Cold Springs 1 field separately from the rest of its fields, or to physically inject into Cold Springs 1 volumes transferred from rolled-in shippers' inventory accounts to Cold Springs 1 shippers' inventory accounts.

37. The commenters contend that ANR's matching methodology is an accounting artifice that will prevent both ANR and its shippers from experiencing the cost efficiencies and operational benefits of integrating Cold Springs 1 with the rolled-in fields. According to Nexen, the methodology deprives ANR of significant additional storage options for ANR to manage and balance its system as well as additional backstop capacity in the event of deliverability problems in other fields, or constraints in mainline transmission due to *force majeur* events, or routine maintenance limiting injections and withdrawals at other fields. Indicated Shippers believe ANR should be able to properly allocate fuel costs without resorting to unnecessary injections into Cold Springs 1 for the purpose of matching Cold Springs 1 shippers' inventory accounts.

38. Indicated Shippers and Nexen also expect the proposed charge will reduce the incidence of in-field transfers, resulting in additional balancing costs and penalties for some of ANR's customers, and will limit shippers' ability to optimize their storage assets. Nexen also argues that such reduction of in-field transfers will disadvantage Cold Springs 1 customers compared with rolled-in shippers who can transfer gas among themselves at no charge. Finally, Nexen asserts that the charge will contribute to punitively high variable costs that effectively deny Cold Springs 1 shippers the ability to cycle their storage or capture any extrinsic/option value of their capacity.

39. Both Indicated Shippers and Nexen assert that ANR can, and should perform such in-field transfers without the need for displacement injections. Nexen speculates that ANR will continue to operate its storage fields, including Cold Springs 1, on an integrated basis, despite its statements to the contrary. Nexen further maintains that ANR either will not make physical injections into Cold Springs 1 to complete in-field transfers, or will subsequently make injections simply to true up balances in its storage pool. Thus, according to Nexen, the proposed charge is unnecessary.

40. Nexen states that but for the proposed in-field transfer charge, Cold Springs 1 and its customers could provide additional supply diversity and storage optimization for rolled-in customers. Indicated Shippers point out that the Commission has consistently recognized the benefits of in-field transfers and has prohibited unreasonable barriers to such transfers.[27]

41. Indicated Shippers also contend that ANR admitted in the May 19, 2009 technical conference that when the rolled-in storage fields are not full during the injection and withdrawal seasons, ANR does not have an operational need to inject all of Cold Springs 1 shippers' gas into that facility in order to match volumes on paper with volumes physically stored there. They argue that during such periods, ANR should be able to operate its entire storage complex to take advantage of daily operational conditions in order to increase available injection capacity and decrease costs for all storage customers. Similarly, ONEOK states its belief that ANR should have the ability to operate Cold Springs 1 on a least-cost basis.[28]

42. The commenters request various Commission actions to correct ANR's purportedly mistaken implementation of the 2007 Certificate Order. Indicated Shippers request the Commission to clarify that ANR (1) should only make physical injections or transfers of gas into Cold Springs 1 storage (whether directly or via displacements) when necessary for operational reasons, and (2) should not make physical injections or physical transfers of gas into Cold Springs 1 solely for accounting reasons (i.e., to match the Cold Springs paper account balance with the Cold Springs 1 physical balance). Nexen and ONEOK support Indicated Shippers' comments in this regard and also request that ANR be required to operate Cold Springs 1 on an integrated basis with its other storage facilities.

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[27] Citing *United Gas Pipe Line Co.*, 64 FERC ¶ 61,015, at 61,138 (1993); *Columbia Gulf Transmission Co.*, 124 FERC ¶ 61,113, at P 27 (2008).

[28] However, as described further, ONEOK also supports ANR's proposed in-field transfer charge.

43. Indicated Shippers suggest, as an alternative to ANR's matching methodology, that ANR could "simply allocate . . . actual fuel costs associated with the Cold Springs 1 customer to the Cold Springs 1 paper account balance."[29] For example, if ANR injects a Cold Springs 1 shipper's gas into the rolled-in fields, then the Cold Springs 1 paper account balance should be charged only for fuel related to such injection. As discussed further, Indicated Shippers also propose that ANR charge shippers requesting transfers between Cold Springs 1 and the rolled-in fields only the difference between the rolled-in rate retained from the displacement injection and the Cold Springs 1 fuel and EPC rates.

