UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ANR Pipeline Company) **Docket No. RP02-335-____**

ANR PIPELINE COMPANY'S ANSWER TO MOTION FOR CLARIFICATION, MOTION FOR LEAVE TO ANSWER AND ANSWER TO PROTESTS OF COMPLIANCE FILING

Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.213 (2003), ANR Pipeline Company ("ANR") hereby files its answer to Exxon Mobil Corporation's ("ExxonMobil") request for clarification. In addition, ANR moves for leave to file a limited answer to the protests filed by ExxonMobil and the Indicated Shippers.[1] These pleadings raise issues concerning ANR's May 19, 2005 filing ("May 19th Filing") in compliance with the Commission's April 20, 2005 Order on Rehearing and Compliance Filing, 111 FERC ¶ 61,113 (2005), (the "April 20 Order").

Background

In the April 20 Order, the Commission found that PTR shippers should be entitled to resolve imbalances that arise as a result of prior period adjustments on an in-kind basis during the month in which the shippers receive the prior period adjustment. To implement this directive, ANR in its May 19th Filing revised Section 15.6(i) of the General Terms and Conditions of its tariff to allow all shippers, including non-PTR as well as PTR shippers, to both net and trade imbalances relating to prior period adjustments with any imbalances in the

[1] During the pre-hearing and hearing stages of this proceeding, ExxonMobil and BPEnergy Company were a part of the Indicated Shippers. According to Indicated Shippers' protest, the group is now comprised of only ChevronTexaco Natural Gas, ConocoPhilips Company and Shell Offshore, Inc.

current month. As ANR explained, allowing the netting of imbalances will effectively allow all shippers to resolve imbalances created by prior period adjustments on an in-kind basis by creating an offsetting imbalance during the remainder of the month.

In light of the Commission's order directing it to treat PTR prior period adjustments as imbalances created in the current production month, ANR made another conforming tariff change in its compliance filing. Because PTR shippers will have the same ability as other shippers to resolve imbalances during the month as a result of the change required by the April 20 Order, ANR proposed to eliminate the exemption from tiering that previously existed for PTR shippers.

In their requests for clarification and protests, ExxonMobil and Indicated Shippers raise three issues. First, ExxonMobil asserts that it is unclear how the tariff's reference to netting and trading relates to the Commission's requirement to allow PTR shippers to resolve imbalances on an in-kind basis. Consequently, ExxonMobil asks the Commission to require ANR to make it clear that PTR shippers will be permitted to resolve imbalances that arise as a result of prior period adjustments by making in-kind nominations during the remainder of the month. ExxonMobil also states that ANR should explain the mechanics of how the in-kind make-up option will actually work in practice.

Second, Indicated Shippers object to the timing provided to PTR shippers to net or trade their prior period adjustments. Specifically, Indicated Shippers propose that PTR shippers be permitted to net or trade these imbalances between the ninth and seventeenth day of the month that follows receipt of a prior period adjustment. Third, both ExxonMobil and Indicated Shippers object to ANR's proposed elimination of PTR shippers' exemption from tiering.

Motion for Leave to Answer

The pleadings filed by ExxonMobil and Indicated Shippers raise issues regarding the need to clarify the tariff language submitted by ANR. ANR's answer herein is intended to clarify the tariff and assure a more complete and accurate record. Specifically, ANR is attaching *pro forma* tariff sheets to this answer that address some of the concerns expressed in these pleadings. ANR is authorized to state that if these changes are accepted, ExxonMobil has agreed to withdraw its protest. If accepted by the Commission, ANR will file the attached tariff sheets as effective sheets. Accordingly, the answer should be permitted. *See, e.g. Williams Natural Gas Co.,* 70 FERC ¶ 61,306 at 61,923 n.6 (1995); *Tennessee Gas Pipeline Co.,* 69 FERC ¶ 61,239, at 61,897 (1994); *Williams Natural Gas Co.,* 68 FERC ¶ 61,100, at 61,556 (1994); *Great Lakes Gas Transmission,* 66 FERC ¶ 61,115, at 61,194, (1994).

