

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

April 30, 2010

In Reply Refer To:
Maritimes & Northeast Pipeline, L.L.C.
Docket Nos. RP09-809-000, RP09-809-001,
and RP09-809-002

M&N Management Company
5400 Westheimer Court
P.O. Box 1642
Houston, TX 77251-1642

Attention: Gregg E. McBride
Vice President, Rates & Certificates

Reference: Offer of Settlement

Dear Mr. McBride:

1. On March 4, 2010, Maritimes & Northeast Pipeline, L.L.C. (Maritimes) filed a Stipulation and Agreement and related materials (Settlement) in the above referenced dockets to resolve all issues set for hearing by the Commission's July 30, 2009¹ and January 21, 2010² orders involving the general rate case filing made by Maritimes on July 1, 2009. Initial and reply comments to the Settlement were due on March 15, 2010

¹ *Maritimes & Northeast Pipeline, L.L.C.*, 128 FERC ¶ 61,109 (2009) (July 2009 Order).

² *Maritimes & Northeast Pipeline, L.L.C.*, 130 FERC ¶ 61,035 (2010) (January 2010 Order).

and March 22, 2010, respectively. On March 15, 2010, various parties,³ including Commission Trial Staff, filed comments in support of the Settlement. The Administrative Law Judge (ALJ) certified the Settlement to the Commission as uncontested on March 18, 2010.⁴ As discussed below, the Commission approves the uncontested Settlement.

2. On July 1, 2009, in Docket No. RP09-809-000, Maritimes filed a Natural Gas Act (NGA) general section 4 rate case to reduce Maritimes' transportation rates (July 1 filing). The July 1 filing also included an out-of-cycle change in Maritimes' Fuel Retainage Quantity whereby Maritimes proposed to change from using a bifurcated fuel rate methodology to a single, system-wide fuel rate methodology, as well as increase its Fuel Retainage Percentages in order to recover increased fuel costs. On July 30, 2009, the Commission accepted and suspended Maritimes' proposed decreased system transportation rates, to be effective August 1, 2009, subject to the outcome of a hearing.⁵ The Commission accepted and suspended Maritimes proposed fuel rates and fuel rate methodology, to be effective January 1, 2010, subject to the outcome of a technical conference.⁶ On September 11, 2009, Commission staff held a technical conference to gather additional information and to provide parties with a forum to discuss relevant issues and concerns raised by Maritimes' fuel proposal. On January 21, 2010, the Commission concluded, among other things, that the fuel rate and fuel rate methodology proposed by Maritimes in its July 1 filing should be included in the hearing established by the July 2009 Order.⁷

³ Maritimes, Maine Public Utilities Commission, Salmon Resources LTD, Canadian Association of Petroleum Producers, Emera Energy Services, Inc., and Maine Natural Gas Corporation.

⁴ *Maritimes & Northeast Pipeline, L.L.C.*, 130 FERC ¶ 63,016 (2010). In the order shortening the deadline for initial and reply comments, the ALJ deemed the period for filing reply comments waived if there were no negative initial comments filed. Because none were filed, the ALJ issued the order certifying the settlement as uncontested without waiting for reply comments.

⁵ July 2009 Order, 128 FERC ¶ 61,109.

⁶ *Id.*

⁷ January 2010 Order, 130 FERC ¶ 61,035.

3. Following the Commission's July 2009 Order, the parties and Commission Trial Staff engaged in substantive negotiations that resulted in the instant Settlement.
4. The Settlement consists of four articles and below is a summary of the major provisions of those articles.
5. Section 1.1 of Article I describes the "Settlement Effective Date," which will be the first day of the first calendar month following the date on which a Commission order becomes an "Acceptable Order," as defined in the Settlement. The Settlement Rates, Negotiated Rates, and Depreciation Rates (each, as defined in the Settlement) will become effective retroactively on the first day of the first calendar month after the date the Commission issues an order that later becomes an Acceptable Order.
6. Section 1.2 of Article I sets forth the Settlement Rates. It provides the maximum recourse reservation rate under Rate Schedule MN365 will be \$0.55 per Dth per day, or \$16.7292 per Dth per month and the Rate Schedule MN365 maximum recourse usage rate will be \$0.0050 per Dth. This section also provides that the mainline Settlement Rates are established based on a single-system mainline rate design.
7. Section 1.3 of Article I provides that the Fuel Rates reflect two zones: (a) Zone 1, which includes the interconnect with Maine Natural Gas Corporation (Meter Station 30019) in Gorham, Maine, and all mainline points north thereof and (b) Zone 2, which includes all points on the mainline south of Meter Station 30019. Section 1.3 also provides that within 60 days after the Settlement Effective Date, Maritimes shall make a filing at the Commission designed to implement a Fuel Retainage Quantity Deferred Account true-up mechanism based on cash, rather than accrual, accounting.
8. Section 1.4 of Article I provides that Maritimes has agreed to negotiated rates with two customers and will file negotiated rate tariff sheets within 20 days of the Settlement Effective Date.
9. Section 1.5 of Article I sets forth the Depreciation Rates.
10. Section 1.6 of Article I provides that Maritimes will credit 50 percent of its annual mainline interruptible revenues from mainline interruptible transportation services in excess of \$9 million pro rata to all firm mainline Customers.
11. Section 1.7 of Article I provides that Maritimes will institute a Market Access Program (MAP) under which Maritimes will make contributions of up to \$1,250,000, to be allocated in equal increments of \$250,000 annually over the MAP's five year term, to qualifying infrastructure projects in the State of Maine.

12. Section 1.8 of Article I provides that Maritimes will file a new NGA section 4 rate case no later than the fifth anniversary of the Settlement Effective Date.
13. Article II contains a number of “Miscellaneous” provisions.
14. Article III of the Settlement contains several representations, warranties, and covenants of the parties regarding their ability to enter into the Settlement and the actions they will take in supporting the Settlement before the Commission.
15. Article IV provides, among other things, that approval of the Settlement terminates the proceeding and that, as of the Settlement Effective Date, the Settlement Rates, Negotiated Rates, and Fuel Rates will not be subject to refund.
16. The Commission finds that the Settlement is fair, reasonable, and in the public interest. The Settlement is therefore approved, to become effective as proposed. The Commission’s approval of this settlement does not constitute approval of, or precedent regarding, any principle or issue in these proceedings.
17. Consistent with Article II of the Settlement, Maritimes is directed to file actual tariff sheets being in substance identical to the *pro forma* tariff sheets contained in Schedule 1 of the Settlement within 20 days after the Settlement Effective Date. Consistent with section 1.3 of Article I, Maritimes is also directed to make a filing within 60 days after the Settlement Effective Date to implement a Fuel Retainage Quantity Deferred Account true-up mechanism.

By direction of the Commission.

Kimberly D. Bose,
Secretary.