

153 FERC ¶ 61,253
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 30, 2015

In Reply Refer To:
Algonquin Gas Transmission, LLC
Docket No. RP16-84-000

Algonquin Gas Transmission, LLC
P.O. Box 1642
Houston, TX 77251-1642

Attention: Berk Donaldson, General Manager
Rates and Certificates

Dear Mr. Donaldson:

1. On October 28, 2015, Algonquin Gas Transmission, LLC (Algonquin) submitted a tariff record¹ pursuant to the Fuel Reimbursement Quantity (FRQ) provisions of its tariff. In addition, Algonquin submitted the surcharge amounts for the FRQ deferred accounts. The FRQ tariff provisions require Algonquin to update its fuel reimbursement percentages annually and to calculate a surcharge or refund to be paid 60 days after the Commission's acceptance of the annual filing. Algonquin requests waiver of this provision so that the surcharge amounts may be spread out over a 12-month period. As discussed below, for good cause shown, the Commission grants waiver and accepts the tariff record, to be effective December 1, 2015.

2. Algonquin submitted a revised tariff record pursuant to its FRQ tariff provisions contained in section 32 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff. Algonquin's filing reflects its proposed fuel reimbursement quantities for the 12-month period beginning December 1, 2015. The proposed fuel reimbursement quantities are based on actual data for the 12-month period ending July 31, 2015. They reflect: (a) for system customers, except for Beverly receipt points, a decrease of 0.10 percent (from 0.97 percent to 0.87 percent) for the winter period and an increase of 0.01 percent (from 1.07 percent to 1.08 percent) for the non-winter period; and (b) for incremental Ramapo customers an increase of 0.80 percent (from 2.38 percent to

¹ Algonquin Gas Transmission, LLC, FERC NGA Gas Tariff, Algonquin Database 1: 12., Fuel Reimbursement Percentages, 8.0.0.

3.18 percent) for the winter period and an increase of 0.30 percent (from 1.99 percent to 2.29 percent) for the non-winter period. For all Beverly receipts to non-HubLine deliveries, the revised FRPs reflect: (a) for system customers, a decrease of 0.06 percent (from 0.69 percent to 0.63 percent) for the winter period and a decrease of 0.02 percent (from 0.73 percent to 0.71 percent) for the non-winter period; and (b) for incremental Ramapo customers with Beverly receipts to non-HubLine deliveries, an increase of 0.50 percent (from 1.81 percent to 2.31 percent) for the winter period and an decrease of 0.39 percent (from 1.73 percent to 1.34 percent) for the non-winter period.

3. Algonquin also included in its filing the calculation of the FRQ deferred account allocation. GT&C section 32.5(c) provides that Algonquin will calculate surcharges or refunds designed to amortize, during a 60-day period, the net monetary value of the balance in the FRQ deferred account at the end of the current accumulation period. For the current accumulation period (August 1, 2014 through July 31, 2015), the FRQ deferred account has a debit balance of approximately \$26.3 million, inclusive of interest, through October 31, 2015. Algonquin states that increased winter throughput² combined with the pattern of receipts on its system have resulted in an increase of 47 percent from the previous year's winter period, in the number of days on which operating restrictions were necessary. Algonquin further states that these restrictions reduced the opportunities for customers to make up imbalances. Algonquin explains that on approximately 81 percent of the winter days during the 2014-2015 winter period customers were either not permitted to incur imbalances or were only allowed limited opportunities to resolve portions of their imbalances. As a result, Algonquin states that it was required to purchase gas and sell gas under the cash-out mechanism of its tariff. However, Algonquin states that it was required to purchase higher-priced gas during the winter period and sell lower-priced gas during the non-winter months. According to Algonquin, this resulted in a net debit balance in its FRQ deferred account. Because of the magnitude of the balance, Algonquin is requesting a waiver of the 60-day provision so that surcharges may be spread out over a 12-month period.

4. 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.³ Pursuant to Rule 214,⁴ all timely motions to intervene and any unopposed motions to intervene out-of-time filed before the issuance date of this order are granted. Granting

² Algonquin states that the winter throughput during the 2014-2015 winter period was 427.1 million Dth versus 401.3 million Dth during the 2013-2014 winter period.

