

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 29, 2004

In Reply Refer To:
Maritimes and Northeast Pipeline, L.L.C.
Docket No. RP05-04-000

Maritimes and Northeast Pipeline, L.L.C.
890 Winter Street
Waltham, MA 02451

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

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

Dear Mr. McHugh:

1. On October 1, 2004, Maritimes and Northeast Pipeline, L.L.C. (Maritimes) submitted the above referenced tariff sheet to reflect changes in its Fuel Reimbursement Percentages (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, 2004. 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, 2004, subject to refund, and subject to compliance with the conditions of this order and further order of the Commission in this proceeding.

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, 2004 through March 31, 2005; Spring Shoulder Period – April 1, 2005 through May 31, 2005;

Summer Period – June 1, 2005 through August 31, 2005; and Fall Shoulder Period – September 1, 2005 through October 31, 2005. Maritimes states its projected FRP reflects a decrease of 0.10 percent for the three non-winter periods from 1.10 percent to 1.00 percent. The projected FRP for the Winter Period remains unchanged at 1.10 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, 2003 through July 31, 2004, the FRQ Deferred Account resulted in a net credit balance of \$954,266.76, inclusive of carrying charges, to be refunded 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, 2004, plus carrying charges through October 31, 2004. 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, 2004.

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 refund the July 31, 2004 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, 2004, to the invoice due date.

Notice, Interventions and Protests

6. Public notice of the instant filing was issued on October 7, 2004. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.¹ Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, all timely motions to intervene and all motions to intervene out of time filed before the issuance of this order are granted.² Granting late intervention will not disrupt the proceeding or place additional burdens on existing parties. Mobil filed a protest, the details of which are discussed below.

7. Mobil protests Maritimes' instant filing with respect to what it states are the continuing high levels of lost and unaccounted-for (LAUF) gas reflected in the filing. Mobil states that Maritimes has failed to meet its burden of showing that its proposed FRP levels are just and reasonable.

8. Mobil asserts that, as in the past, Maritimes appears to have erred in favor of over-recovery of fuel and LAUF in projecting throughput, fuel and LAUF. Mobil states that Maritimes' projections for the period underlying the filing reflect higher percentages of fuel and LAUF that were reflected in Maritimes' 2003 Form 2. Mobil states that, in Maritimes' 2003 Form 2 for Calendar Year 2003, Maritimes reflects the following: total throughput 190,585,666 Dth, Fuel 813,059 Dth (0.4266% of throughput), and LAUF 860,380 Dth (0.4514% of throughput) as compared to the instant filing of total throughput of 137,116,186 Dth, fuel of 652,861 Dth (0.4761% of throughput), and LAUF of 734,356 Dth (0.5356% of throughput).

9. In addition, Mobil states that based on Maritimes' projections as reflected in its current FRQ filing, its LAUF projection substantially exceeds its projected compressor fuel consumption. Mobil states that it is unclear why Maritimes should have such a high projected LAUF as the Maritimes system is comparatively new having been in operation for less than five years with few receipt and delivery points. Mobil requests the Commission require Maritimes to provide an explanation and support for its high LAUF projections.

¹ 18 C.F.R. § 154.210 (2004).

² 18 C.F.R. § 385.214 (2004).

Discussion

10. The Commission finds that Mobil has raised concerns in the instant filing that warrant further explanation. Accordingly, Maritimes is directed to file within 10 days of the date of this order a narrative explanation responding to each issue raised by Mobil.
11. Based upon a review of this filing, the Commission finds that Maritimes' proposed changes 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 accept Maritimes' revised tariff sheet for filing and suspends its effectiveness as discussed below.
12. 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.³ 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.⁴ Accordingly, the Commission shall suspend the effectiveness of First Revised Sixth Revised Sheet No. 11, and permit it to become effective November 1, 2004, subject to refund, and subject to compliance with the conditions of this order and further order of the Commission in this proceeding.

By direction of the Commission.

Linda Mitry,
Acting Secretary.

³ See *Great Lakes Gas Transmission Co.*, 12 FERC **&**61,293 (1980) (five-month suspension).

⁴ See *Valley Gas Transmission, Inc.*, 12 FERC **&**61,197 (1980) (one-day suspension).