



September 14, 2012

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**ANR Pipeline Company**  
717 Texas Street, Suite 2400  
Houston, Texas 77002-2761

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Re: ANR Pipeline Company  
Change in FERC Gas Tariff  
Docket No. RP12- -

Dear Ms. Bose:

Pursuant to Section 4 of the Natural Gas Act (“NGA”) and Part 154 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) regulations,<sup>1</sup> ANR Pipeline Company (“ANR”) respectfully submits for filing and acceptance the tariff section listed in Appendix A<sup>2</sup> to be part of its FERC Gas Tariff, Third Revised Volume No. 1 (“Tariff”). As explained in greater detail below, ANR is proposing to set forth the circumstances under which ANR may seek a discount-type adjustment related to negotiated rate agreements that ANR has entered into with shippers on its pipeline system. ANR requests that the Commission approve the tariff section filed herein to become effective October 15, 2012.

### **Correspondence**

The names, titles, mailing addresses, and telephone numbers of those persons to whom correspondence and communications concerning this filing should be addressed are as follows:

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<sup>1</sup> 18 C.F.R. Part 154 (2012).

<sup>2</sup> Specifically, ANR is submitting Part 6.29 – GT&C, Discounted Rates (“Section 6.29”).

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\* Persons designated for official service pursuant to Rule 2010.

### **Statement of the Nature, Reasons and Basis for Filing**

On April 30, 1999, in Docket No. RP99-301-000, the Commission approved ANR's request for authority to enter into negotiated rate agreements with its shippers.<sup>3</sup> ANR is proposing in the instant filing to revise its Tariff to clearly set forth the circumstances under which ANR may seek a discount-type adjustment related to its negotiated rate agreements.

The Commission has indicated that it does not have a per se rule against discount-type adjustments with respect to negotiated rate agreements.<sup>4</sup> Rather, if certain requirements are met, the Commission has allowed pipelines to offer discount-type adjustments for negotiated rate agreements as such agreements allow the pipeline to meet competition.<sup>5</sup> As originally accepted in *WIC* and reaffirmed in both *Columbia Gulf* and *Tennessee*, the pipeline must meet the standards required of an affiliate discount-type adjustment, including the requirement that the pipeline shall have the burden of proving that any discount granted is required to meet competition in order for the Commission to consider such discount-type adjustments for negotiated rate agreements.<sup>6</sup> Additionally, the pipeline must show that the discount-type adjustment does not have an adverse impact on recourse rate shippers.<sup>7</sup>

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<sup>3</sup> *ANR Pipeline Company*, 87 FERC ¶ 61,241 (1999).

<sup>4</sup> *Wyoming Interstate Company, Ltd.*, 117 FERC ¶ 61,150 (2006) ("*WIC*"); See also *Columbia Gulf Transmission Company*, 133 FERC 61,078 (2010) ("*Columbia Gulf*") and *Tennessee Gas Pipeline Company*, 135 FERC 61,208 (2011).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* See also *WIC* and *Columbia Gulf*.

<sup>7</sup> *Id.*

ANR proposes herein to revise Section 6.29 of its Tariff to clearly set forth the circumstances under which ANR may seek discount-type adjustments to its negotiated rate agreements in future general section 4 rate cases. ANR's proposed language, which is virtually identical to provisions recently approved by the Commission,<sup>8</sup> provides that ANR is required to satisfy certain conditions before such adjustments will be allowed, including: a) meeting the standards required of an affiliate discount-type adjustment, and b) demonstrating that any such discount-type adjustment does not have an adverse impact on recourse rate shippers. ANR's proposed tariff language does not guarantee ANR the right to make a discount-type adjustment, but only establishes the burden of proof that ANR must satisfy in order to obtain a discount-type adjustment consistent with the policy in *WIC*, *Columbia Gulf*, and *Tennessee*. Accordingly, ANR requests that the Commission accept the proposed tariff section to become effective on October 15, 2012.

### **Effective Date**

ANR respectfully requests that the Commission accept revised Section 6.29, included herein at Appendix A, to become effective October 15, 2012.

### **Other Filings Which May Affect This Proceeding**

There are no other filings before the Commission that may significantly affect the changes proposed herein.