³ 18 C.F.R. § 154.210 (2015).

⁴ 18 C.F.R. § 385.214 (2015).

late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Repsol Energy North America Corporation (Repsol) filed comments.

5. On November 18, 2015, Algonquin filed an answer to Repsol's comments. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure,⁵ prohibits answers to protests or answers unless otherwise permitted by the decisional authority. We will accept Algonquin's answer as it aids in the disposition of the issues raised by Repsol. Those issues are discussed below.

6. In its comments, Repsol states that more information regarding the amounts identified in Algonquin's FRQ filing is required in order to assess whether the revised FRQ is just and reasonable and conforms to the requirements set forth in Algonquin's tariff. Repsol notes that Algonquin has recorded significant net cashout quantities and costs in the FRQ deferred account, as well as a prior period adjustment, that should be explained more fully. Repsol states that the Commission should order Algonquin to make a filing in this proceeding in order to address: (a) why Algonquin has experienced large negative imbalances for the second consecutive year; (b) whether the imbalance quantities and costs identified are properly included in the FRQ deferred account; and (c) whether shippers causing the imbalances are bearing an appropriate share of the responsibility for the surcharges.

7. Repsol argues that Algonquin should be required to provide a detailed schedule breaking down by shipper the monthly imbalances which resulted in the total cashout debit in the FRQ deferred account, as well as information by shipper identifying the day each imbalance was created, the day the shipper was cashed out, and the cashout price. Repsol asserts that no data is provided as to the actual shipper imbalance activity or the "pattern" of receipts to be able to assess the important questions of whether the quantities and amounts were properly recorded and whether Algonquin's cashout terms are being gamed by certain parties to the detriment of others bearing the burden of the surcharge.

8. In its answer, Algonquin states that the level of the imbalance recorded in the FRQ deferred account, and the causes of the imbalance in its FRQ filing, are consistent with Algonquin's prior three annual fuel filings. Algonquin states that the operating conditions on its system resulted in natural gas being left on the system during this most recent FRQ period, which it explains affected the ability of customers to correct imbalances within the month in which they occurred. Nevertheless, Algonquin asserts that its system and cashout mechanism are operating as designed. Therefore, Algonquin contends that the FRQ filing should be evaluated under the same standard of review as prior year filings and approved as filed.

⁵ 18 C.F.R. §385.213 (a)(2) (2015).

9. Algonquin states that the current imbalances are a direct result of constraints on the Algonquin system, which it argues are well documented, not only in Algonquin's fuel filings but also, in recent certificate filings in which Algonquin states it has filed to construct facilities to alleviate those constraints.⁶ As a result of the system constraints and imbalance restrictions, Algonquin asserts that customers leaving gas on the system are not always able to fully correct such imbalances. Furthermore, Algonquin states that the shortage of capacity in the New England region resulted in price volatility that in turn affected the balance recorded to the FRQ deferred account.

10. Algonquin argues that it does not believe it is required to provide additional data to justify the recovery of cashout imbalances in this year's FRQ filing since its previous FRQ filings with comparable imbalance volumes and FRQ deferred account amounts have been approved in prior years. Nevertheless, Algonquin states that it has provided a spreadsheet documenting monthly imbalances by party as Attachment A.⁷ Algonquin contends that, as reflected on Attachment A, incurrence of an imbalance is widespread among parties, demonstrating that cashout balances are the result of the operating conditions and not necessarily caused by "a few bad actors," which Algonquin contends is a concern articulated by Repsol. Finally, Algonquin explains that, because Algonquin's imbalance resolution procedures apply on a monthly basis, review of daily volumetric information would be inconsistent with Algonquin's approved FRQ mechanism and would not provide the appropriate context for a party's actions.

11. Finally, Algonquin states that a more permanent solution to the higher imbalance volumes on its system will be the expansion of the system to reduce system constraints, which it contends is expected to reduce the price volatility in New England. Algonquin asserts that, until such time as these constraints are reduced, it will continue to operate its system and manage imbalances in accordance with the tools available under its tariff.

