

153 FERC ¶ 61,251
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 30, 2015

In Reply Refer To:
Midcontinent Express Pipeline LLC
Docket No. RP16-111-000

Kevin L. Palmer, Manager, Regulatory
Midcontinent Express Pipeline LLC
3250 Lacey Road, Suite 700
Downers Grove, IL 60515-7918

Dear Mr. Palmer:

1. On October 29, 2015, Midcontinent Express Pipeline LLC (MEP) filed revised tariff records¹ pursuant to section 36 of the General Terms and Conditions (GT&C) of its tariff, which requires MEP to semi-annually update its reimbursement percentages for Fuel Gas, Unaccounted For Gas (UAF Gas), and Booster Compression Fuel. MEP requests a limited waiver of section 36.3 of the GT&C of its tariff so that it may set the Booster Compression Fuel reimbursement percentage at zero, rather than implementing a negative percentage as would result under its current tariff provision calculation. MEP also proposes a new GT&C Section 36.5 (d), which will convert its existing deferred subaccount balances from a monetary dollar value to a volumetric equivalent. As discussed below, the Commission grants the limited waiver and accepts the referenced tariff records effective December 1, 2015, as proposed.

2. According to MEP, section 36 of the GT&C of its tariff establishes a six month base period for each reimbursement filing, which for the instant filing is March 1, 2015 until August 31, 2015. MEP states that it calculated the reimbursement percentages for the Recovery Period from December 1, 2015 until May 31, 2016 by adding the Current Component, provided for in section 36.4 of the GT&C of its tariff, to the Deferred Component, provided for in section 36.5 of the GT&C of its tariff, for each of the fuel reimbursement percentages. According to MEP, the Deferred Component of each

¹ Midcontinent Express Pipeline LLC, FERC NGA Gas Tariff, First Revised Volume No. 1, Sheet No. 12, Currently Effective Rates - Fuel Reimbursement Percentage, 13.0.0, Sheet No. 377, General Terms and Conditions - Section 36.5, 1.0.0, Sheet No. 378, General Terms and Conditions - Section 36.5, 1.0.0 and Sheet No. 379, General Terms and Conditions - Section 36.6, 1.0.0.

respective fuel reimbursement percentage is the rate calculated by MEP to either recover or pass back the balances incurred in the deferred accounts during the Base Period. MEP states that it assumes that the flow level and fuel burn that occurred during the Base Period are representative of expected system operations during the upcoming Recovery Period.

3. In its instant filing, MEP proposes the following reimbursement percentages:

Fuel Gas Reimbursement Zone 1

	Currently Effective <u>June 1, 2015</u>	Proposed <u>December 1, 2015</u>
Current Component	0.635%	0.622%
Deferred Component	<u>0.049%</u>	<u>0.037%</u>
Total Fuel Percentage	0.684%	0.659%

Fuel Gas Reimbursement Zone 2

	Currently Effective <u>June 1, 2015</u>	Proposed <u>December 1, 2015</u>
Current Component	0.274%	0.283%
Deferred Component	<u>0.010%</u>	<u>0.016%</u>
Total Fuel Percentage	0.284%	0.299%

UAF Gas Reimbursement Percentage

	Currently Effective <u>June 1, 2015</u>	Proposed <u>December 1, 2015</u>
Current Component	0.085%	0.077%
Deferred Component	<u>-0.118%</u>	<u>-0.030%</u>
Total Fuel Percentage	-0.033%	0.047%

Booster Compression Fuel Reimbursement Percentage

0.000%

As noted, MEP is requesting a waiver to allow it to establish a Booster Compression Fuel reimbursement percentage of 0.000 percent. According to MEP, absent the grant of the requested waiver, the Booster Compression Fuel Percentage for the Base Period would consist of a Current Component of 1.124 percent and a Deferred

Component of -2.686 percent, which would result in an overall Booster Compression Fuel Percentage of -1.562 percent.

