125 FERC ¶ 61,225
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 25, 2008

In Reply Refer To:
Algonquin Gas Transmission, LLC
Docket No. RP09-48-000

Algonquin Gas Transmission, LLC
P.O. Box 1642
Houston, Texas 77251-1642

Attention: Gregg E. McBride
Vice President, Rates and Certificates

Reference: Third Revised Sheet No. 40 to FERC Gas Tariff, Fifth Revised Volume No. 1

Dear Mr. McBride:

1. On October 31, 2008, Algonquin Gas Transmission, LLC (Algonquin) submitted the referenced tariff sheet in accordance with section 32, Fuel Reimbursement Quantity (FRQ), of the General Terms and Conditions (GT&C) of Algonquin's FERC Gas Tariff. The instant filing reflects the proposed effective Fuel Reimbursement Percentages (FRPs) for the calendar period beginning December 1, 2008. In addition, Algonquin's filing allocates the surcharge amount for the July 31, 2007 balance of the FRQ Deferred Account pursuant to section 32.5 of Algonquin's GT&C. Finally, Algonquin is requesting waiver of section 32.5(a) of the GT&C of its tariff in order to use an alternative method in the calculation of its FRQ Deferred Account. As discussed below, Algonquin's request for waiver is granted and the referenced tariff sheet is accepted effective December 1, 2008, as requested.

2. The revised FRPs proposed to be effective in this filing reflect: (1) an increase of 0.12 percent (from 1.32 percent to 1.44 percent) for the Winter Period; and (2) an increase of 0.41 percent (from 0.61 percent to 1.02 percent) for the Spring, Summer and Fall Period. Algonquin states that it has calculated these FRPs utilizing the latest actual annual data for Company Use Gas and throughput quantities for the twelve month period ended July 31, 2008.

3. Algonquin has also included 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. For the current FRQ accumulation period (August 1, 2007 through July 31, 2008), the FRQ Deferred Account resulted in a net debit balance of $19,328,101 to be surcharged to Algonquin's customers.

4. Algonquin explains that natural gas prices at Henry Hub were above the five-year range during the first half of 2008 and peaked at $13.32 per MMBtu on July 3, 2008. As a result of these unusually high gas prices, Algonquin has assigned a monetary value to the cash out and imbalance amounts and calculated a surcharge of approximately $11.8 million. In order to mitigate the impact of the unusually high commodity prices, Algonquin is requesting waiver of its tariff provisions. Algonquin proposes to utilize the applicable September 2008 base index price of $8.16 in lieu of the applicable July 2008 base index price. By allowing Algonquin to waive its tariff provisions and to use its alternative method, Algonquin states that it will be able to level out the FRQ surcharges.

5. Algonquin states that it is willing to implement this alternative methodology provided it is not placed at risk for undertaking these mitigating steps. In addition to Commission approval of the alternative methodology, Algonquin is seeking an affirmative finding that the implementation of this alternative methodology will not affect Algonquin's ability to fully recover the fuel and the balance in the FRQ Deferred Account pursuant to its tariff in this year and next year's annual FRQ filing.

6. Public notice of Algonquin's filing was issued on November 4, 2008, with comments due by November 12, 2008. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2008)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Hess Corporation (Hess) filed a request for clarification.

7. Hess requests that in order to avoid any unnecessary confusion or ambiguity, Algonquin clarify how its alternative methodology proposal will impact shippers and Algonquin in this year's and next year's fuel filings (other than the shippers being required to pay this year a total direct bill surcharge of $6.4 million, instead of $19.3 million). Hess further states that it is not clear how Algonquin's proposal to substitute the September 2008 index base price for the July 2008 Index price when monetizing the imbalance/linepack adjustment to the deferred account in July 2008 could result in Algonquin not recovering the fuel and the balance in the fuel deferred account in this year's and next year's fuel filings. Hess requests that Algonquin provide (1) additional detail on how its alternate methodology proposal and waiver request would impact this year and next year's fuel filings (other than reducing this year's surcharge);

and (2) any examples of how Algonquin might not fully recover the fuel and the balance in the deferred account as a result of Algonquin using the September 2008 base Index price to determine the costs associated with the imbalance/linepack adjustment in July 2008.

8. On November 17, 2008, Algonquin filed an answer to address Hess' request for clarification, which we allow pursuant to Rule 213 (18 C.F.R. §385.213(a)(2) (2008)) because it aids in the clarification of the issues. Algonquin states that it is simply requesting that it not be penalized for implementing an alternate methodology given that it is taking steps to reduce the surcharge/refund volatility for the benefit of its customers. Algonquin states that the impact of using its proposed Alternate Methodology would reduce the total direct bill surcharge from $19.3 million to $6.4 million excluding carrying charges. The premise in seeking the reduced surcharge is (1) a determination that the July 2008 prices were unusually high; and (2) projections that base index prices will return to levels that are more in-line with historical prices. Algonquin further states that if its proposal is not accepted and the actual index prices are comparable to historical prices, Algonquin anticipates that it will be required to refund a significant portion of the $19.3 million collected pursuant to this year's FRQ filing to its customers in the following year.

9. With respect to next year's FRQ filing, Algonquin states that it cannot predict with certainty the factors that may affect the balance of the FRQ Deferred Account and the amount of surcharge/refund following the 2009 FRQ filing. With the risks inherent in predictions of future prices, Algonquin states that it should not be required to bear the risk that actual index prices significantly vary from what is predicted. Therefore, Algonquin asks that in the event that next year's fuel filing results in a surcharge related to the balance in the FRQ Deferred Account, the Commission not entertain arguments that Algonquin cannot collect a surcharge because it implemented the Alternate Methodology.

10. In regard to Hess' request for examples of how Algonquin might not fully recover the fuel and the FRQ Deferred Account balance, Algonquin states that it cannot predict the balance of the FRQ Deferred Account or the over/under recovery of fuel for July 2009. Algonquin further states that if the July 2009 index prices are higher than the September 2008 index price of $8.16, then the balance of the FRQ Deferred Account would be higher and Algonquin would seek to collect a surcharge from its customers. Algonquin also states that if the index price in July 2009 is in line with the PIRA estimate of $6.90, then there would be a credit balance in the FRQ Deferred Account and Algonquin would provide a refund to its customers.

11. Algonquin's proposal to use the September 2008 base index price in lieu of the applicable July 2008 base index price would allow Algonquin to defer approximately $12.9 million of FRQ costs to the following year. Instead of zeroing out its FRQ

Deferred Balance, the effect of granting the waiver will permit Algonquin to retain the approximately $12.9 million in that account for recovery in its next annual FRQ filing. Based upon a review of Algonquin's filing, the Commission finds that Algonquin's proposal to mitigate the impact of the unusually high prices in calculating its FRQ Deferred Account with its alternative method is reasonable and, therefore, good cause exists to grant the requested waiver of section 32.5(a) of its GT&C. By granting this waiver, the Commission gives notice of Algonquin's right to fully recover the fuel and the balance of its FRQ Deferred Account to which the waiver applies (approximately $12.9 million) in its next annual FRQ filing consistent with section 32 of the GT&C of its tariff.

By direction of the Commission.

Kimberly D. Bose,
Secretary.