Answer

1. *ANR and ExxonMobil Have Agreed on Revisions to the Tariff to Clarify that Imbalances Created by Prior Period Adjustments Can be Resolved on an In-Kind Basis During the Month*

In its compliance filing, ANR proposed to change its tariff to allow PTR shippers to resolve imbalances created by prior period adjustments by netting such imbalances against other imbalances during the remainder of the month. As ANR explained in its compliance filing, allowing the netting of imbalances effectively allows all shippers to resolve imbalances created by prior period adjustments on an in-kind basis by creating an offsetting imbalance during the remainder of the month. ExxonMobil requests that ANR's tariff be modified to explicitly state that PTR imbalances can be made up in-kind and to incorporate other clarifying changes. To this end, ANR proposes to add language to its tariff that states that "[a]ny imbalances arising as a result of prior period adjustment volumes may be resolved by Shipper on an in-kind basis through nominations during the service Month in which the prior period adjustment is received by the Shipper." See proposed Section 15.6(b). With this and other clarifying revisions attached hereto, ExxonMobil's concerns regarding the mechanics of the resolution of prior period adjustment volumes are satisfied.

2. *ANR's Tariff Does Allow Trading in the Month Following Receipt of a Prior Period Adjustment, but Netting Occurs at the End of the Current Production Month*

Indicated Shippers contend that PTR shippers should be provided a reasonable time to net and trade imbalances after receipt of a prior period adjustment. They note that ANR's pre-existing tariff allows trading of imbalances to occur between the ninth and seventeenth business day of the month following the production month in which the imbalance arises. They suggest that PTR shippers be allowed to net and trade imbalances created by a prior period adjustment in this same nine-day period in the following month.

ANR agrees with Indicated Shippers with respect to trading, but not as to netting. Indicated Shippers misunderstand the nature and sequence of the netting and the trading of imbalances that occur every month. At the end of each production month, ANR nets any shipper imbalances within the same operational impact area across that shipper's agreements. Thus, if a shipper is long 100 dth at the end of the month under one agreement and is short by that same amount under another agreement, and both imbalances occur in the same operational impact area, the two imbalances will be netted to eliminate the imbalance. If any imbalance remains after this automatic netting occurs, shippers are then given the opportunity to trade the imbalance in the nine-day trading window in the following month.

The April 20 Order required ANR to treat an imbalance created by a prior period adjustment as any other imbalance created during that month. In compliance with this directive, the tariff sheets submitted by ANR allow a shipper to provide a make-up nomination during the remainder of the month to reverse the imbalance. At the end of the month, ANR will net whatever imbalances remain, whether the imbalances were created by the shipper during the month or from a prior period adjustment received by the shipper during that month. To the extent that Indicated Shippers are suggesting that netting should also occur during the trading window of the subsequent month, their suggestion makes little sense, and is contrary to the April 20 Order which required ANR to treat prior period adjustments as any other imbalance created during the month. Indicated Shippers' request to have a second round of netting occur after the production month, in which one month's prior period adjustment would be netted against the following month's imbalances, would create perpetual netting and would be unworkable. Moreover, this request represents an expansion of the Commission's holding in the April 20 Order and is barred by Indicated Shippers' failure to seek rehearing of that order.

On the other hand, ANR did not intend to require shippers to trade imbalances arising from prior period adjustments during the month in which the prior period adjustment is received. Similar to its treatment of all imbalances created during the month, any remaining imbalance after netting has occurred may be traded during the nine-day window in the subsequent month, as specified in the tariff. In an effort to make this clearer, ANR proposes to revise its tariff by creating separate sections pertaining to netting and trading. See attached sections 15.6 and 15.7.

