

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 29, 2003

In Reply Refer To:
Maritimes and Northeast Pipeline, L.L.C.
Docket No. RP04-14-000

Maritimes and Northeast Pipeline, L.L.C.
1284 Soldiers Field Road
Boston, Massachusetts 02135

Attention: Joseph F. McHugh
Director, Rates and Regulatory Affairs

Reference: Fifth Revised Sheet No. 11
to FERC Gas Tariff, First Revised Volume No. 1

Dear Mr. McHugh:

1. On October 1, 2003 Maritimes and Northeast Pipeline, L.L.C. (Maritimes) submitted the above referenced tariff sheet to reflect changes in its Fuel Retainage Percentage (FRP) in accordance with Section 20 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff. Maritimes requests an effective date of November 1, 2003. Mobil Natural Gas, Inc. (Mobil) filed a protest to Maritimes' instant filing. As discussed below, the Commission will accept the proposed tariff sheet, suspend its effectiveness, and permit it to become effective November 1, 2003, subject to refund, compliance with the conditions of this order, and further order of the Commission in this docket.

Details of the Instant Filing

2. Maritimes states it has calculated the proposed FRP pursuant to Section 20.3 of the GT&C by dividing the projected annual quantities of Company Use Gas by the projected annual throughput for each specified calendar period: Winter Period - November 1, 2003 through March 31, 2004; Spring Shoulder Period - April 1, 2004 through May 31, 2004; Summer Period - June 1, 2004 through August 31, 2004; and Fall Shoulder Period - September 1, 2004 through October 31, 2004. Maritimes states its projected FRP reflects an increase of 0.30 percent for the four periods from 0.90 percent to 1.20 percent.

3. Maritimes states it has calculated its Fuel Retainage Quantity (FRQ) Deferred Account pursuant to Section 20.4 of the GT&C. Maritimes states that Section 20.4 provides that Maritimes will calculate surcharges or refunds designed to amortize the net monetary value of the balance in the FRQ Deferred Account at the end of the previous accumulation period. Maritimes states that, pursuant to Section 20.4(c), the surcharge or refund is based on the allocation of the FRQ Deferred Account balance at July 31 over the actual throughput during the accumulation period, exclusive of backhauls.

4. Maritimes states that for the FRQ Deferred Account accumulation period from August 1, 2002 through July 31, 2003, the FRQ Deferred Account resulted in a net debit balance of \$1,607,858.38, inclusive of carrying charges, to be surcharged to Maritimes' customers. Maritimes states that it has submitted workpapers which put forth the monthly accrual of the FRQ Deferred Account balance. Specifically, Maritimes states that Appendix D, Schedule A to the instant filing contains the computation of each customer's net surcharge for the FRQ Deferred Account balance as of July 31, 2003, plus carrying charges through October 31, 2003. Maritimes states that Schedule B to the instant filing contains the calculation of the monthly FRQ Deferred Account balance. Specifically, Maritimes states that Schedule B-1 contains the twelve-month FRQ deferral; Schedule B-2 contains the imbalance/linepack adjustment quantities; and Schedule B-3 contains the calculation of the cash-out prices for the twelve months for the determination of the monthly valuation of the FRQ Deferred Account balance. Maritimes states that Schedule C-1 reflects the activity in Account No. 182.3 for the monthly FRQ Deferred Account balances and carrying charges, and Schedule C-2 reflects the calculation of the monthly carrying charges through October 31, 2003.

5. Finally, Maritimes states that all carrying charges are calculated pursuant to Section 154.501(d) of the Commission's regulations. Maritimes states that pursuant to Section 20.4(c) of the GT&C, Maritimes will surcharge the July 31, 2003 FRQ Deferred Account balance to the customers within 60 days of the acceptance of this filing by the Commission, and that additional carrying charges will be included for the period from October 31, 2003, to the invoice due date.

Notice, Interventions and Protests

6. Public notice of the instant filing was issued on October 7, 2003, with interventions and protests due on or before October 14, 2003. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2003)). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. Mobil filed a protest, the details of which are discussed below.