⁶ Answer at 3 (citing Algonquin Annual Fuel Reimbursement Filing at 2, Docket No. RP15-136-000 (submitted Oct. 31, 2014); Algonquin Annual Fuel Reimbursement Filing at 3, Docket No. RP14-123-000 (submitted Oct. 31, 2013); Algonquin Abbreviated Application for a Certificate of Public Convenience and Necessity Docket No. CP16-9-000 (submitted Oct. 22, 2015); Algonquin Abbreviated Application for a Certificate of Public Convenience and Necessity Docket No. CP14-96-000 (submitted Feb. 28, 2014)).

⁷ Algonquin explains that it redacted the party names because it does not publicly disclose an individual party's activity to other parties. Further, Algonquin argues that the knowledge of a particular party's identity should not affect the review of the overall filing. Answer at 3.

12. In its Comments, Repsol points out that, with regard to the prior period adjustment of \$4,282,548.00 recorded on page 1 of Appendix B, Schedule B of Algonquin's filing, there is a footnote explaining that the prior period adjustment is "to correct incorrect pricing indices used in the booking of imbalance gas at the Hanover compressor station prior to August 2012." Repsol contends that, given the material amount of the adjustment, Algonquin should be required to provide further justification for including this amount. Specifically, Repsol requests that Algonquin be required to provide more detailed information on how the adjustment is calculated, how the pricing problem occurred, and why the accounting for activities during the period prior to August 2012 are just now being adjusted.

13. Algonquin responds that the prior period adjustment included in the instant FRQ filing relates to an under-collection of the value of imbalance gas at the Hanover Compressor Station. Algonquin explains that the under-collection was primarily the result of an administrative error in the booking of imbalance gas volumes, but also reflects the use of an incorrect price index.⁸ Specifically, Algonquin states that it determined there was an overlap in time when it was continuing to track the imbalance in the OBA balance and when it began to reflect imbalance gas at the Hanover Compressor Station in the deferred account balance. Additionally, Algonquin states that certain of the imbalance amounts were calculated using the incorrect spot price. Algonquin explains that it recovered a portion of this prior period adjustment in its 2012 FRQ filing in Docket No. RP13-238-000.⁹ Algonquin further explains that, after a review to accurately determine the final amount of the under-collection, it is now proposing an adjustment to recover the remainder of that under-collection of imbalance gas re-priced at the correct index price but without any interest on such amount. Algonquin states that the Commission has permitted Algonquin to utilize prior period adjustments in its annual fuel reimbursement quantity filings, including in Docket No. RP11-1414-000.¹⁰

14. The Commission has reviewed Algonquin's proposed fuel reimbursement percentages, the surcharge amounts under the FRQ deferred account, the comments of Repsol and Algonquin's Answer, which includes a spreadsheet documenting monthly imbalances by party. The Commission finds that Algonquin has provided the additional information requested by Repsol. We find that the additional data Algonquin has

⁸ Algonquin states that the pricing correction is less than two-tenths of one percent of the prior period adjustment. Answer at 4.

⁹ *Id.* (citing Algonquin Annual Fuel Reimbursement Filing, at n. 1 on App. B, Sch. B p. 1 of 12, Docket No. RP13-238-000 (submitted Oct. 31, 2012)).

¹⁰ Answer at 5 (citing *Algonquin Gas Transmission, LLC*, 133 FERC ¶ 61,181 (2010)).

provided supports its FRQ cashout imbalance and FRQ deferred account amounts. We also find that Algonquin has adequately answered the questions Repsol raised concerning the prior period adjustment. Further, in light of the cause of the imbalances on the Algonquin system, the steps Algonquin has taken to address them and the fact that Algonquin's FRQ mechanism operates as designed, the Commission will accept the instant FRQ tariff filing. Accordingly, the Commission accepts Algonquin's tariff record, to be effective December 1, 2015, as proposed. We also find good cause to grant Algonquin's unopposed request for waiver of GT&C section 32.5(c) to permit it to spread out the FRQ deferred account payments over a 12-month period, where Algonquin is filing to recover fuel costs pursuant to a tracking mechanism in its tariff.

By the direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.