

154 FERC ¶ 61,146  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, Tony Clark,  
and Colette D. Honorable.

ANR Pipeline Company

Docket No. RP16-440-000

ORDER ACCEPTING AND SUSPENDING TARIFF RECORDS SUBJECT TO  
REFUND AND CONDITIONS, AND ESTABLISHING HEARING PROCEDURES

(Issued February 29, 2016)

1. On January 29, 2016 as supplemented on February 1, 2016, ANR Pipeline Company (ANR) filed revised tariff records<sup>1</sup> pursuant to section 4 of the Natural Gas Act (NGA) to implement a general rate case, as well as changes in ANR's General Terms and Conditions (GT&C). For the reasons discussed below, the Commission accepts and suspends ANR's tariff records to be effective August 1, 2016, subject to refund and conditions, and the outcome of a hearing established in this proceeding.

**Background**

2. ANR operates approximately 9,400 miles of pipeline and 216 billion cubic feet (Bcf) of storage. ANR's facilities consist of two main pipelines: the Southwest Mainline and the Southeast Mainline. The Southwest Mainline extends from the southwest area production zone in Texas, Oklahoma, and Kansas through Missouri, Iowa, and Illinois and into Wisconsin with a segment extending through Indiana and into Michigan. The Southeast Mainline extends from ANR's southeast area in Louisiana north through Arkansas, Mississippi, Tennessee, Kentucky, Indiana, Ohio and into Michigan. ANR's Tie Line connects the two mainlines. ANR also owns storage facilities in Michigan and purchases additional storage capacity from third-party storage providers. ANR provides transportation service under Rate Schedules FTS-1, FTS-2, FTS-3, FTS-4, FTS-4L, ITS, ITS-3, IPLS, IWS, ETS, STS, NNS, PTS-1, PTS-2, and PTS-3; it provides storage service under Rate Schedules FSS, MBS, and DDS.

---

<sup>1</sup> See Appendix.

3. On November 1, 1993, ANR filed its last general section 4 rate case in Docket No. RP94-43-000. The currently-effective rates for service were established by the settlement dated October 17, 1997.<sup>2</sup> ANR states that it filed its previous rate case to coincide with the commencement of restructured operations on its system, pursuant to Order No. 636. Since its last rate case, ANR states that its marketplace has undergone a series of transformative changes, which includes the development of new natural gas supply areas from Western Canada and the Rocky Mountains and from the Marcellus and Utica shale basins. During this period, ANR has had seven major system expansions for which incremental rates were developed. In addition, ANR has an incrementally-priced storage service.

### **Proposal**

4. ANR filed revised tariff records to increase its transportation and storage rates. ANR states that its proposed rates are based upon costs and throughput levels for the base period reflecting 12 months of actual experience ending October 31, 2015 as adjusted for known and measurable changes through the test period ending July 31, 2016. ANR's proposed rates are based on a cost of service of \$924,950,880 and a total rate base of \$1,847,291,904. ANR's overall rate of return of 11.89 percent is based on a return on equity of 14.19 percent (which reflects a median return on equity of 13.19 percent and a 100 basis-point premium), a capital structure of 65.00 percent equity and 35.00 percent long-term debt, and a cost of debt of 7.63 percent. ANR proposes to use its own actual capital structure, as projected through the end of the test period. ANR proposes to increase its total transmission plant depreciation rate to 3.18 percent from 1.30 percent and to decrease its underground storage depreciation rate to 1.91 percent from 2.30 percent. ANR also proposes to establish negative salvage rates of 0.70 percent for underground storage and 1.46 percent for transmission.

5. ANR proposes numerous cost allocation and rate design changes. Specifically, ANR proposes to roll-in the cost of the seven expansion facilities and the fuel costs associated with various expansion facilities into its general system rates. ANR also proposes to establish a roll-down mechanism for its Cold Springs 1 storage rate pursuant to new provisions in sections 6.36, 6.37, and 6.38 of its GT&C. In addition, ANR proposes term-differentiated rates for its Rate Schedule FSS storage service. Further, ANR proposes a discount adjustment for discounted rates and a discount-type adjustment for negotiated rates. Finally, ANR proposes to reduce the zone of delivery multiplier for Rate Schedule ETS.

---

<sup>2</sup> *ANR Pipeline Co.*, 82 FERC ¶ 61,145 (1998).

6. ANR also proposes changes to its GT&C. First, ANR proposes that the cost for transportation by others (TBO), originally recovered through the Deferred Transportation Cost Adjustment (DTCA) tracker mechanism, should now be included in a system-wide non-mileage reservation charge which does not vary by rate zone because the DTCA is due to expire upon the effectiveness of the rates in this proceeding. Secondly, ANR proposes to make housekeeping changes to section 6.1 of its GT&C to delete language relating to a TBO agreement that has been terminated and to remove obsolete references to facilities that are no longer owned by ANR. Thirdly, ANR proposes to eliminate from its tariff the DTCA tracker in section 6.26 of its GT&C and any references to section 6.26.

