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FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 31, 2009

In Reply Refer To:
Crossroads Pipeline Company
Docket No. RP09-371-000

Crossroads Pipeline Company
5151 San Felipe, Suite 2500
Houston, TX 77056-3639

Attention: James R. Downs, Director
Regulatory Affairs

Reference: Annual Transportation Retainage Adjustment Filing

Dear Mr. Downs:

1. On February 19, 2009, Crossroads Pipeline Company (Crossroads) filed a revised tariff sheet¹ to reflect its annual Transportation Retainage Adjustment (TRA) pursuant to section 35 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, with a proposed effective date of April 1, 2009. As discussed below, the Commission accepts and suspends the revised tariff sheet to be effective April 1, 2009, subject to refund and further Commission action.

2. Section 35 of the GT&C of Crossroads' tariff enables Crossroads to set a transportation retainage factor which consists of two components: a current component and an over/under recovered component. The current component reflects the estimate of total company-use gas (CUG), and lost and unaccounted-for (LAUF) quantities required during the 12-month period commencing on April 1; the over/under recovered component reflects the reconciliation of "actual" company-use and LAUF quantities with quantities actually retained by Crossroads the preceding calendar year (i.e., the deferral period). The deferral period for this filing is January 1, 2008 through December 31, 2008.

¹ Tenth Revised Sheet No. 6 to Crossroads FERC Gas Tariff, First Revised Volume No. 1.

3. Crossroads proposes a retainage factor of 0.989 percent, or an increase of 0.529 percent over last year's 0.46 percent rate. Crossroads asserts this increase is primarily due to Crossroads' experiencing a retainage under-recovery in 2008 versus a retainage over-recovery in 2007. Crossroads states the new "(over)/under collection surcharge" is 0.195 percent, which is an increase of 0.384 percent over the prior year's over-recovery surcharge of -0.189 percent. Crossroads asserts this swing from an over-collection surcharge in Crossroads' 2008 TRA filing to an under-collection surcharge in the 2009 filing represents approximately 72 percent of the overall increase in the retainage rate.

4. In addition, Crossroads projects its 2009 LAUF quantities to be 283,411 Dth, which is a 42,531 increase over last year's projection of 240,880 Dth. Crossroads contends the increase in the LAUF projection is based on Crossroads' actual 2008 experience. Crossroads asserts that it provided additional workpapers quantifying the adjustments made to actual metered receipt and delivery quantities, such as gas used in operations, prior period adjustments and any resulting LAUF quantities, consistent with the Commission's December 10, 2007 order.² Crossroads alleges that it made no prior period adjustments in 2008 and that it based the LAUF quantities upon measured receipt and delivered quantities, as shown on the supporting workpapers.

5. Public notice of Crossroads' filing issued on February 23, 2009. Interventions and protests were due on March 3, 2009 as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (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 intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. On March 3, 2009, BP Canada Energy Marketing Corp. (BP) filed a request for additional information and technical conference. On March 16, 2009, Crossroads filed an answer. While the Commission's Rules of Practice and Procedure generally prohibit the filing of answers to protests,³ the Commission will accept Crossroads' answer in this proceeding because it provides additional information that aids in our decision making process.

6. In its protest, BP states the increasing LAUF quantities experienced by Crossroads in its last two fuel rate proceedings has been a significant issue, which resulted in Crossroads taking various corrective measures to mitigate the rising LAUF quantities. BP asserts, however, that this year's fuel rate filing still continues to include significantly high LAUF, with the LAUF actually resulting in an increase to Crossroads' proposed fuel rate. BP argues that the Commission should require Crossroads to explain whether the

² *Crossroads Pipeline Co.*, 121 FERC ¶ 61,249, at P 45 (2007).

³ 18 C.F.R. § 385.213(a)(2) (2008).

LAUF increase is attributable to meter errors and/or pipeline interconnects, what (and whose) meters are experiencing errors, what the errors are, how the errors can be corrected, or whether there has been any positive impact from the previous corrective actions taken by Crossroads to address the LAUF increase over the last few years. Likewise, BP avers that Crossroads' annual filing did not discuss whether the LAUF increase is related to Operational Balancing Agreements (OBAs) between Crossroads and other pipelines. BP contends Crossroads does not address the fact that LAUF increased significantly on its system since 2004 even though it implemented all of the corrective actions designed to address these increases. Finally, BP notes that Crossroads failed to identify any additional corrective actions taken or planned to address or investigate the continually high LAUF.

7. BP also asserts that, according to Crossroads' most recent filing in eleven out of twelve months in 2008, the actual CUG ranged from 7 Dth to 457 Dth (with Crossroads projecting 574 Dth/month of CUG for the next fuel rate period). BP argues Crossroads' filing has one month that appears to be an anomaly. Specifically, BP alleges that Crossroads should provide details on its September 2008 CUG of 4,896 Dth in September 2008 (out of a total of 6,889 Dth for the entire year). BP claims the Commission should require Crossroads to explain this abnormally high amount of CUG to ensure the accuracy of Crossroads' proposed fuel rates.

