

133 FERC ¶ 61,181
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Algonquin Gas Transmission, LLC

Docket No. RP11-1414-000

ORDER ACCEPTING TARIFF RECORD

(Issued November 30, 2010)

1. On October 19, 2010, Algonquin Gas Transmission, LLC (Algonquin) submitted a tariff record¹ in accordance with section 32, Fuel Reimbursement Quantity (FRQ), of the General Terms and Conditions (GT&C) of Algonquin's FERC Gas Tariff, reflecting its proposed effective Fuel Reimbursement Percentages (FRP) for the calendar period beginning December 1, 2010, and its allocation of the surcharge amounts for the July 31, 2010 balance of the FRQ Deferred Account. In this order, the Commission accepts the tariff record effective December 1, 2010, as requested.

I. Background and Details of the Filing

2. By order issued December 21, 2006, in Docket No. CP06-76-000, *et al.*, the Commission authorized Algonquin to render service under its Ramapo Expansion Project.² In that order, the Commission required Algonquin to delineate actual fuel use and lost and unaccounted for gas (LAUF) associated with the Ramapo Expansion Project service in its annual fuel tracker filings under section 32 of the GT&C of its tariff to ensure that only expansion shippers be assessed fuel costs attributable to expansion service. Algonquin states that in compliance with the requirements of the December 21,

¹ Part 4 – Statement of Rates, 12. Fuel Reimbursement Percentages, 1.0.0, to Algonquin Database 1, FERC NGA Gas Tariff.

² *Millennium Pipeline Co., et al.*, 117 FERC ¶ 61,319, at P 107 (2006) (December 21, 2006 Order), *reh'g, sub nom., Empire State Pipeline, et al.*, 119 FERC ¶ 61,173 (2007). The Ramapo Expansion facilities were placed into service on November 1, 2008. *Algonquin Gas Transmission, LLC*, Request for Extension of Time, Docket No. CP06-76-000, at 1 (filed Nov. 26, 2008).

2006 Order, this filing includes in Appendix C, actual fuel use and LAUF data associated with the Ramapo Expansion Project service.

3. Algonquin also states that this filing constitutes the initial annual FRQ filing to become effective after the in-service date of Algonquin's HubLine/East-to-West Project (E2W Project) approved by the Commission in Docket No. CP08-420-000, *et al.*³ Algonquin states that the pipeline system modifications to be placed in service under the E2W Project will result in reduced compressor fuel requirements and additional quantity determinants to which fuel charges are applicable. Algonquin explains that given these changes in fuel requirements and determinants, the proposed FRPs in this filing are decreased overall from the previously effective FRPs.

4. The revised FRPs proposed to be effective in this filing reflect: (1) for system customers a decrease of 0.33 percent (from 1.35 percent to 1.02 percent) for the Winter Period and a decrease of 0.12 percent (from 0.84 percent to 0.72 percent) for the Spring, Summer and Fall period, and (2) for incremental Ramapo customers a decrease of 0.44 percent (from 2.36 percent to 1.92 percent) for the Winter Period and an increase of 0.13 percent (from 1.18 percent to 1.31 percent) for the Spring, Summer, and Fall period. Algonquin states that it calculated these FRPs utilizing projections of both the Company Use Gas and throughput quantities based on the actual data for the twelve month period ended July 31, 2010, as adjusted to reflect the anticipated changes discussed above.

5. Algonquin also includes in its filing the calculation of the FRQ Deferred Account allocation pursuant to section 32.5 of the GT&C, which provides that Algonquin 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. Algonquin states that under section 32.5(c) of the GT&C, the surcharge or refund is based on the allocation of the FRQ Deferred Account balance as of July 31, 2010 over the actual quantities during the 12-month accumulation period ending July 31, 2010. In addition, Algonquin explains that it maintains a separate sub-account in the FRQ Deferred Account for each incremental service as required by Commission order and calculates separate surcharges and refunds for the system service and each incremental service. Algonquin states that, as consistent with the Commission's order on the Ramapo Expansion Project, the actual fuel use and LAUF attributable to the Ramapo Expansion Project service is delineated and assigned directly to Ramapo Expansion Project customers for surcharge or refund.

6. For the current FRQ accumulation period (August 1, 2009 through July 31, 2010), the FRQ Deferred Account resulted in a net debit balance of \$393,840.36. Algonquin states that the allocation of the balance between system customers and Ramapo

³ *Algonquin Gas Transmission, LLC*, 130 FERC ¶ 61,011 (2010).

Expansion Project customers yields a debit sub-balance of \$378,699.79 to be surcharged to Algonquin's system customers and a debit sub-balance of \$15,140.57 to be surcharged to Ramapo Expansion Project customers. Algonquin states that the work papers contained in Appendix B to the filing show the monthly accrual of the FRQ Deferred Account balance. Pursuant to section 32.5(c) of Algonquin's GT&C, the FRQ surcharges are due within 60 days of the Commission's acceptance of this filing. Algonquin states that additional carrying charges will be included for the period from November 1, 2010, to the payment date. Algonquin requests that the proposed tariff sheet be accepted effective December 1, 2010.