### **Contents of Filing**

In accordance with Section 154.7 of the Commission's regulations and Commission Order No. 714,<sup>9</sup> ANR is submitting the following XML filing package, which includes:

- 1) This transmittal letter;
- 2) The proposed tariff section (Appendix A); and
- 3) A marked version of the proposed tariff section (Appendix B).

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<sup>8</sup> *Id.*

<sup>9</sup> *Electronic Tariff Filings*, 124 FERC ¶ 61,270 (2008) ("Order No. 714").

**Certificate of Service**

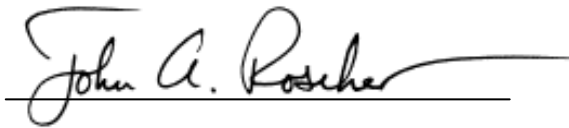
As required by Sections 154.7(b) and 154.208 of the Commission's regulations, copies of this filing are being served on all of ANR's existing customers and interested state regulatory agencies. A copy of this letter, together with the other attachments, is available during regular business hours for public inspection at ANR's principal place of business.

Pursuant to Section 385.2005 and Section 385.2011(c)(5), the undersigned has read this filing and knows its contents, and the contents are true as stated, to the best of his knowledge and belief. The undersigned possesses full power and authority to sign such filing.

Any questions regarding this filing may be directed to Joan Collins at (832) 320-5651.

Respectfully submitted,

ANR PIPELINE COMPANY

A handwritten signature in black ink, reading "John A. Roscher", is written over a horizontal line.

John A. Roscher  
Director, Rates and Tariffs

Enclosures

# Appendix A

## ***ANR Pipeline Company FERC Gas Tariff, Third Revised Volume No. 1***

### **Clean Tariff**

<b><u>Tariff Section</u></b>	<b><u>Version</u></b>
6.29 – G T & C, Discounted Rates	v.1.0.0

## 6.29 DISCOUNTED RATES

- (a) Transporter and Shipper may agree that a specified discounted rate will apply:
  - (a) only to certain specified firm service entitlements under the Agreement;
  - (b) only if specified quantity levels are actually achieved under the Agreement (with higher rates, charges, and fees applicable to all quantities above those levels, or to all quantities under the Agreement if the specified levels are not achieved);
  - (c) only to production reserves committed by the Shipper;
  - (d) only during specified time periods;
  - (e) only to specified Receipt Points, Delivery Points, Mainline Area Segments, Supply Areas, transportation paths, or defined geographical areas; or
  - (f) to an FTS-4 Agreement in consideration for the MFO obligations in such agreement; provided, however, that any such discounted rates set forth above shall be between the minimum and maximum rates applicable to the service provided under the Agreement.
- (b) Transporter and Shipper may also agree that a specified discounted rate is based on published index prices for specific Receipt and/or Delivery Points or other agreed upon pricing reference points. Such discounted rate may be based on the differential between published index prices or arrived at by formula. Any Agreement containing such discounted rate shall specify the rate component(s) to be discounted (i.e., reservation charge or usage charge or both) and any formula will provide a reservation rate per unit of contract demand. In no event shall Shipper pay to Transporter more than the maximum rates applicable to the service provided under the Agreement, or less than the minimum rates applicable to the service provided under the Agreement.
- (c) In addition, the discount agreement may include a provision that if one rate component which was at or below the applicable maximum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate due to a change in Transporter's maximum rates so that such rate component must be adjusted downward to equal the new applicable maximum rate, then other rate components may be adjusted upward to achieve the agreed overall rate, as long as none of the resulting rate components exceeds the maximum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission Order accepts revised tariff section rates. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates that had been charged under a discount agreement exceeded rates, which ultimately are found to be just and reasonable.
- (d) Discount Adjustments for Negotiated Rate Agreements.  
A discount-type adjustment to recourse rates for Negotiated Rate agreements shall only be allowed to the extent that Transporter can meet the standards required of an

affiliate discount-type adjustment including requiring that Transporter shall have the burden of proving that any discount granted is required to meet competition.

Transporter shall be required to demonstrate that any discount-type adjustment for Negotiated Rate agreements does not have an adverse impact on recourse rate shippers.