8. In addition, BP contends the Commission should review Crossroads' relocation of the gas chromatographs from the Cygnet meter station. BP states that the relocation of the gas chromatograph from the Cygnet meter station to the North Coast meter station had been described as a critical step that should address some of the LAUF problems on Crossroads' system because the majority of deliveries on the system occur at the North Coast delivery point. BP states that the relocation of the Cygnet meter station to the North Coast meter station was discussed previously in Docket No. PR07-433. BP asserts, however, instead of being installed at the North Coast station as proposed, the meter was relocated to the KNG-Deshler station, which is approximately 10 miles upstream of the North Coast station. Therefore, BP states that Crossroads should explain whether its decision to install the new gas chromatograph at a point other than the North Coast station has contributed to the continually high LAUF.

9. To further address these and other issues, BP requests the Commission convene a technical conference. BP claims the purpose of the technical conference would be to: (1) discuss the cause of the continually high LAUF on the Crossroads system; (2) determine whether the high LAUF is due to the metering and/or OBAs at the pipeline interconnects; (3) identify other errors or problems that may be contributing to the LAUF; (4) explore the interrelationship among the LAUF and the meters, imbalances, OBAs and interconnections between Crossroads and other pipelines; (5) determine whether Crossroads has taken or contemplates taking any additional corrective actions to address a continuing trend of increasing and/or significantly high LAUF on the

Crossroads system that remains unresolved by the previous corrective actions; (6) identify Crossroads' current and future maintenance plans, ongoing or future investigations of the LAUF problem, level of maintenance performed over the last year, and whether Crossroads' changed its maintenance schedules; and, (7) determine what additional corrective measures it should take to address this ongoing problem. BP further claims the Commission should also address at the technical conference the issue of whether the installation of the new gas chromatograph at a point other than the North Coast station has contributed to the continually high LAUF.

10. In its answer, Crossroads responds to each of the issues raised by BP stating that BP's comments, questions, and request for a technical conference are based on the mistaken belief that Crossroads' LAUF quantities remain unreasonably high. Crossroads believes, however, its LAUF is an accurate and reasonable representation of LAUF quantities on its system. Crossroads asserts it physically inspected its meters, witnessed inspections of third party meters, and reviewed its accounting mechanisms. Crossroads contends none of its assessments suggested or identified an error regarding or associated with Crossroads' reported receipt and delivery quantities. Hence, Crossroads argues that the difference between receipts and deliveries (the LAUF) is the valid outcome.

11. Crossroads argues there is no merit to BP's arguments that Crossroads' LAUF is increasing. Crossroads states that since the corrective measures discussed in the previous two TRA proceedings became effective, annual LAUF for 2007 and 2008 decreased from the record high experienced in 2006. Moreover, Crossroads maintains that, although its LAUF continues to fluctuate, the 2008 LAUF (and consequently the projection for 2009) is on par with 2005 and 2007. Crossroads contends that BP is focusing solely on the amount of LAUF and not on the difference with prior years. For example, Crossroads contends that its 2008 LAUF is only 41,442 Dth more than its 2007 LAUF.

12. Crossroads asserts its LAUF quantities are not due to metering or OBAs at pipeline interconnects. Crossroads states there are two main receipts into its system: the interconnection with Panhandle Eastern Pipe Line Company at Defiance and the interconnection with Natural Gas Pipeline at Schererville. Crossroads also states that it infrequently receives gas from Trunkline Gas Company at Lapaz. Crossroads argues that the receipt meters at each of these points are operated and maintained by the other pipelines, and the meters are inspected on an annual basis by the pipeline owners with the inspections witnessed by Crossroads personnel. Crossroads claims these inspections have not indicated a measurement problem that would affect LAUF. Similarly, Crossroads states the OBAs with these pipelines are not contributors to LAUF because OBAs are mechanisms for pipelines to account for the differences between scheduled nominations and actual gas flows. Conversely, Crossroads argues that LAUF measures the difference between actual receipt quantities of gas and actual delivered quantities of gas. Therefore, Crossroads avers that the OBAs on its system would not affect LAUF calculations.

13. Crossroads states that there are no other problems that would contribute to its LAUF quantities. Crossroads alleges it extensively inspected and monitored its system for several years now. Crossroads claims it inspected its physical system measurement facilities and its measurement accounting procedures. As to measurement procedures, Crossroads asserts that for each of its seven active delivery meters, Crossroads reviewed its data to assure that correct measured volumes were used as receipts and deliveries. Likewise, Crossroads states it reviewed and verified the CUG volumes and none of these reviews disclosed any irregularities that would suggest the need for a third party accounting audit.