II. Public Notice, Interventions and Comments

7. Public notice of Algonquin's filing was issued on October 19, 2010. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.⁴ Pursuant to Rule 214,⁵ all timely motions to intervene and any 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. On November 1, 2010, Hess Corporation (Hess) filed a motion to intervene and limited protest. On November 16, 2010, Algonquin filed an answer to Hess's protest. Rule 213(a)(2)⁶ of the Commission's rules of practice and procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Algonquin's answer because it has provided information that assisted us in our decision-making process.

8. In its protest, Hess argues that Algonquin's filing fails to adequately explain the calculation of the proposed fuel rates. Specifically, Hess contends that Algonquin has not adequately explained what is included as Fuel Use in its monthly FRQ deferral account and how it calculated the Fuel Use Costs in Appendix B, Schedule B of its filing. Therefore Hess requests that the Commission require Algonquin to provide additional information, including whether any of the Fuel Use volumes listed in Appendix B, Schedule B include volumes other than actual fuel use for that month and whether the August 2009 Fuel Use volumes include any prior period adjustments.⁷ Hess also

⁴ 18 C.F.R. § 154.210 (2010).

⁵ 18 C.F.R. § 385.214 (2010).

⁶ 18 C.F.R. § 385.213(a)(2) (2010).

⁷ Hess states that on their face, the tables in Appendix B, Schedule B appear to include the actual fuel use and actual fuel reimbursement quantities for each month, but that based on conversations with Algonquin, it is Hess' understanding that the August 2009 Fuel Use also includes a prior period adjustment.

requests that if Algonquin includes prior period adjustments or other similar adjustments in Appendix B, Schedule B in the future, that Algonquin also include an explanatory footnote with details specifically explaining the prior period adjustment or any other adjustments. Finally, Hess requests that the Commission require Algonquin to clarify how it determined the Costs for Fuel Use and Costs for Fuel Reimbursement in Appendix B, Schedule B.

9. In its answer, Algonquin responds to Hess's request for further information regarding whether the August 2009 Fuel Use includes prior period adjustments by explaining generally that it utilizes prior period adjustments to its FRQ Deferred Accounts to appropriately reflect the Company Use Gas when a difference is discovered between the amount recorded and the actual amount, after the actual month of production. Algonquin states that it applies prior period adjustments in the actual month of production when that month occurs in the 12-month period (August 1 – July 1) under review. In the case of a prior period adjustment to an actual month of production that occurred prior to such 12-month review period, Algonquin explains that its practice is to include the prior period adjustment in the fuel use summary for August, which is the first month of the review period, and that adjustment is valued at the applicable price for the month of actual production from the prior period. Algonquin further explains that as a result, in years where Algonquin makes a prior period adjustment in August to correct recorded amounts in prior review periods, a comparison of the fuel use quantity and fuel reimbursement quantity will be affected and the prices for the unit cost for fuel use and fuel reimbursement may not be equal.

10. Regarding the specific prior period adjustment reflected in the August 2009 Fuel Use volumes, Algonquin states that this prior period adjustment relates to the correction of an earlier over-estimation of the quantities of natural gas lost as a misaligned flange in 2007-2008 during the commissioning of the Northeast Gateway Lateral. Algonquin states that it estimated, based on all available information at the time of its 2008 FRQ filing, that this construction gas loss was 809,688 Dth during the applicable review period, and credited the FRQ deferred account by this quantity. Algonquin explains that upon further review it later determined that the actual valuation of gas lost was 410,000 Dth and therefore made the appropriate prior period adjustment in the August 2009 Fuel Use volumes.⁸ In response to Hess's request, Algonquin agrees to include an explanatory footnote in future FRQ filings with prior period adjustments that are out of the review period.

11. In response to Hess's questions regarding how Fuel Use Costs and Fuel Reimbursement Costs are determined, Algonquin states that, in the 2010 FRQ filing, it determined the monetary value for fuel use and fuel reimbursement in accordance with

⁸ See Attachment A to Algonquin's Answer.

the requirements of its tariff, which establishes different methods for determining the monetary value based on whether there is an under-realization or over-realization. Algonquin states that in 2010 it did not make any operational purchases and therefore there were no amounts paid by Algonquin upon which Algonquin could assign a monetary value to volumes debited to the FRQ Deferred Account. Algonquin states that its purchases and sales of gas were accomplished under its cash-out mechanism at cash-out prices based primarily upon the Lambertville base index price, and as a result the monetary value assigned to the FRQ amounts is the same for under- and over-realizations of in-kind compensation gas.

III. Discussion

12. The Commission finds Algonquin's proposed tariff record to be just and reasonable. Furthermore, Algonquin has adequately responded to Hess's concerns by providing the additional information requested by Hess in its protest. Therefore, we will accept the tariff record effective December 1, 2010, as requested.

The Commission orders:

The tariff record listed in footnote 1 is accepted effective December 1, 2010.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.