3. *The Elimination of PTR Shippers' Exemption from Tiering is Appropriate*

Indicated Shippers protest ANR's proposed elimination of PTR shippers' exemption from tiering. They continue to claim that they cannot control their imbalances and should not be penalized for unavoidable imbalances. However, the only difference between their ability to control imbalances and other shippers' ability to control their imbalances has been removed by the April 20 Order's requirement that ANR treat prior period adjustments as imbalances occurring in the current month. If a processing plant changes its shrink percentage resulting in a prior period adjustment, the PTR shipper will have adequate opportunity to eliminate any imbalance during the remainder of the month.[2]

Rather than being unable to avoid cashout by monitoring and managing their imbalance levels, as Indicated Shippers contend, it appears that Indicated Shippers would like the alternative of not having to bother to do so, and simply cash out on ANR. Thus, Indicated Shippers state (at 3) that PTR shippers "may prefer to cash-out volumes rather than netting or trading the volumes because of limited staff and resources." As both the ALJ and the Commission found in this case, however, Indicated Shippers are "some of the largest energy firms in the world, and they do not lack for resources."[3] If Indicated Shippers choose not to expend the resources needed to manage the imbalances they create, they should not be heard to complain about the consequences of that choice.

[2] To the extent that a shipper receives a prior period adjustment toward the end of the month, such shipper will be similarly situated to a non-PTR shipper that may not have sufficient time to entirely eliminate imbalances created during the last few days of the month. By managing their imbalance level during the month and availing themselves of trading opportunities, however, both types of shippers should be able to stay within the 5% tolerance level before tiering applies.

[3] *ANR Pipeline Co.*, 109 FERC ¶ 61,138 at P 54 (2004), *quoting from* 107 FERC ¶ 63,006 at 65,037.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 13th day of June, 2005, served the foregoing document upon each person designated on the official service list complied by the Secretary in this proceeding.

/s/ Howard L. Nelson
Howard L. Nelson

ATTACHMENT

ASSOCIATED LIQUEFIABLES AGREEMENT
(Continued)

quantities allocated to Shipper, and for the dekatherm equivalent of Pipeline Condensate Reduction (PCR) allocated to Shipper. "Compensation in full for any reduction in BTUs" shall mean that all PTR, PCR, or Flash Gas allocated to a Shipper shall be replaced by the Shipper or the corresponding plant in accordance with contractual obligations. Any losses that were not replaced within the month shall be cashed out in accordance with Section 15 of Transporter's FERC Gas Tariff.

Further, it is the intent of the parties that persons or entities use reasonable best efforts to minimize any daily imbalance by replacing PTR, Pipeline Condensate Reduction and Flash Gas quantities on a daily basis and when imbalances occur to resolve such imbalances as soon as practical during such month. When Shipper is advised by Transporter by EBB, email or Fax to adjust nominations in order to resolve imbalances, Shipper will immediately comply with Transporter's request. "Immediately comply" shall mean an adjustment of Shipper's nominations, provision of an explanation as to why it cannot comply, or provision of Shipper's good faith explanation that plant conditions warrant no change pursuant to the EBB notice posted by Transporter. If Transporter finds the explanation unacceptable, Transporter will inform Shipper of such and Shipper shall have until the next available nomination cycle to adjust nominations or the resultant cashout imbalances will be subject to tiering in accordance with the Cashout provisions in Section 15 of Transporter's FERC Gas Tariff.

Provided that Shipper exercises reasonable best efforts to minimize daily imbalances as provided above, Transporter will waive daily and monthly scheduling penalties and monthly imbalances will be settled ~~by cashout~~ pursuant to Section 15 of Transporter's FERC Gas Tariff or such other written procedures as agreed to by Shipper and Transporter.

