135 FERC ¶ 61,049
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

CenterPoint Energy-Mississippi River Transmission Corporation — Docket No. CP11-51-000

ORDER AMENDING CERTIFICATES

(Issued April 21, 2011)

1. On December 15, 2010, CenterPoint Energy-Mississippi River Transmission Corporation (MRT) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA)[1] and Part 157 of the Commission's Regulations[2] for a certificate of public convenience and necessity authorizing it to write off costs associated with 1.2 billion cubic feet (Bcf) of cushion gas loss and reclassify 1.2 Bcf of cushion gas capacity as working gas capacity in its East and West Unionville Storage Fields, located in Lincoln Parish, Louisiana.[3] As discussed below, the requested authorization is required by the public convenience and necessity and is granted herein.

I. Background and Proposal

2. MRT, a wholly-owned indirect subsidiary of CenterPoint Energy, Incorporated, is a company organized and existing under the laws of the State of Delaware and is duly authorized to do business in the States of Arkansas, Illinois, Louisiana, Missouri, and Texas. MRT is a natural gas company as defined by section 2(6) of the NGA.[4]

[1] 15 U.S.C. § 717f(c) (2006).

[2] 18 C.F.R. § 157 Subpart A (2010).

[3] MRT's December 15, 2010 application requested authorization to abandon 1.2 Bcf of cushion gas under NGA section 7(b). Because MRT is not seeking to abandon any portion of its facilities, or any service rendered by its facilities, we will review its application under NGA section 7(c).

[4] 15 U.S.C. § 717(a)(6) (2006).

3. MRT's East and West Unionville Storage Fields are depleted gas reservoirs. MRT's West Unionville Storage Field was certificated in 1968.[5] As was typical for Commission orders at that time, the authorization, as later modified,[6] did not specify limitations on working gas, cushion gas, or total reservoir capacities, but did establish the maximum certificated shut-in reservoir pressure of 4,335 psig.[7] MRT states that it has operated the West Unionville field using a total reservoir capacity held at 25 Bcf, consisting of approximately 11.3 Bcf of working gas and approximately 13.7 Bcf of cushion gas.

4. MRT's East Unionville Storage Field was certificated in 1973 and, as with the West Unionville field order, the East Unionville certificate order did not specify working gas, cushion gas, or total reservoir capacities, but did establish a maximum shut-in pressure of 4,350 psig.[8] MRT states that the total reservoir capacity for the East Unionville field is 55.2 Bcf,[9] consisting of approximately 26.5 Bcf of working gas and approximately 28.7 Bcf of cushion gas capacity. MRT states that both the East and West Unionville Storage Fields are operated in aggregate and are capable of providing a total working gas capacity of 37.8 Bcf and total withdrawal capacity of 550,000 Mcf/d. MRT notes that its firm service capability is operationally limited at this level due to capacity limitations of its pipeline system connected to the East and West storage fields.

5. MRT states that, historically, it has periodically experienced differences between its inventory verification studies data and its accounting records with respect to the volume of gas contained in both the East and West Unionville Storage reservoirs. In 2001, MRT sought Commission authorization in its fuel tracker mechanism to recover costs associated with 4 Bcf of storage gas that had been lost due to surface valve leakage and measurement errors within MRT's Unionville Compressor Station. Pursuant to the provisions of an uncontested offer of settlement, MRT was authorized to recover the costs associated with 1 Bcf and to write off the costs of 3 Bcf of cushion gas.[10]

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[5] *Mississippi River Transmission Corp.*, 40 FPC 1513 (1968).

[6] *Mississippi River Transmission Corp.*, 47 FPC 193 (1972).

[7] *See Mississippi River Transmission Corp.*, 40 FPC 1513 at Ordering Paragraph (E)1. The order stated that MRT proposed approximately 44,880,000 Mcf of cushion gas.

[8] *Mississippi River Transmission Corp.*, 50 FPC 46 (1973).

[9] *See Mississippi River Transmission Corp.*, 35 FERC ¶ 61,062 (1986).

[10] *Mississippi River Transmission Corp.*, 98 FERC ¶ 61,021 (2002).

6. In its 2007 Inventory Verification Study, MRT's engineers identified new differences between its data and the data in MRT's accounting records, with storage inventory data reflecting approximately 1.05 Bcf less than the amount reflected in accounting records. MRT states that because it had replaced and repaired numerous valves within the Unionville Compressor Station yard as a result of storage gas losses previously addressed, it evaluated whether this 1.05 Bcf loss was connected to surface issues involving valves and measurement errors, or whether the differences were attributable to an underground issue involving non-effective gas or gas migration.

7. MRT's 2008 Inventory Verification Study showed that the differences between this study and its accounting records had slightly increased from the 1.05 Bcf identified in 2007, to approximately 1.2 Bcf. MRT adds that further analysis revealed that the differences were due to surface measurement and valve leakage, and not related to increased non-effective gas or gas migration.[11] MRT states that it has taken additional action to promptly identify surface leakage and replace and repair malfunctioning valves, and that it has accounted for measurement corrections in its annual fuel tracker mechanism. MRT adds that in 2009, it placed an ultrasonic measurement on the mainline pipeline system to segregate measurement of the storage fields from the mainline and to provide accurate measurements of the storage fields. MRT states that there continues to be a difference of approximately 1.2 Bcf between gas in its storage reservoirs and the volumes reflected in its accounting records, as reflected in its 2010 Inventory Verification Study.

