

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
William L. Massey, and Nora Mead Brownell.

Panhandle Eastern Pipe Line Company

Docket No. RP03-4-001

ORDER ON COMPLIANCE FILING

(Issued June 9, 2003)

1. On November 20, 2002, Panhandle Eastern Pipe Line Company (Panhandle) filed information and explanations in support of its fuel reimbursement percentages, as directed by the Commission's order issued October 31, 2002.<sup>1</sup> The October 31 Order accepted and suspended Panhandle's annual fuel reimbursement adjustment filing to be effective November 1, 2002, subject to refund and conditions and further review. In this order, we address the protests and find that the work papers provided adequately support Panhandle's proposed rates. This order is in the public interest because it will ensure that the proposed rates accurately reflect the subject costs.

**I. Background**

2. On October 1, 2002, Panhandle filed revised tariff sheets and supporting work papers reflecting adjustments to its Fuel Reimbursement Percentages (FRPs) to be effective November 1, 2002. The tariff sheets were filed in accordance with Section 24 of the General Terms and Conditions (GT&C) of Panhandle's tariff, which requires Panhandle to adjust its FRPs each April 1 and November 1 to reflect increases or reductions in fuel usage and lost and unaccounted for gas.

3. The revised tariff sheets filed by Panhandle reflected the following adjustments to the FRPs: (1) a 0.01% increase in the Gathering FRP; (2) a 0.04% increase in the Field Zone FRP; (3) a 0.04% decrease in the Market Zone FRP; (4) a 0.22% increase in the Injection and Withdrawal Field Area Storage FRPs; and (5) a 0.22% increase in the Injection and Withdrawal Market Area Storage FRPs.

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<sup>1</sup>Panhandle Eastern Pipe Line Company, 101 FERC ¶ 61,124 (2002) (October 31 Order).

4. The Missouri Public Service Commission (MoPSC) filed a protest to the October 1 filing on October 15, 2002 raising numerous issues and claiming that Panhandle had not adequately supported its filing. Specifically, MoPSC argued that Panhandle failed to include a summary statement of actual gas inflows and outflows for each month used to calculate the FRP or surcharge, as required by 18 C.F.R. §154.403 (d)(3)(I). MoPSC contended that Panhandle did not provide any explanation or justification for the estimates it used to calculate its transportation and storage FRPs. MoPSC also claimed that Panhandle must justify its lost and unaccounted for gas factors, because it has not provided actual transportation loss data. Finally, MoPSC asked that Panhandle be required to provide actual fuel retention data, by month, by service/zone, and by shipper, for the 12 months ended June 30, 2002.

5. In the October 31 Order, the Commission agreed with MoPSC that there should be further information and explanation with adequate support provided by Panhandle responding to the issues raised in MoPSC's protest. The Commission stated that more information regarding these matters would allow MoPSC and other parties to more fully understand and thoroughly analyze Panhandle's filing. However, the Commission denied MoPSC's request for fuel retention volumes by shipper, stating that MoPSC had not adequately supported the need for such information in this filing. Therefore, Panhandle was directed to file the information and explanations requested by MoPSC with adequate support and address the issues raised in MoPSC's protest, but without having to provide the fuel retention volumes by shipper.

6. In response to the October 31 Order, Panhandle has submitted additional information and explanations regarding (1) transportation receipts, deliveries, retention, compressor fuel usage, and lost and unaccounted for gas; (2) storage injections, withdrawals, inventory balances, retention, and usage; and (3) throughput estimates.

## **II. Notice, Interventions, and Protest**

7. Public notice of the filing was issued on November 26, 2002. Interventions and protests were due as provided in Section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2003). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2003), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance of this order are granted. On December 2, 2002, MoPSC filed comments. On December 3, 2002, ProLiance Energy, LLC (ProLiance) filed comments.

8. MoPSC explains that it seeks to verify the propriety and accuracy of the critical data elements used in Panhandle's formula because the filing requests significant rate increases, data are no longer verified by Commission staff through routine audits, and there appear to

be discrepancies in the filing. MoPSC also states that most of its concerns have been satisfied by Panhandle's submission of information relating to the monthly summary of inflows and outflows, the throughput used to develop the FRPs, and the allocation methodology for lost-and-unaccounted-for gas and its throughput projections. However, MoPSC cited one remaining concern with the filing, averring that further verification of Panhandle's reported fuel retention volumes is needed. MoPSC explains that, since market zone fuel rates are mileage based, there was not enough information available to make an independent verification of the reported market zone fuel retentions. With a single fuel rate for the field zone, MoPSC expected the field zone retention percentages to be equal to the tariffed field zone reimbursement percentages in effect for the same time period, which did not occur. MoPSC asks the Commission to again consider its request that Panhandle be required to provide fuel retention volumes by shipper.

9. ProLiance, in its comments, claims that Panhandle's fuel surcharge calculation fails to track true market zone costs and may result in cross-subsidization of field zone customers at the expense of market zone customers because fuel retained is not broken down between field and market zones for surcharge purposes. ProLiance suggests prospective revisions to Panhandle's fuel surcharge determination methodology that would result in the creation of separate deferred accounts for the field and market zones.

10. Panhandle filed an answer to the comments on December 18, 2002. Although Rule 213(a)(2) of the Commission's Rules of Practice and Procedure<sup>2</sup> prohibits answers to protests unless otherwise permitted by the decisional authority, we find good cause exists to allow Panhandle's answer, as it aids us in the decision-making process.

