

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Mississippi River Transmission Corporation                      Docket Nos. RP02-562-003  
and RP02-562-004

ORDER ON REHEARING AND COMPLIANCE FILING

(Issued July 11, 2003)

1. On May 27, 2003, Mississippi River Transmission Corporation (MRT) filed information and supporting workpapers to comply with the May 5, 2003 order on compliance filing issued in Docket No. RP02-562-002 related to MRT's annual fuel reimbursement filing.<sup>1</sup> In addition, MRT filed a request for rehearing of the May 5, 2003 order on May 27, 2003. This order accepts the May 27, 2003 filing as in compliance with the May 5, 2003 order, subject to conditions. The request for rehearing is granted, in part, and denied, in part, as discussed below. This order is in the public interest because it will ensure that the proposed rates accurately reflect the subject costs.

**Background**

2. On September 25, 2002, as corrected on October 4, 2002, MRT filed revised tariff sheets<sup>2</sup> and supporting workpapers reflecting revised fuel use and lost and unaccounted-for gas (LUG) percentages as set forth in Section 22 of its General Terms and Conditions (GT&C). The Missouri Public Service Commission (MoPSC) filed a protest.

3. On October 25, 2002, the Commission accepted and suspended MRT's annual fuel reimbursement filing to be effective November 1, 2002, subject to refund and conditions and further review.<sup>3</sup> The Commission directed MRT to file the information and explanations requested by MoPSC with adequate support and address the issues raised in

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<sup>1</sup>103 FERC ¶ 61,126 (2003).

<sup>2</sup>Forty-Sixth Revised Sheet Nos. 5, 6, Forty-Third Revised Sheet No. 7 and Eighteenth Revised Sheet No. 8, to its FERC Gas Tariff, Third Revised Volume No. 1.

<sup>3</sup>101 FERC ¶ 61,080 (2002).

MoPSC's protest. Parties were permitted ten days from the filing date of MRT's filing to file reply comments.

4. On November 4, 2002, MRT filed information and supporting workpapers to comply with the October 25, 2002 order. MoPSC and Granite City Steel Company, now United States Steel Corporation, Granite City Works (Granite City) filed comments.

5. On May 5, 2003, the Commission found that MRT had not adequately complied with the October 25, 2002 order and required MRT to make an additional compliance filing providing certain information, including an explanation of fuel use for the month of May 2002. In its November 4, 2002 filing, MRT stated the fuel use amount for May 2002 in its annual filing resulted from a recordation error, discovered after the close of the reporting period reflected in that filing. MRT explained that the actual amount of gas used in the blowdown<sup>4</sup> at the Saint Genevieve Station was 1,272 Mcf, not 122,027 Mcf as recorded for May 2002. MRT asserted that the error had no effect on the combined total of the Fuel Use and LUFGE charges and would be corrected in MRT's next Fuel Use and LUFGE filing. MoPSC contended that the recording error could make a difference in the fuel and LUFGE retention rates for each zone and amounts collected from the various customers in each zone. The Commission found that MRT's assertion that the combined total is unaffected and will be corrected in the next filing was not persuasive. The Commission stated that fuel use and LUFGE are allocated to MRT's zones by different methodologies and, therefore, the error may produce percentages for the two types of costs that are not correct. Accordingly, MRT was directed to revise its tariff and restate its fuel use and LUFGE percentages and provide the calculations and information to support its revisions to correct this error.

6. The Commission also found that MRT did not comply with one of the directives of the October 25, 2002 order because MRT did not provide fuel retention volumes for the period July 2001 through June 2002 by service/zone. MRT was directed to file those fuel retention volumes for the period July 2001 through June 2002 by service/zone.

7. In addition, the Commission directed MRT to file an explanation detailing why total system LUFGE is divided evenly between the Field Zone and Market Zone, and not allocated equally to each unit of throughput. The Commission also directed MRT to provide detailed workpapers showing total LUFGE and all allocations used to derive the proposed LUFGE percentages for its transportation zones and storage services. The

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<sup>4</sup>A blowdown is the act of releasing natural gas from a section of pipe so work can be done safely on the pipe.

Commission stated that it generally has a preference for a system-wide LUFG percentage. MRT was also required to provide workpapers showing the derivation of a system-wide LUFG percentage.