7. ANR filed *pro forma* tariff records reflecting a change from the current seven-zone rate structure to a four-zone rate structure. ANR designated these tariff records as its “Preferred Case” and requests that they become effective prospectively upon Commission review and approval and subsequent to ANR making the necessary business system changes.

### **Notice of Filing, Interventions, and Protests**

8. Public notice of ANR’s filing was issued on February 2, 2016. Interventions and protests were due as provided in section 154.210 of the Commission’s regulations.<sup>3</sup> Pursuant to Rule 214,<sup>4</sup> 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 late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

9. Many parties filed protests challenging numerous aspects of ANR’s filing. The parties request that the Commission suspend ANR’s proposed rates and tariff records for the maximum five-month period and establish an evidentiary hearing.

10. The ANR Municipal Customer Group requests that the Commission summarily reject ANR’s request for a 100-basis-point premium on its return on equity.

11. Rice Energy Marketing LLC (REM) asserts that ANR’s proposal to roll-in the expansion projects into its costs fails to make an adequate showing that the roll-in of the expansions’ costs would not result in subsidization by existing customers and therefore requests that the proposal be denied.

---

<sup>3</sup> 18 C.F.R. § 154.210 (2015).

<sup>4</sup> 18 C.F.R. § 385.214 (2015).

## Discussion

12. ANR's proposal to increase its transportation and storage rates represent a cost of service increase of over 60 percent and a rate base increase of over 78 percent from ANR's last rate case. As proposed, ANR's maximum recourse rates for firm transportation service will significantly increase. The protesting parties raise numerous concerns regarding all aspects of ANR's filing and ask the Commission to suspend ANR's proposed rates and tariff records for the maximum five-month period and establish an evidentiary hearing to review the issues raised in the filing. The Commission finds that it is not possible to determine from the pleadings whether ANR's proposed rate and tariff changes are just and reasonable. Accordingly, the Commission will set all issues presented in this filing for hearing

13. ANR proposes to roll-in the costs of its seven expansions into its system-wide cost-of-service. In the orders approving these expansions, the Commission approved incremental rates and directed ANR to maintain separate accounts for each expansion.<sup>5</sup> REM asserts that ANR failed to separately track its costs for each expansion.<sup>6</sup> REM therefore requests that ANR's proposal to roll-in the expansion be rejected. The Commission finds that REM's protest raises issues of material fact that cannot be resolved based on the record before us, and are more appropriately addressed in a trial-type, evidentiary hearing. The Commission directs the parties to address whether rolling-in the costs of the system expansions at this time is just and reasonable.

14. ANR Municipal Customer Group requests a summary disposition of ANR's proposal to include a 100-basis-point premium in the ROE calculation. ANR Municipal Group's protest raises issues of fact that cannot be resolved based on the record before us, therefore, ANR's return on equity proposal will be addressed in the hearing established in this proceeding.

15. The Commission will not take any action on the *pro forma* tariff records. ANR's *pro forma* filing is a procedurally null alternative, as it is only the actual rate case proffered by ANR with actual tariff records that can be and are being set for hearing. Accordingly, the tariff records that the Commission will set for hearing are only the actual tariff records contained in the Appendix to this order that were designated as ANR's primary case.

---

<sup>5</sup> See, e.g., *ANR Pipeline Co.*, 128 FERC ¶ 61,183, at P 47 (2009); see also, *ANR Pipeline Co.*, 56 FERC ¶ 61,110 (1991); *ANR Pipeline Co.*, 51 FERC ¶ 61,359 (1990).

<sup>6</sup> REM protest at 9.

## Suspension

16. Based upon review of the filing, the Commission finds that ANR's proposed tariff records have not been shown to be just and reasonable, and may be unjust, unreasonable and unduly discriminatory or otherwise unlawful. Accordingly, the Commission shall accept for filing and suspend ANR's actual tariff records for five months, to be effective August 1, 2016, subject to refund and the outcome of the hearing ordered herein.

17. The Commission's policy regarding suspension is that tariff filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.<sup>7</sup> It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.<sup>8</sup> Such circumstances do not exist here. Therefore, the Commission will suspend for the maximum period of five months the proposed tariff records listed in the Appendix, to be effective August 1, 2016, subject to refund, and the outcome of the hearing proceedings ordered herein.

18. ANR must adhere to section 154.303(c)(2) of the Commission's regulations which provides that at the end of the test period, the pipeline must remove from its rates costs associated with any facility that is not in service or for which certificate authority is required but has not been granted.