SHIPPER: ___________________________ TRANSPORTER: ANR PIPELINE COMPANY

By: _______________________________ By: _______________________________

Title: ____________________________ Title: ____________________________

Date: _____________________________ Date: _____________________________

GENERAL TERMS AND CONDITIONS
(Continued)

(c) Transporter shall make Transportation Services available to any Shipper under Rate Schedules ETS, FTS-1, FTS-2, FTS-3, ITS or ITS-3 to transport Gas on Transporter's Pipeline System associated with scheduled third party storage service, without discrimination or preference, and on the same terms and conditions, subject to the same availability, including on a seasonal basis, and for the same rates as Transporter makes Transportation Service available or such Service offers to similarly situated Shippers, for receipt or delivery of Gas associated with scheduled storage services offered by Transporter.

15. CASHOUT AND TRADING OF MONTHLY IMBALANCES.

15.1 (a) For the purposes of this Section 15, "Receipts" shall mean quantities of Gas allocated pursuant to Section 14 of these General Terms and Conditions, net of Transporter's Use, and "Deliveries" shall mean quantities of Gas allocated pursuant to Section 14. ~~At the end of each Service Month,~~ Transporter and Shipper shall Cashout any remaining imbalance between Monthly Receipts and Monthly Deliveries under all of Shippers' Transportation Agreements, subject to Transporter's Billing and Payment provisions contained in Section 17 of these General Terms and Conditions.

GENERAL TERMS AND CONDITIONS
(Continued)

(b) If Monthly Receipts are greater than Monthly Deliveries, the difference shall be "Excess Quantities". If Monthly Deliveries are greater than Monthly Receipts, the difference shall be "Deficient Quantities". ~~Both Excess Quantities and Deficient Quantities shall be calculated after any imbalance trading has occurred pursuant to Section 15.6.~~ Such Excess Quantities and/or Deficient Quantities shall be individually determined by Receipts in each Operational Impact Area which shall be either the Southeast, Southwest, Canadian or Mainline Receipts, as defined below in Section 15.1(d), respectively, and will be divided by the Monthly Delivery Point nominations applicable to such Receipts, using such information as was available to Shipper on the last Day of the Service Month on GEMStm, for the purpose of determining the applicable imbalance percentage. Transporter shall be authorized to purchase and sell Gas at Receipt Points to manage imbalance quantities and shall endeavor to make any such purchases or sales of Gas necessary to balance its system by the end of the month following the Service Month in which the imbalance is determined, to the extent such purchases or sales are operationally practicable.

GENERAL TERMS AND CONDITIONS
(Continued)

(c) Any Net Cashout Activity that is a positive balance shall be divided by the throughput actually experienced for the applicable year reported in Transporter's FERC Form No. 2 to calculate a negative surcharge per Dekatherm. Transporter shall file to make such negative surcharge effective June 1, for the next succeeding twelve (12) Month period, to be applied to all Transportation Services subject to surcharges.

15.6 Imbalance Netting

(a) Transporter shall net any Shipper imbalances within the same "Operational Impact Area" on and across Agreements with the Shipper at the close of each Service Month, including any prior period adjustment volumes received by Shipper which are not resolved on an in-kind basis.

(b) Any imbalances arising as a result of prior period adjustment volumes may be resolved by Shipper on an in-kind basis through nominations during the Service Month in which the prior period adjustment is received by the Shipper.

15.7~~6~~ Imbalance Trading

(a) Transporter will allow Shipper(s) (including agents of Shippers(s)) ~~to net imbalances within the same "Operational Impact Area" on and across Agreements with the Shipper, and~~ to trade, within the same Operational Impact Area, any imbalances remaining from the previous Service Month after imbalance netting pursuant to Section 15.6 above ~~within the same Operational Impact area~~.

(b) Authorizations to post imbalances that are received by Transporter by 11:45 a.m. via GEMStm or EDI data set will be effective by 8:00 a.m. the next Business Day (CCT). Imbalances previously authorized for posting should be posted on or before the ninth Business Day of the Month following service.

(c) Imbalance(s) to be posted for trading must be authorized by the Shipper. The Shipper can note that the authorization will be effective for a specific period of time or leave the authorization open-ended. Posted imbalances can be viewed and downloaded upon request.