### **Instant Compliance Filing and Rehearing**

8. In its May 27, 2003 filing, MRT filed, in Attachment A, revised Fuel Use and LUFG retention percentages to reflect the correct gas use for May 2002 related to the maintenance blowdown at Saint Genevieve Station with supporting workpapers and calculations. MRT also filed fuel retention volumes for the period July 2001 through June 2002 by service/zone. In Attachment C, MRT filed an explanation why system LUFG is divided evenly between the Field Zone and Market Zone, and not allocated equally to each unit of throughput. MRT also filed workpapers, in Attachment D showing total LUFG, as originally filed, and all allocations used to derive the original LUFG percentages proposed for transportation and storage services. Finally, in Attachment E, MRT filed a workpaper showing the derivation of a total system-wide LUFG percentage, based on the revised amounts reflected in Attachment A.

9. In its May 27, 2003 request for rehearing, MRT asserts that the Commission erred in requiring MRT to revise its tariff retroactively to reflect a de minimis change that can be accounted for in MRT's next Fuel Use and LUFG tracker filing, without the arduous and expensive process of recalculating daily and monthly Fuel Use and LUFG amounts for each customer and rebilling all of MRT's customers for each monthly adjustment. MRT further asserts that the imposition of such a requirement is inconsistent with Commission actions elsewhere in which de minimis adjustments to periodic filings were permitted to be made in filings subsequent to the filings covering the period at issue.

### **Notice, Interventions, and Protest**

10. Public notice of the filing was issued on May 30, 2003. Protests were due as provided in Section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2002). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2002), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance of this order are granted. Granite City filed a protest. On June 19, 2003, ConocoPhillips Company (COP) filed a motion to intervene out of time and comments to the compliance filing. Granting late intervention at this stage of the proceedings will not disrupt the proceedings or place undue additional burdens on existing parties. Therefore, for good cause shown, the untimely motion to intervene by COP is granted.

11. Granite City argues that MRT has failed to provide the required adequate explanation as to why total system LUFG is allocated equally between the Field Zone and the Market Zone. Granite City contends that MRT's explanation that MRT assigns one half of total system LUFG to the Market Zone and the other half to the Field Zone merely restates the result. Granite City further contends that MRT's explanation of how Field Zone volumes are allocated between Field Zone-only and Field-to-Market Zone transportation and Market Zone volumes are allocated between Market Zone-only and Field-to-Market Zone transportation is not responsive. Granite City states that MRT's assertion that this is a longstanding allocation methodology is similarly not responsive. Granite City further contends that discussion of the complexities involved in the reporting and calculation process also does not explain MRT's allocation methodology. Granite City asserts that, if MRT believes the process is so complex, it may be more efficient to implement a system-wide LUFG percentage. Granite City requests that the Commission require MRT to adopt the system-wide LUFG percentage submitted by MRT in Attachment E to its May 27 compliance filing or, alternatively, require MRT to provide more explanation.

12. COP also argues that MRT has not provided the justification requested by the Commission. COP asserts that MRT has not provided any meaningful rationale to deviate from the Commission's policy which prefers a system-wide allocation of LUFG. COP further asserts that MRT's rationale boils down to two points: it's a very complex matter and MRT has always done it this way before. COP contends that the record suggests that rather than a 50/50 Market/Field Zone allocation, the bulk of the fuel used and system losses are directly attributable to the Field Zone.<sup>5</sup> COP urges the Commission to require MRT to allocate LUFG on a system-wide basis.

### **Discussion**

13. MRT's May 27, 2003 filing is accepted as in compliance with the May 5, 2003 order in these proceedings subject to the conditions discussed below. In response to the Commission's directive that it explain its LUFG allocation methodology, MRT states that it provided an explanation which was submitted in the November 4, 2002 compliance filing in response nos. 7 and 8. In that filing, MRT stated that the LUFG allocation process begins by assigning one half of the total system LUFG to the Market Zone and the other half to the Field Zone. MRT further stated that each half is then allocated according to the ratio of deliveries at points in that zone under that zone's transportation

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<sup>5</sup>Citing 103 FERC ¶ 61,126 at P 38.

to the aggregate of that amount plus deliveries at points in that zone under the Field Zone to Market Zone transportation.