### The Commission orders:

(A) The tariff records listed in the Appendix are accepted for filing and suspended, to be effective, upon motion, August 1, 2016, subject to refund and the outcome of the hearing established herein.

(B) Pursuant to the Commission's authority under the Natural Gas Act, particularly sections 4, 5, 8, and 15, and the Commission's rules and regulations, a public hearing is to be held in Docket No. RP16-440-000 concerning ANR's proposed tariff records in the Appendix.

---

<sup>7</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>8</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

(C) A Presiding Administrative Law Judge, to be designated by the Chief Administrative Law Judge for that purpose pursuant to 18 C.F.R. § 375.304, shall convene a prehearing conference regarding the tariff records in the Appendix in this proceeding in a hearing or conference room of the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426. The prehearing conference shall be held for the purpose of clarification of the positions of the participants and consideration by the presiding judge of any procedural issues and discovery dates necessary for the ensuing hearing. The Presiding Administrative Law Judge is authorized to conduct further proceedings in accordance with this order and the Rules of Practice and Procedure.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

APPENDIX

ANR Pipeline Company  
FERC NGA Gas Tariff  
ANR Tariffs

*Tariff Records Accepted and Suspended, to be Effective August 1, 2016  
Subject to Refund and the Outcome of a Hearing*

[PART 1, TABLE OF CONTENTS, 30.0.9](#)

[PART 4, STATEMENT OF RATES, 1.0.0](#)

[4.1 - Statement of Rates, Rate Schedule ETS, 1.0.0](#)

[4.2 - Statement of Rates, Rate Schedule STS; Small Shipper ETS & FTS-1, 1.0.0](#)

[4.3 - Statement of Rates, Rate Schedules FTS-1, FTS-4 & FTS-4L, 1.0.0](#)

[4.4 - Statement of Rates, Reserved for Future Use, 1.0.0](#)

[4.5 - Statement of Rates, Rate Schedule FTS-2, 1.0.0](#)

[4.6 - Statement of Rates, Rate Schedule FTS-3, 1.0.0](#)

[4.7 - Statement of Rates, Rate Schedule ITS, 1.0.0](#)

[4.8 - Statement of Rates, Rate Schedules ITS-3, IPLS & IWS, 1.0.0](#)

[4.9 - Statement of Rates, Rate Schedules FSS & DDS, 1.0.0](#)

[4.10 - Statement of Rates, Rate Schedules FSS & DDS \(Cold Springs 1\), 1.0.0](#)

[4.11 - Statement of Rates, Rate Schedules NNS & MBS, 1.0.0](#)

[4.12 - Statement of Rates, Base Rates: FTS-1, FTS-4, FTS-4L, ETS, PTS-2 & FTS-2, 1.0.0](#)

[4.13 - Statement of Rates, Base Rate Components: FTS-3, 1.0.0](#)

[4.14 - Statement of Rates, Base Rate Components: ITS & PTS-3, 1.0.0](#)

[4.16 - Statement of Rates, Statement of Surcharges, 8.0.0](#)

[4.17 - Statement of Rates, Reserved for Future Use, 8.0.0](#)

[4.17.1-Statement of Rates, Reserved for Future Use, 3.0.0](#)

[4.17.2-Statement of Rates, Reserved for Future Use, 2.0.0](#)

[5.1.3 - Rate Sch ETS, Charges, 2.0.0](#)

[5.2.3 - Rate Sch STS, Charges, 1.0.0](#)

[5.3.3 - Rate Sch FTS-1, Charges, 2.0.0](#)

[5.4.3 - Rate Sch FTS-2, Charges, 2.0.0](#)

[5.5.3 - Rate Sch FTS-3, Charges, 2.0.0](#)

[5.8 - Rate Schedules, Rate Schedule ITS, 1.0.0](#)

[5.9.3 - Rate Sch IPLS, Charges, 1.0.0](#)

[5.10 - Rate Schedules, Rate Schedule IWS, 1.0.0](#)

[5.11.3 - Rate Sch ITS-3, Charges, 1.0.0](#)

[5.12.3 - Rate Sch FSS, Charges, 3.0.0](#)

[5.13 - Rate Schedules, Rate Schedule DDS, 1.0.0](#)

[5.14 - Rate Schedules, Rate Schedule MBS, 1.0.0](#)

[5.15.3 - Rate Sch NNS, Charges, 2.0.0](#)

[5.19 - Rate Schedules, Southeast Area Gathering Service, 6.0.0](#)

[6.1 - GT&C, Definitions, 4.0.0](#)

[6.26 - GT&C, Reserved for Future Use, 2.0.0](#)

[6.37 - GT&C, Roll-Down Mechanism - Reservation Rates, 0.0.0](#)

[6.38 - GT&C, Roll-Down Mechanism - Commodity and Fuel Rates, 0.0.0](#)