44. Nexen similarly requests that ANR be required to track and match actual Cold Springs 1 fuel and EPC costs with the accounting inventory levels of Cold Springs 1 customers. Nexen adds that fixed EPC costs could be allocated and recovered based on each shipper's storage contract levels, while actual variable costs of operating the facility should be based on paper inventory levels.

45. ANR states that Indicated Shippers do not explain how their proposal for an in-field transfer charge based on the difference between Cold Springs 1 and rolled-in fields' charges could be implemented since (1) it is not known until the end of the injection season the extent to which each of the fields will be filled, (2) the EPC charge has both a variable component based on injection activity and a component to recover demand charges it pays to its power supplier irrespective of use, and (3) the gas rate is collected in kind whereas the EPC rate is collected in dollars. ANR states that Indicated Shippers do not address these issues, and it believes an incremental charge could not be calculated and implemented given such practical difficulties.

46. ANR also maintains that Indicated Shippers have not supported their assertion that "ANR could simply allocate actual fuel costs associated with the Cold Springs customer to the Cold Springs facility."[30] ANR states that this suggestion would appear to require ANR to separately track each shipper's injection to the field where its gas is injected each day. ANR responds that such proposal is totally inconsistent with Commission policy regarding fuel tracking. ANR points out that the Commission does not require pipelines to track fuel use by shipper, or by injection. ANR asserts that such a proposal would be administratively impractical to implement, particularly if during the gas day, ANR was forced by unforeseen operational events to temporarily change the field into which the shipper's nomination was injected.[31] ANR adds that Indicated Shippers' proposal also

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[29] Indicated Shippers Initial Comments at 10.

[30] ANR Reply Comments at 4, citing Indicated Shippers Initial Comments at 10.

[31] As detailed in Data Response 1-9.

ignores the fact that it incurs electric power demand charges at Cold Springs 1 that are not dependent on use.

47. ONEOK supports the proposed in-field transfer charge out of concern that without the charge, gaming will occur and shippers like itself that only use nominations to fill their Cold Springs 1 inventories will end up subsidizing shippers that use in-field transfers to avoid paying for injection costs.

48. ONEOK disagrees with the contention of Indicated Shippers and Nexen that ANR should allocate and recover fuel and EPC costs simply through accounting entries that track where Cold Springs 1 shippers actually incur compression costs. ONEOK states that the Commission has never required actual tracing of compressor use as a precondition to assessing fuel. Instead, ONEOK states that if offsetting transactions by two shippers result in only one transaction incurring compression costs, both shippers are still assessed fuel and any over recovery is resolved through the true-up mechanism.

49. ONEOK also maintains that Commission orders cited by commenters (discussed below) as precedent exempting some field to field transfers from fuel charges are distinguishable from this proceeding because ANR has demonstrated that it will actually incur operational costs when performing such transfers, and without the proposed charge, subsidies would occur among incremental shippers at Cold Springs 1.

50. In response to ANR's and ONEOK's concerns about the possibility of some Cold Springs 1 shippers gaming the system to avoid injection charges, Nexen asserts that no party has advocated such actions, nor has ANR demonstrated that a cross-subsidy will occur between shippers without the proposed charge. Nexen and SWE make similar assertions that ONEOK has the same right as other Cold Springs 1 shippers to make in-field transfers into the facility, either from rolled-in shippers, or from interruptible storage capacity in the rolled-in fields that ONEOK can acquire.

51. In Supplemental Comments responding to Nexen and SWE, ONEOK states that a shipper that has already contracted for gas supply may not be in a position to buy additional gas through in-field transfers to avoid fuel charges. ONEOK also states that the use of rolled-in storage may deny shippers the use of their primary transportation rights to Cold Springs 1. Finally, ONEOK states that capacity in the rolled-in fields (if it is available) is not inexpensive.

Discussion

52. We will approve ANR's proposed charge for in-field transfers between Cold Springs 1 and the rolled-in storage fields. We agree with ANR that the need for the proposed charge ultimately results from the requirements of the 2007 Certificate Order, and as noted above, we are revisiting those requirements and seeking comments from interested parties regarding their impact on ANR's operation of its storage assets.