4. MEP also proposes to revise, effective December 1, 2015, the calculation of the deferred component for each reimbursement percentage (Fuel Gas, UAF Gas, and Booster Compression Fuel). MEP proposes to remove the valuation of average monthly index pricing (AMIP) from volume activity, thereby changing from a monthly dollar valuation approach to a simple volumetric approach.² MEP claims this proposed modification will not only simplify the calculation of MEP's reimbursement percentages, but also insulate MEP's shippers and MEP from index pricing volatility. MEP's proposal eliminates the step of applying an AMIP to the difference between monthly quantities for fuel collected from shippers and fuel used in daily operations, and the need to assess carrying costs on outstanding deferred subaccount balances. MEP, therefore, also proposes to eliminate carrying costs from the deferred subaccount balances.

5. MEP proposes a new section 36.5 (d) to the GT&C of its tariff, which, it claims will smooth the transition to volume-based deferred subaccounts. Proposed section 36.5 (d) sets forth a one-time calculation to convert the existing dollar balances in the deferred subaccounts to a volumetric equivalent using the November 2015 AMIP. This one-time calculation will be reflected in MEP's next semi-annual fuel filing. MEP states its proposed removal of AMIP valuation from its calculation of deferred subaccount balances under its fuel tracker mechanism, which changes its monthly dollar valuation approach to a simple volumetric approach, is consistent with other Commission-approved pipeline tariffs containing volume-based fuel trackers, and with the Commission's policy that neither the pipeline nor the shippers should gain or lose as a result of a fuel tracking mechanism.³

6. MEP requests a limited waiver to hold the Booster Compression Fuel reimbursement percentage at zero, rather than negative 1.562 percent as would result from the tariff calculations. MEP argues that good cause exists because granting waiver would alleviate operational issues on its system if a negative reimbursement percentage were to be charged, including the need to purchase operational gas. MEP states the requested waiver allows an opportunity for Booster Compression Fuel gas to return to a more balanced level and for the deferred account to be reduced, as contemplated under the workings of the tracker. MEP further notes it would not charge shippers for Booster

² MEP Proposal at 3 & n.2 (citing MEP GT&C section 36.5, Deferred Component, subsections (a), (b) (3), and (c) (4) and (5) (on Sheet Nos. 377-379)).

³ MEP Proposal at 3 & n.4 (citing *Ruby Pipeline, L.L.C.*, 140 FERC ¶ 61,256, at P 17 (2012), *order on compliance*, 142 FERC ¶ 61,104 (2013), *order on compliance*, 144 FERC ¶ 61,114 (2013)).

Compression fuel during the Recovery Period. MEP also states its proposed zero Booster Compression Fuel Percentage is consistent with Commission precedent.⁴

7. Public notice of the filing was issued on November 2, 2015. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.⁵ Pursuant to Rule 214,⁶ all timely filed motions to intervene and any unopposed motions to intervene out-of-time before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

8. We accept MEP's proposed reimbursement percentages as just and reasonable, and consistent with Commission policy on variable cost trackers, effective December 1, 2015, as requested. We also find good cause to grant the waiver requested by MEP and hold the Booster Compression Fuel reimbursement percentage at zero. The Commission has previously found that holding fuel reimbursement percentages at zero, rather than allowing the overall reimbursement rates to go negative, is reasonable so long as all of the over-recovered amount is eventually returned to the shippers.⁷ MEP's Deferred Component true-up mechanism will carry this balance to the next semi-annual adjustment

⁴ MEP Proposal at 5 & n.5 (citing *Columbia Gulf Transmission Co.*, 134 FERC ¶ 61,254, at P 10 (2011) (allowing zero retainage percentages for onshore and mainline backhaul transportation)).

⁵ 18 C.F.R. § 154.210 (2015).

⁶ 18 C.F.R. § 385.214 (2015).

⁷ See *Columbia Gulf Transmission Co.*, 132 FERC ¶ 61,134, at P 43 (2010); *ETC Tiger Pipeline, LLC*, 151 FERC ¶ 61,181 (2015); *High Island Offshore System, L.L.C.*, 151 FERC ¶ 61,085 (2015).

period, and thus ensure that neither MEP nor its shippers are disadvantaged. The Commission grants the limited waiver and accepts the referenced tariff records as filed, including new GT&C section 36.5 (d).⁸

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁸ *Cf. Eastern Shore Natural Gas Co.*, 144 FERC ¶ 61,110, at PP 7-8 (2013) (accepting changes to annual tracker formula where the change would improve administration and would not structurally disadvantage any parties).