- (1) Demonstrating that, in the absence of Transporter's entering into such Negotiated Rate agreement providing for such discount, Transporter would not have been able to contract for such capacity at any higher rate, and that recourse rates would otherwise be as high or higher than recourse rates which result after applying the discount adjustment; or
- (2) Making another comparable showing that the Negotiated Rate discount contributes more fixed costs to the system than could have been achieved without the discount.

Consistent with Section 6.27, paragraph 3, of Transporter's Tariff, Transporter may also seek to include in a discount-type adjustment for Negotiated Rate agreements that were converted from pre-existing discounted Part 284 agreements to Negotiated Rate agreements. Such adjustment would be based on the greater of: (i) the Negotiated Rate revenues received, or (ii) the discounted recourse rate revenues which otherwise would have been received.

# Appendix B

## *ANR Pipeline Company* *FERC Gas Tariff, Third Revised Volume No. 1*

### Marked Tariff

<u>Tariff Section</u>	<u>Version</u>
6.29 – G T & C, Discounted Rates	v.1.0.0



## 6.29 DISCOUNTED RATES

- (a) Transporter and Shipper may agree that a specified discounted rate will apply:
  - (a) only to certain specified firm service entitlements under the Agreement;
  - (b) only if specified quantity levels are actually achieved under the Agreement (with higher rates, charges, and fees applicable to all quantities above those levels, or to all quantities under the Agreement if the specified levels are not achieved);
  - (c) only to production reserves committed by the Shipper;
  - (d) only during specified time periods;
  - (e) only to specified Receipt Points, Delivery Points, Mainline Area Segments, Supply Areas, transportation paths, or defined geographical areas; or
  - (f) to an FTS-4 Agreement in consideration for the MFO obligations in such agreement; provided, however, that any such discounted rates set forth above shall be between the minimum and maximum rates applicable to the service provided under the Agreement.
- (b) Transporter and Shipper may also agree that a specified discounted rate is based on published index prices for specific Receipt and/or Delivery Points or other agreed upon pricing reference points. Such discounted rate may be based on the differential between published index prices or arrived at by formula. Any Agreement containing such discounted rate shall specify the rate component(s) to be discounted (i.e., reservation charge or usage charge or both) and any formula will provide a reservation rate per unit of contract demand. In no event shall Shipper pay to Transporter more than the maximum rates applicable to the service provided under the Agreement, or less than the minimum rates applicable to the service provided under the Agreement.
- (c) In addition, the discount agreement may include a provision that if one rate component which was at or below the applicable maximum rate at the time the discount agreement was executed subsequently exceeds the applicable maximum rate due to a change in Transporter's maximum rates so that such rate component must be adjusted downward to equal the new applicable maximum rate, then other rate components may be adjusted upward to achieve the agreed overall rate, as long as none of the resulting rate components exceeds the maximum rate applicable to that rate component. Such changes to rate components shall be applied prospectively, commencing with the date a Commission Order accepts revised tariff section rates. However, nothing contained herein shall be construed to alter a refund obligation under applicable law for any period during which rates that had been charged under a discount agreement exceeded rates, which ultimately are found to be just and reasonable.
- (d) Discount Adjustments for Negotiated Rate Agreements.  
A discount-type adjustment to recourse rates for Negotiated Rate agreements shall only be allowed to the extent that Transporter can meet the standards required of an

affiliate discount-type adjustment including requiring that Transporter shall have the burden of proving that any discount granted is required to meet competition.

Transporter shall be required to demonstrate that any discount-type adjustment for Negotiated Rate agreements does not have an adverse impact on recourse rate shippers.

- (1) Demonstrating that, in the absence of Transporter's entering into such Negotiated Rate agreement providing for such discount, Transporter would not have been able to contract for such capacity at any higher rate, and that recourse rates would otherwise be as high or higher than recourse rates which result after applying the discount adjustment; or
- (2) Making another comparable showing that the Negotiated Rate discount contributes more fixed costs to the system than could have been achieved without the discount.

Consistent with Section 6.27, paragraph 3, of Transporter's Tariff, Transporter may also seek to include in a discount-type adjustment for Negotiated Rate agreements that were converted from pre-existing discounted Part 284 agreements to Negotiated Rate agreements. Such adjustment would be based on the greater of: (i) the Negotiated Rate revenues received, or (ii) the discounted recourse rate revenues which otherwise would have been received.