Contrary to Indicated Shippers' assertion that the 2007 Certificate Order simply directed that additional Cold Springs 1 costs above the rolled-in fuel rate be designed incrementally, the 2007 Certificate Order expressly required ANR to charge only Cold Springs 1 shippers for fuel and EPC costs incurred there, and to ensure that rolled-in shippers not bear Cold Springs 1 fuel and EPC costs. These requirements effectively prevent ANR from using Cold Springs 1 to perform service for rolled-in shippers, since it would not be able to recover Cold Springs 1 fuel and EPC costs from injections of rolled-in shippers' gas into Cold Springs 1.

53. Moreover, to fully recover such costs, ANR must ensure that gas inventories physically stored in Cold Springs 1 only reflect volumes that are chargeable for fuel and EPC charges in Cold Springs 1 shippers' inventories. We agree with ANR that the matching methodology achieves this result, despite the fact that it appears to also limit ANR's ability to achieve the operational and cost benefits of integrating Cold Springs 1 into its storage operations, to the detriment also of Cold Springs 1 shippers.

54. In light of our approval of the proposed charge, we will deny the clarifications requested by Indicated Shippers that ANR (1) should only make physical injections or transfers of gas into Cold Springs 1 storage (whether directly or via displacements) when necessary for operational reasons, and (2) should not make physical injections or physical transfers of gas into Cold Springs 1 solely for accounting reasons (i.e., to match the Cold Springs paper account balance with the Cold Springs 1 physical balance). Such clarifications do not take into consideration the impact of the 2007 Certificate Order on ANR's accounting and operational practices.

55. We also disagree with Indicated Shippers' assertion that when its storage facilities are not full, ANR should be able to perform such in-field transfers without using a displacement injection to transfer volumes into the receiving shipper's facility. This argument assumes that the volumes related to the transfer would remain in the facility where they were initially injected, to be withdrawn as needed by the shipper receiving the transfer. We disagree with this assertion for the same reason that ANR stated it could not utilize its storage complex on a least-cost basis due to the time that it would take to fill its storage facilities, including Cold Springs 1, in anticipation of its storage being fully utilized. Indicated Shippers assertion disregards the fact that volumes transferred to a Cold Springs 1 shipper would continue to utilize rolled-in storage capacity that could subsequently be needed to store injections of rolled-in shippers.

56. Moreover, ANR's need to utilize such capacity would become more acute as its storage capacity approached full utilization, as it has during the past three years. Furthermore, if ANR needed to inject rolled-in shippers' nominations into Cold Springs 1 because subscribed capacity in the rolled-in fields was being used to store volumes transferred to Cold Springs 1 shippers, it would not be able to collect the related Cold Springs 1 injection costs from rolled-in shippers without violating the 2007 Certificate Order.

57. Commenters also argue that ANR should not have to include in-field transfer volumes in the matching methodology because ANR should be able to track and account for actual costs it incurs when performing such transfers for shippers. However, we note that ANR must charge shippers based on nominations for capacity under their service agreements at the fuel and EPC rates applicable to the nominated capacity, as provided for in the tariff.[32] Any over or under recoveries of costs are trued up in the next tracking period's rate. This practice relieves pipelines of the administrative burdens and costs associated with tracking and accounting for shippers' individual fuel usage. Commenters' suggestion would impose such burdens on ANR and is therefore rejected.

58. Finally, because ANR has supported the need to physically inject gas into the receiving facility in order to perform an in-field transfer between Cold Springs 1 and the rolled-in fields, we agree with ONEOK's argument and ANR's concern that if ANR did not charge requesting shippers for such injections, then the resulting cost under recoveries would raise the rates of shippers who do not utilize such transfers to fill their capacity.

2. <u>Whether the Proposed In-field Transfer Charge will Over Recover ANR's Fuel and EPC Costs</u>

59. Indicated Shippers, Nexen and SWE assert that the proposed in-field transfer charge will over recover ANR's fuel and EPC costs. In particular, Nexen bases its assertion on a supposition that ANR will continue to integrate the operation of its storage fields, enabling such transfers to be performed without additional physical injections. Accordingly, Nexen argues that the proposed charge is unnecessary.