14. Regarding future maintenance plans, Crossroads states it continually monitors its LAUF level and its system to search for and identify possible improvements that could reduce and control LAUF. Crossroads asserts that its normal maintenance procedures include annual inspections of the measuring equipment and a three-year turbine module exchange. Crossroads avers that it inspects the gas chromatographs every six months and patrols the entire pipeline system each year by air and by foot to assure no leakage or third party damage potential. Crossroads states that after review of data over the 2008-2009 winter season, it decided to test the Cygnet meter to determine if there are valve leaks. Crossroads claims this planned test will ensure that, during periods of no flow, gas is not moving through the Cygnet meter undetected.

15. Crossroads notes that BP requests additional information regarding the relocated gas chromatograph. Crossroads states the last element of the corrective actions proposed in Docket No. RP07-433 was to relocate the gas chromatograph from the Cygnet station to the North Coast station.⁴ Crossroads asserts it later decided to install a new gas chromatograph at North Coast while leaving the existing unit at the Cygnet station. Crossroads states, as explained in its April 28, 2008 compliance filing in Docket No. RP08-221, it could not reach agreement with North Coast to place the new chromatograph and instead located it at KNG-Deshler. Crossroads claims the installation of the additional gas chromatograph at KNG-Deshler has not reduced the effectiveness of the gas quality data. In fact, Crossroads believes the additional chromatograph improves the quality of gas data at the KNG-Deshler and North Coast delivery points.

16. Regarding BP's questions on CUG, Crossroads notes that fuel use is generally consistent across the year. Crossroads asserts that the need for heaters in the winter months is reflected by the higher CUG numbers in November – March. Crossroads states that, as noted by BP in its protest, the CUG for September 2008 was significantly higher than the other months. Crossroads argues this occurred because it was required to perform mandatory pipeline relocation due to highway construction by the Indiana Department of Transportation in September. Crossroads asserts this required approximately 7.7 miles of the Crossroads 20-inch pipeline to be blown down.

⁴ *Crossroads Pipeline Co.*, 121 FERC ¶ 61,249 (2007).

Crossroads alleges that the total gas released during the blow down and purging was 4,888 Dth. Crossroads asserts it was reasonable for it to include these costs because the Commission has permitted the recovery of gas used in these types of operations before.

17. In conclusion, Crossroads alleges that its proposed retainage rate reflects actual CUG and LAUF, and while higher than Crossroads and its customers would prefer, is not unreasonable.

18. In response to BP's comments discussed above, Crossroads' answer details the steps it has taken or will take to investigate and mitigate the level of its LAUF. Therefore, the Commission determines that the technical conference requested by BP is not warranted at this time. Crossroads' TRA filing, however, does raise concerns regarding its on-going level of LAUF; Crossroads' actual 2008 LAUF represents an approximate 17 percent increase over its 2007 LAUF. While the Commission does not believe that a technical conference is necessary, we believe that it is not possible, at this juncture, to determine whether Crossroads' proposed TRA is just and reasonable. Therefore, Crossroads' proposed TRA as reflected on the tariff sheet in footnote number 1 is hereby conditionally accepted effective April 1, 2009, subject to refund and further Commission action. To assist the Commission in its review, Crossroads is directed to file the following information within 20 days of the date this order:

- (A) Reference Figure 2: Provide actual monthly LAUF figures (all prior period adjustments should be attributed to the actual month for which adjustments were necessary) for calendar years 2004 through 2008;
- (B) With respect to the annual receipt meter inspections performed by the third party pipelines, provide the actual inspection dates for calendar years 2004 through 2008, the results of the inspections and indicate if Crossroads personnel were present at all such inspections. Also, provide the anticipated future inspection dates for calendar years 2009 and 2010;
- (C) Has Crossroads performed any internal inspections of its pipeline (e.g., pigging)? If so, provide a summary of the results. If not, please explain why;
- (D) Provide for each day of calendar years 2007 and 2008, the average measured heating value of gas received at Defiance and Schererville, and the average measured heating value of gas delivered at Butler, North Coast and Cygnet; and,
- (E) Please explain whether Crossroads has the ability to recoup through insurance, third party reimbursement, or any other method the 4,888 Dth (or cash equivalent) of gas that was released in September 2008 during the pipeline relocation.

Parties may file comments or protests to Crossroads' responses, as well as to its March 16, 2009 answer, within 10 days following the date that Crossroads' compliance filing is made.

19. The Commission finds that Crossroads' filing has not been shown to be just and reasonable, and may be unjust, unreasonable, and unduly discriminatory, or otherwise unlawful. The Commission therefore accepts and suspends Crossroads' Tenth Revised Sheet No. 6, effective April 1, 2009, subject to refund and further Commission action.

20. The Commission's general policy is to suspend tariff filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.⁵ It is also recognized however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results.⁶ Such circumstances exist here. Accordingly, the Commission will exercise its discretion to suspend for a shorter period and permit the rates to take effect on April 1, 2009, subject to refund and further Commission action.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁵ See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

⁶ See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).