11. With respect to MoPSC's field zone fuel retention concerns, Panhandle attributes MoPSC's inability to equate the reported field zone percentages with the tariff rate to the effect of gas imbalances and prior month adjustments. For example, Panhandle states that the fuel retained on make-up gas associated with over and under-deliveries may occur in a different month than the over or under-delivery occurred, including deliveries associated with gas imbalances, thus resulting in the discrepancy between the volumes received and volumes retained. Panhandle further explains that the filing reflects data on an accounting month and includes prior month adjustments to reflect measurement changes, allocation differences and updated meter readings which commonly occur. Panhandle has attached a revised Schedule 1 essentially eliminating the effect of gas imbalances and reflecting the FRPs in the proper months to which they apply. Although the adjusted fuel rates still do not tie exactly to the tariff rates, Panhandle purports that any remaining discrepancies are de minimis and due to the effect of prior month adjustments and to rounding. Panhandle

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<sup>2</sup>18 C.F.R. § 385.213(a)(2) (2003).

asserts that any attempt to provide fuel retention data by contract and by zone would be burdensome and unnecessary.

12. With regard to ProLiance's concerns, Panhandle states that ProLiance's claims do not qualify for consideration under Section 5 of the Natural Gas Act as a basis for finding Panhandle's current surcharge methodology unjust and unreasonable and the proposed replacement just and reasonable, nor does it merit the expense and burden of the hearing that would be necessary to consider its proposed change.

13. In supplemental comments filed by MoPSC on January 27, 2003, MoPSC reiterates its request for Panhandle to supply fuel retention volumes for the 12 months ended June 30, 2002, by month, by service/zone, and by shipper in order to address its concerns regarding Panhandle's deferred account activity and whether market zone shippers are subsidizing the field zone's actual fuel use and losses. In addition, it again requests that a Gas Balance Sheet be required for this and all future fuel filings so that concerned parties may review Panhandle's actual gas inflows and outflows for each month and assist in the verification of certain components of Panhandle's fuel use and loss charges and surcharges. MoPSC complains that the computations contained in Panhandle's fuel filing should be based on and supported by gas account data, whereas the data supplied by Panhandle is presented on an accounting month basis.

### **III. Discussion**

14. With regard to fuel retention volumes, we note that individual shipper volume data has not been supplied in past fuel reimbursement filings accepted by the Commission,<sup>3</sup> and we find that MoPSC has not adequately justified the need for Panhandle to provide fuel retention volumes by shipper here. In calculating its fuel rates, only the totals per each zone are taken into account. Requiring Panhandle to supply the data by shipper would indeed be unnecessary and burdensome. Therefore, the Commission finds that Panhandle is not required to report individual shipper volumes.

15. In response to ProLiance's request that the surcharge calculation be revised, we find that ProLiance has not identified any specific deficiencies with the current surcharge determination methodology. Furthermore, because most transportation throughput crosses both the field and market zones, most deliveries are assessed both the field and market zone fuel reimbursement rates, and the potential for cross-subsidization by one class of

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<sup>3</sup>See, e.g., Panhandle Eastern Pipe Line Company, 97 FERC ¶ 61,127 (2001); CMS Trunkline LNG Company, LLC, 100 ¶ 61,127 (2002).

customers over another is virtually non-existent.<sup>4</sup> Therefore, we reject ProLiance's protest as unsupported.

16. With regard to MoPSC's request that a gas account balance sheet be filed, we note that Panhandle submitted the required data on an accounting month basis rather than supplying actual gas account data. Although the data were not supplied in the most usable format for MoPSC's purposes, MoPSC indicated in its initial comments that Panhandle had satisfied its concerns.<sup>5</sup> Thus, we find that Panhandle has complied with the October 31 Order, and we will not require Panhandle to file additional gas account data in this proceeding. However, in all future fuel reimbursement filings that contain a redetermination of the surcharge (effective November 1), Panhandle is required to provide the system gas balance data in order to comply with 18 C.F.R. § 154.403(d)(3)(ii)(2003) of the Commission's regulations which requires the filing of actual monthly data.<sup>6</sup>

The Commission orders:

(A) The November 20, 2002 filing is accepted as being in compliance with the October 31, 2002 order.

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<sup>4</sup>Appendix B, Schedule 1 of Panhandle's compliance filing shows that 73.5 percent of delivered volumes for the 12 months ended June 30, 2002, were assessed both the field zone and market zone fuel reimbursement rates. Panhandle noted in its answer that less than 2 percent of its total transportation deliveries occurred in the field zone only. Panhandle Answer at 5.

<sup>5</sup>MoPSC Comments at 3. ("Panhandle provided the requested monthly summary of inflows and outflows by zone, justified the volumes used on page 4 of Appendix B, and satisfied MoPSC's concerns regarding the throughput used to develop the reimbursement percentages.")

<sup>6</sup>18 C.F.R. § 154.403(d)(3)(ii) states that "If the filing establishes a new fuel reimbursement percentage or surcharge, include computations for each fuel reimbursement or surcharge calculated, broken out by service, classification, area, zone, or other subcategory." See Mississippi River Transmission Corporation, 103 FERC ¶ 61,126 (2003).

(B) Panhandle must file appropriate gas balance data in all future annual fuel reimbursement adjustment filings in which the surcharge is calculated.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.