60. We have previously found that the 2007 Certificate Order limits ANR's ability to integrate Cold Springs 1 into its other storage operations. Further, ANR represents that it will actually make displacement injections to perform in-field transfers between Cold Springs 1 and the rolled-in fields, and that such injections will incur costs. Therefore, we disagree with Nexen's argument, which is based on the erroneous supposition that ANR will integrate the operation of Cold Springs 1 with its other fields.

61. Indicated Shippers provide a hypothetical example to illustrate why they believe, based on ANR's use of displacement injections, the proposed charge for in-field transfers will over recover ANR's fuel and EPC costs. In their example, ANR injects a rolled-in shipper's nomination into the rolled-in facilities, charging the fuel rate applicable to those facilities. Thereafter, a Cold Springs 1 shipper requests an in-field transfer from a

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[32] Sections 5 and 6 of FSS Form of Service Agreement; Section 3.6 of Rate Schedule FSS.

rolled-in shipper. ANR records the transfer on paper, charging the Cold Springs 1 shipper the injection rates for that facility, but the physical transfer is not simultaneously performed. ANR physically performs the transfer by injecting into Cold Springs 1 volumes that a rolled-in shipper subsequently nominates for injection into the rolled-in facilities. ANR charges the subsequent rolled-in shipper's nomination the fuel rate applicable to the rolled-in facilities, and also allocates the retained fuel to the rolled-in fields' fuel account even though the nomination was injected into Cold Springs 1. Indicated Shippers believe this example demonstrates that ANR will collect injection costs three times when performing an in-field transfer to Cold Springs 1 that only requires two injections.

62. Indicated Shippers contend that ANR should only have to perform the initial injection into rolled-in storage and the displacement injection into Cold Springs 1 in order to perform the transfer, without over recovering by charging the shipper requesting the transfer. Indicated Shippers further argue that Commission precedent prohibits pipelines from charging for in-field transfers that do not involve the movement of gas.[33] They maintain that to the extent ANR is not required for operational reasons to physically move or inject gas to effect a Cold Springs 1 in-field transfer, ANR should not charge for fuel or EPC. They also argue that ANR is prohibited by precedent from automatically applying storage injection rates to in-field transfers which rather than being designed to recover actual costs incurred for such transfers, would result in ANR over recovering such costs, as they seek to illustrate in the above hypothetical.[34]

63. Indicated Shippers also assert that under ANR's proposal, over recoveries resulting from rolled-in nominations displaced into Cold Springs 1 will be incorrectly credited to the rolled-in fields' deferral account and subsequently refunded to the rolled-in shippers, resulting in cross-subsidization of the rolled-in shippers by Cold Springs 1 shippers. Indicated Shippers explain that rolled-in shippers whose injections are displaced would have paid the rolled-in fuel charge if their nominations were injected into the rolled-in fields instead of being used to displace in-field transfers to Cold Springs 1. Accordingly, they maintain that the rolled-in shippers would be indifferent to being charged the rolled-in retention rate even though their nominations were injected into Cold Springs 1 in connection with the transfers. Therefore they reason that ANR should credit the fuel retained from the displaced rolled-in nominations to the Cold Springs 1 shippers

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[33] Citing *United Gas Pipe Line Co.*, 64 FERC ¶ 61,015, at 61,138 (1993) (*United*), *reh'g granted in part on other issues*, 65 FERC ¶ 61,006 (1993)).

[34] Citing *Columbia Gulf Transmission Co.*, 124 FERC ¶ 61,113, at P 27 (2008) (*Columbia Gulf*), citing *Tennessee Gas Pipeline Co.*, 75 FERC ¶ 61,252 (1996) (*Tennessee*).

receiving the in-field transfers, not the rolled-in shippers. Finally, they conclude, based on their assumption, as in the above hypothetical, that three injections are not required to perform the transfer, that the shipper requesting the transfer should be charged only the difference between the rolled-in and Cold Springs 1 injection rates in order to make ANR whole without any over recovery or subsidization.

64. ANR argues that Indicated Shippers mistakenly assume that fuel for making the transfer to Cold Springs 1 has already been paid when the transferred volumes were initially injected into the rolled-in facilities and therefore need not be paid again because the transfer can be accomplished on paper. According to ANR, this assumption misperceives how it operates its storage complex. ANR states it cannot simply make an accounting entry to perform such transfer, but it would perform the transfer by displacement injection into Cold Springs 1. Thus, according to ANR, fuel is not over collected.