7. Mobil protests Maritimes' instant filing with respect to the dramatic increases in the retention percentages for compressor fuel and lost and unaccounted-for (LAUF) gas at a time when throughput on Maritimes' system has remained fairly constant. Mobil notes that throughput declined slightly from the previous year.
8. Mobil states that Appendix C to Maritimes' filing purports to justify the proposed increases. Mobil states that Appendix C sets forth Maritimes' projected throughput on a monthly, seasonal and annual basis, from November 2003 through October 2004. Additionally, Mobil states that Appendix C sets forth for the same periods, Maritimes' projected compressor fuel, heater fuel and LAUF. Maritimes states that all of its projections reflect the year ended July 31, 2003, projected over 366 days.
9. Mobil notes that, comparing the current annual filing with Maritimes' annual FRQ filing for the preceding years, it appears that Maritimes' compressor fuel and LAUF quantities have increased considerably over the last year.
10. Mobil asserts that Maritimes has failed to meet its burden of showing that its proposed FRQ percentages are just and reasonable. Mobil contends that Maritimes has provided no explanation for its almost 50 percent projected increase in LAUF gas, from 600,000 Dth annually for the prior period to 880,248 Dth annually for the current annual period beginning November 1, 2003, at the same time its projected throughput is declining. Mobil speculates that, based on its projections, Maritimes will lose almost as much gas as will be consumed in its compressors. Mobil also contends that Maritimes does not explain why its compressor fuel projection has increased by 23 percent over last year.
11. Mobil argues that the Commission should require Maritimes to provide explanations and support for its approximately 23 percent projected increase in compressor fuel and approximately 47 percent increase in LAUF gas, and to explain how these increases correspond to Maritimes' projected throughput decrease. Mobil postulates that, based on the supporting schedules in the instant filing, one possible contributing cause to the higher LAUF is prior period adjustments. Mobil notes that in Maritimes' supporting schedule reflecting FRQ Deferral, Maritimes has recorded a Company Use Quantity of 440,048 Dth for August 2002, but that for this one month, Maritimes indicates that the 440,048 Dth "reflects prior period adjustments for multiple months over the past three years." Mobil notes that Maritimes does not indicate which portion of the quantity is attributable to these adjustments, and that the August 2002 monthly quantity is more than double the quantity in any other single month, and three to four times higher than in some months during the period.
12. Mobil asserts that inclusion of prior period adjustments in the actual quantities used to project Company Use Quantity gas does not appear to be provided for in Maritimes' tariff. Mobil states that Section 20.4 of Maritimes' GT&C provides for an

annual true-up to of all under- and over-recovered amounts through computation of a dollar equivalent of the FRQ deferral. Specifically, Mobil asserts, Section 20.4 provides that Maritimes will calculate surcharges or refunds in dollar amounts, designed to amortize the net monetary value of the balance in the FRQ Deferred Account at the end of the previous accumulation period.

13. Mobil notes that a review of Maritimes' previous annual fuel filings in Docket Nos. RP02-4-000 and RP03-6-000 does not reflect any prior period quantity adjustments for purposes of determining actual Company Use Quantities. Mobil states that Maritimes does not explain why it included a prior period adjustment in the Company Use actual quantity for determining the projected level, rather than recovering the adjustment quantity through the Section 20.4 true-up.

14. Mobil requests the Commission set Maritimes' filing for hearing to determine: (1) the precise quantity attributable to Maritimes' Prior Period Adjustment; (2) the impact of that adjustment on Maritimes' annual projections; and, (3) Maritimes' rationale for treatment of this quantity as an adjustment to actual Company Use.

Discussion

15. The Commission finds that Mobil has raised numerous serious issues with regard to Maritimes' application of Section 20 of its GT&C. However, the Commission does not believe a formal hearing is necessary to resolve the issues Mobil raises. Accordingly, Maritimes is directed to file within ten days of the date of this order a narrative explanation responding to each issue raised by Mobil.

16. Based upon a review of this filing, the Commission finds that Maritimes' proposed increase in its FRP has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission accepts Maritimes' revised tariff sheet for filing and suspends its effectiveness as discussed below.

17. The Commission's policy regarding suspensions is that 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.¹ 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.² Accordingly, the Commission shall suspend the

¹ See *Great Lakes Gas Transmission Co.*, 12 FERC & 61,293 (1980) (five-month suspension).

² See *Valley Gas Transmission, Inc.*, 12 FERC & 61,197 (1980) (one-day suspension).

effectiveness of Fifth Revised Sheet No. 11, and permit it to become effective November 1, 2003, subject to refund, compliance with the conditions of this order, and further order of the Commission in this docket.

By direction of the Commission.

Linda Mitry,
Acting Secretary.