(d) Transporter may not post zero imbalances.

(e) Transporter will enable the imbalance trading process by:

(1) Receiving requests for imbalance trades;
(2) Receiving imbalance trade confirmations;
(3) Sending imbalance trade notifications; and
(4) Reflecting the trade on the next Monthly cashout billing.

(f) Imbalance ~~T~~trading will be allowed between the ninth and seventeenth Business Day of each Month via GEMStm or EDI data sets. Transporter will provide the ability to post and trade imbalances until the close of the seventeenth Business Day of the Month.

(g) Imbalance trades can only be withdrawn by the party initiating the trade and only prior to the confirming party's confirmation of the trade. Imbalance trades are considered final when confirmed by the party confirming the trade and effectuated by the Transporter.

GENERAL TERMS AND CONDITIONS
(Continued)

(h) When trading imbalances, a quantity should be specified. Transporter will not authorize an imbalance trade that will increase the Shipper's absolute imbalance position (above/below zero). After receipt of an imbalance trade confirmation, Transporter will post trade results on GEMStm and, for EDI transactions, will send, no later than noon CCT of the next Business Day, a notice of the imbalance trade to the party initiating and the party confirming the trade.

(i) ~~Shippers or their agents will be allowed to net (within the same Operational Impact Areas on and across Agreements with Transporter) or trade (within the same Operational Impact Areas) monthly transportation imbalance volumes for the currently ended Service Month as well as any prior period adjustment volumes for previous Service Months. Netting or trading of imbalances for prior period adjustment volumes shall be limited to the month in which the prior period adjustment is received by the Shipper(s).~~ The information required for trading must include the identification of both Shippers involved in the trade, production period, and the monthly volume to be traded.

(j) Any imbalance remaining after the close of the ~~seventeenth Business Day~~ imbalance trading period set out in Section 15.7(f) above, will be cashed out pursuant to this Section 15.

15.8~~7~~ Historical Gas Deficiency. Transporter shall endeavor to purchase each month during a 36 month period, to the extent such purchases are operationally practicable, 1/36th of the gas deficiency existing as of December 31, 2004 (the "Historical Gas Deficiency") as set out in Transporter's April 29, 2005 annual cashout filing in Docket RP05-294. Provided however, Historical Gas Deficiency purchases in any month, shall be netted against any applicable sales of Gas to be made by Transporter pursuant to Section 15.1(b) above. In addition, Transporter shall use the additional revenues from the cashout program in excess of that required to balance the system on a current basis, to purchase additional quantities of Gas to reduce remaining Historical Gas Deficiency over a shorter period.

16. SPOT PRICE INDEX

Spot Price Index. The Spot Price Index shall be determined in accordance with the provisions of this Section 16:

(a) Weighting of Spot Prices. The Spot Price Index shall be the weighted average of the Louisiana Spot Price Index, the Oklahoma Spot Price Index and the Canadian Spot Price Index (as determined below), for the Service Month. The weighting will be based on the capacity available per Transporter's '260.8 System Flow Diagrams: Format No. FERC 567 at the following points: Jena Compressor Station, Alden Compressor Station and Marshfield Compressor Station.

(b) Spot Price Indices - Louisiana and Oklahoma.

(1) Louisiana Spot Price Index. The spot price index for Southeast Receipts shall be the Louisiana Spot Price Index and will be determined for a week by use of the published weekly spot prices contained in the following two publications: (i) Gas Daily's Gas Markets Week, published by Pasha Publications Inc., prices for onshore deliveries to Transporter of 5,000 MMBtu or more, and (ii) Natural Gas Intelligence Gas Price Index, published by Intelligence Press, Inc. for the onshore deliveries to Transporter. The Louisiana Spot Price Index for Deficient Quantities will be the highest of the simple weekly averages of the "ANR spot" prices in the two publications. The Louisiana Spot Price Index for Excess Quantities will be the lowest of the simple weekly averages of the "ANR spot" prices in the two publications.