Discussion

65. Based on ANR's representation that it will actually use displacement injections to perform in-field transfers between Cold Springs 1 and the rolled-in fields, ANR will incur the same costs to make such in-field transfers as to inject shippers' nominations into the facility receiving the transfers. Therefore, the proposed charge will not over recover ANR's costs. In addition, we disagree with commenters who maintain that Commission precedent prohibits the proposed charge. Unlike the circumstances in *United* and *Tennessee* cited by Indicated Shippers, wherein proposed charges were not supported, ANR has demonstrated that it will incur actual costs for transferring gas between the rolled-in fields and Cold Springs 1 due to its need to comply with the 2007 Certificate Order.

66. Furthermore, we disagree with Indicated Shippers that our decision in *Columbia Gulf* precludes the in-field transfer charge proposed in this proceeding. In *Columbia Gulf*, the pipeline proposed a new service consisting of shippers' use of incremental point capacity to be constructed at then undetermined locations on the system. Columbia Gulf proposed, as a proxy rate for the use of such capacity, a charge equal to its existing point to point FTS-1 transportation rate. The Commission noted that there was no similarity between the proposed service and the FTS-1 service, nor was there any similarity between the costs to be recovered by the proposed rate and the costs recovered by the existing FTS-1 rate. Thus, the Commission found no rational basis for the proposed access service rate, and that such rate would over recover Columbia Gulf's costs. Here, on the other hand, the costs to inject an in-field transfer into a receiving facility are exactly the same as the costs to inject a nomination into that facility. Therefore, there is a rational basis for ANR's proposal to charge the same rate for such in-field transfer as the injection rate(s) applicable to the receiving facility, and ANR will not over recover its costs.

67. Commenters object to the fact that shippers utilizing the facility from which volumes are transferred will be credited in the next tracking period for fuel retained from displaced nominations that were not injected as nominated, and thus did not incur compression costs within the nominated facility. They would rather such credits be allocated to shippers requesting such transfers. We disagree. ANR should allocate costs to the party at whose request the costs were actually incurred - the shipper requesting the transfer. Commenters' proposal, on the other hand, would have ANR improperly charge shippers for phantom costs at the facility from which the volumes were transferred, even though no compression costs were incurred there. Finally, with respect to transfers into Cold Springs 1, ANR is prohibited by the 2007 Certificate Order from charging rolled-in shippers for costs incurred at Cold Springs 1, which would occur under Indicated Shippers' proposal to credit Cold Springs 1 shippers requesting such transfers for fuel retained from displacement injections.

3. Whether In-Field Transfers between Cold Springs 1 and the Rolled-in Fields Should be Included in ANR's Transactional Throughput

68. ANR's tariff requires that it calculate fuel and EPC rates using Transactional Throughput for billing determinants.[35] Indicated Shippers request that the Commission require ANR to explicitly include volumes associated with the injection of in-field transfers into Cold Springs 1 in the Transactional Throughput underlying Cold Springs 1 fuel and EPC rates.

69. According to Indicated Shippers, although ANR projects a minimum of 3 Bcf in in-field transfers to Cold Springs 1 from the rolled-in fields, it does not explicitly include such volumes in the Transactional Throughput used in its calculations. Also, Indicated Shippers assert that while some in-field transfers may be used "as a substitute for direct injections," transfers of the same volume of gas may typically occur several times within one full injection and withdrawal cycle. Thus, according to Indicated Shippers, if such multiple in-field transfers would be subject to full Cold Springs 1 fuel and EPC charges, then not including in-field transfers in the Cold Springs 1 Transactional Throughput

[35] Throughout the tracker filing, ANR describes the billing determinants used in its calculations as Transactional Throughput. *See, e.g.*, Attachment 1, Page 6, lines 8-10; Attachment 3, Page 1, lines 2 and 5 and footnote 3; and Attachment 4, Page 1, lines 1 and 2. Although not defined in the tariff, previous Commission orders in ANR's fuel tracking proceedings have recognized that Transactional Throughput includes all volumes ANR delivers pursuant to contracts with its shippers, including deliveries by displacement, exchange and backhaul activity. (*See, e.g., ANR Pipeline Co.*, 110 FERC ¶ 61,069, at P 58-63 (2005)).

would understate the applicable billing determinants used in ANR's rate calculations by up to 3 Bcf. They argue that this would result in a subsidy by Cold Springs 1 shippers requesting in-field transfers of those shippers who do not use such transfers to fill their inventories. ONEOK, referencing Indicated Shippers' comments, expresses the same concern.