14. MRT asserts that it adheres to a longstanding allocation methodology for calculating LUGF percentages that dates at least as far back as MRT's initial compliance with the Commission's Order No. 636. MRT further asserts that LUGF is a complex issue that involves the accuracy of the reporting and calculation process, the accuracy and coding of individual meters, and the gas analysis used on the meters from the various gas chromatographs and composite samplers including storage injections and withdrawals. MRT contends that, due to this complexity, the allocation of LUGF evenly between the Field Zone and the Market Zone was a reasonable methodology adopted without objection by any party when it was initially implemented.

15. We agree with Granite City and COP and find that MRT's explanation of its allocation methodology which relates to the length of time it has used this methodology and the complexity of LUGF is insufficient. MRT has not provided an adequate explanation of why its total system LUGF is allocated evenly between the Field Zone and the Market Zone. LUGF is a variable cost which, by definition, cannot be attributed to any particular service or part of an integrated system, such as MRT's. MRT's practice of arbitrarily assigning half of the LUGF costs to the Field Zone and half to the Market Zone, results in different per unit charges in the two zones to the extent throughput in the two zones is different. For example in the instant filing, MRT proposes a current LUGF percentage for the Market Zone which is approximately three times that for the Field Zone. However, there appears to be no reason why a shipper using only the Market Zone should pay a different LUGF percentage than a shipper using only the Field Zone, since for all that appears LUGF is as likely to occur in connection with one transaction as the other. Therefore, the Commission directs MRT, within 15 days of the date this order issues, to make a filing to either provide an adequate explanation why its existing methodology is not unjust and unreasonable or revise its tariff and percentages to reflect a system-wide LUGF percentage on a prospective basis to be effective August 1, 2003, with adequate support, including workpapers.

16. In its request for rehearing, MRT requests rehearing of the requirement that it retroactively reflect in its tariff corrected fuel and LUGF percentages to reflect the correction to May 2002 company-used fuel. MRT argues that because of the de minimis effect of that adjustment on the Fuel Use and LUGF retention amounts payable by MRT's customers, and because of the excessive burden that making the adjustment retroactively would entail, the condition is inappropriate and should be removed. In response to MRT's request for rehearing, we agree that the true up mechanism will be sufficient to correct the error for past months and that this will be corrected in MRT's next fuel tracker

filing due to be filed October 1. However, because the percentages are in error we find that the corrections are necessary as well as significant enough to warrant a prospective change.<sup>6</sup> Accordingly, in view of the nature of the correction and the burden involved in retroactively accounting for this change, the Commission requires MRT only to correct this error prospectively to be effective August 1, 2003. Therefore, the Commission directs that, within 15 days of the date this order issues, MRT must make a filing to revise its tariff and restate its percentages to correct the actual fuel use for May 2002 to be effective August 1, 2003. In that filing, MRT must also provide information and calculations, including workpapers, to adequately support the revisions to correct the error.

The Commission orders:

(A) MRT's May 27, 2003 compliance filing is accepted as in compliance with the May 5, 2003 order in these proceedings subject to the conditions in the body of this order and the ordering paragraphs below, as discussed in the body of this order.

(B) MRT's May 27, 2003 request for rehearing in this proceeding is granted, in part, and denied, in part, as discussed in the body of this order.

(C) MRT is directed to file, within 15 days of the date this order issues, (1) revisions to its tariff and its percentages to correct the error related to the actual fuel use amount for May 2002 prospectively only to be effective August 1, 2003; and (2) information and calculations, including workpapers, to adequately support the revisions to correct the error, as discussed in the body of this order.

(D) MRT is directed, within 15 days of the date this order issues, to make a filing to either (1) provide an adequate explanation why its existing methodology is not unjust and unreasonable or (2) revise its tariff and percentages to reflect a system-wide LUGF percentage on a prospective basis to be effective August 1, 2003, with adequate support, including workpapers, as discussed in the body of this order.

By the Commission.

( S E A L )

Linda Mitry,  
Acting Secretary.

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<sup>6</sup>See Attachment to MRT's May 27, 2003 request for rehearing.