70. In reply comments, ANR states that "volumes associated with the in-field transfers in the form of displaced injections are included in transactional throughput, and thus are 'implicitly' included in the design of the fuel charges."[36] ANR further states that "[t]here are no volumes associated with in-field transfers other than the volumes associated with the subsequent injections of gas into Cold Springs 1."[37] ANR therefore argues that "[A]t the end of the day, all volumes associated with injections into the storage fields are included in the transactional throughput used to design the storage fuel charges."[38]

71. ANR also argues that including in-field transfers in transactional throughput would exacerbate its expected under recovery of fuel and EPC at Cold Springs 1 in the 2009 tracking period. ANR explains that the proposed Cold Springs 1 fuel and EPC rates are already based on overestimated billing determinants (roughly 11.2 Bcf) based on ANR's previous expectation that 80 percent of Cold Springs 1 capacity would be empty at the start of the 2009 injection season. ANR points out that "the actual March 31, 2009 storage was 6.81 Bcf, or 48 percent of capacity, meaning that only 52 percent of the field would need to be filled during the following season."[39] According to ANR, the Transactional Throughput billing determinants used to design the 2009 Cold Springs 1 fuel and EPC rates are already overstated due to its overestimate of empty capacity there at the start of the injection season, which will result in an under recovery of costs. ANR states that including even more volumes in the Transactional Throughput would exacerbate the under recovery and may lead to even higher Cold Springs fuel and EPC charges during the next period.

<u>Discussion</u>

72. Although not defined in ANR's tariff, the Commission recognizes that the term "transactional throughput," as used in extensive proceedings involving ANR's fuel

[36] ANR Reply Comments at 12.

[37] ANR Reply Comments at 12.

[38] ANR Reply Comments at 12.

[39] ANR Reply Comments at 12.

filings, refers to billing determinants that take into consideration all transactions on ANR's system, including backhauls, displacements and exchanges rather than measured throughput.[40] ANR asserts that it has implicitly included in-field transfers between Cold Springs 1 and the rolled-in fields in the transactional throughput used to design its storage fuel and EPC, and that including such volumes in transactional throughput will exacerbate its anticipated under recovery of Cold Springs 1 fuel and EPC in the 2009 tracking period. However, because such transfers are transactions on ANR's system and will be assessed fuel and EPC costs, we see no basis to distinguish them from other transactions on ANR's system that are performed by displacement or exchange and are included in transactional throughput. Therefore, ANR is directed to expressly include such in-field transfers in the transactional throughput applicable to its storage fuel and EPC rate calculations.

4. Tariff Language

73. ANR proposes to add language to GT&C section 18.12 intended to describe the fuel rate and applicable EPC rate to be paid by Rate Schedule FSS shippers requesting in-field transfers between Cold Springs 1 and the rolled-in fields. As noted by Indicated Shippers and acknowledged by ANR, ANR must revise the proposed language to clarify that shippers requesting such transfers and receiving the transferred volumes will be charged for the transaction at the fuel and EPC rates applicable to the facility to which they subscribe, and where the transfer is received. ANR is directed to file such revisions.

C. System Fuel Rates

74. ANR has removed the costs associated with Hurricane Ike from its system fuel rates as required by the March 31 Order. Therefore, ANR has satisfactorily complied with the March 31 Order.

The Commission orders:

(A) The Commission accepts the revised tariff sheets identified in footnote 2 effective April 1, 2009, subject to conditions discussed in the body of this order, except for Twenty-Sixth Revised Sheet No. 19, which is rejected as moot. Twenty-Seventh Revised Sheet No. 19 to FERC Gas Tariff, Second Revised Volume No. 1 is accepted effective April 1, 2009.

(B) ANR is directed to file revised tariff sheets consistent with this order within 30 days from the date hereof, to be effective April 1, 2009.

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[40] *See, e.g.*, *ANR Pipeline Co.*, 110 FERC ¶ 61,069, at P 63 (2005).

(C) The parties shall file briefs and reply briefs on whether to roll-in the Cold Springs fuel and electric power costs, consistent with the discussion in this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.