8. MRT asserts that even though it has had less gas in its storage reservoirs than its accounting records have reflected, it has been able to operate the East Unionville and West Unionville Storage Fields and provide the firm storage services to its customers and sustain late season deliverability.[12] Given its ability to operate the storage fields and meet its customer's contractual commitments, MRT asserts that it does not need to replace the 1.2 Bcf of natural gas. Therefore, MRT seeks authorization to write-off the

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[11] *See* MRT's February 18, 2011 response to staff's February 4, 2011 data request.

[12] MRT states that it has taken a number of steps to improve late season deliverability. In June 2008, pursuant to Docket No. CP09-177-000, MRT installed a 1,340 horsepower (hp) rental compressor in the West Unionville field under its Part 157 blanket construction certificate. MRT used the compressor at the end of the 2009-2010 withdrawal season to recover low pressure, low volume working gas that was stranded in the reservoir. MRT adds that in 2009, it drilled four wells in the East Unionville field to, among other things, enhance its late season deliverability. MRT states that it is in the process of obtaining two existing wells and converting them to injection/withdrawal wells to further improve MRT's deliverability.

approximately 1.2 Bcf of cushion gas loss, and to debit Account 823, Gas Losses, and credit Account 117.1, Gas Stored-Base Gas, to record the cushion gas loss at its storage facilities. MRT proposes to value the cushion gas loss using a historical fixed inventory value of $0.452 per Dth for its East Unionville facility and $0.517 per Dth for its West Unionville facility.

9. MRT further requests authorization to reclassify approximately 1.2 Bcf of cushion gas capacity to working gas capacity, which would consist of a reclassification of 1,044,205 Mcf of cushion gas capacity in the East Unionville Storage Field and 190,506 Mcf of cushion gas capacity in the West Unionville Storage Field. MRT asserts that these authorizations will permit it to accurately reflect the current working and cushion gas capacities of the storage fields. MRT states that reclassifying 1.2 Bcf of cushion gas to working gas capacity will enable it to offer more interruptible storage service.[13] MRT adds that the working gas capacity cannot be offered as firm storage under MRT's FSS rate schedule because of downstream capacity constraints.

II. Notice and Interventions/Comments

10. Notice of MRT's application was published in the *Federal Register* on January 7, 2011 (76 Fed. Reg. 1144). Ameren Illinois Company d/b/a Ameren Illinois (Ameren Illinois) and Union Electric Company d/b/a Ameren Missouri (Ameren Missouri) (collectively referred to as Ameren) and Laclede Gas Company timely filed unopposed motions to intervene.[14] A motion to intervene out-of-time was filed by Missouri Public Service Commission (MoPSC). Because MoPSC has demonstrated an interest in this proceeding and its late intervention will not delay or otherwise prejudice this proceeding, we will grant the motion to intervene out-of-time for good cause shown.[15]

11. Ameren also filed comments on MRT's application to which MRT filed an answer on February 1, 2011. We will address the comments below.

III. Discussion

12. Since MRT's proposal involves the transportation of natural gas in interstate commerce, it is subject to the Commission's jurisdiction under section 7(c) of the NGA.

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[13] MRT's February 18, 2011 Response to staff's February 4, 2011 Data Request.

[14] Timely, unopposed motions to intervene are granted by operation of Rule 214(c) of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.214(c) (2010).

[15] 18 C.F.R. § 385.214(d) (2010).

13. In its comments Ameren asserts that the 1.2 Bcf storage field losses are losses of working gas rather than cushion gas. Ameren adds that the appropriate journal entries should reflect a credit to Account 164[16] and a debit to Account 823 at the weighted average inventory cost of working gas inventory at the time the loss occurred, i.e. 2007 or 2008, not, as MRT requests, at the historical cost of cushion gas inventory. Finally, Ameren argues that MRT should debit Account 164 and credit Account 117.1 at the historical cushion gas cost to account for MRT's lost gas and reclassification of a like amount of approximately 1.2 Bcf of cushion gas to working gas in the Unionville storage fields.

14. MRT responds that Ameren mischaracterizes what MRT proposes. MRT argues that it is not, as Ameren suggests, proposing to write-off working gas and keep its cushion gas constant; rather, MRT proposes to write-off cushion gas, valuing such write-off at MRT's historic cost of cushion gas and effectively reducing the cushion gas value in Account 117 with no adverse impact to MRT's customers. MRT further proposes to reclassify as working gas capacity 1.2 Bcf of cushion gas capacity, capacity that MRT maintains is no longer required to provide pressure support for working gas capacity.

15. The Commission finds that MRT has lost approximately 1.2 Bcf of cushion gas. That MRT has continued to provide firm storage service to its customers and maintain late season deliverability indicates the 1.2 Bcf difference is due to loss of cushion gas, rather than working gas. The Commission's Uniformed System of Accounts (USofA)[17] requires inventory adjustments representing the cost of gas lost or unaccounted for in underground storage operations due to cumulative inaccuracies of gas measurements or other causes to be recorded in Account 823.[18] Further, the USofA allows the use of the inventory method when accounting for gas included in Account 117.1.[19] Therefore, MRT's proposal to account for the base gas loss by debiting Account 823 and crediting Account 117.1, as well as its proposal to value the cushion gas loss using a historical

[16] Ameren suggests the use of Account 164. However, there is no such account in the Commission's Uniform System of Accounts. We assume that Ameren intended to refer to Account 164.1, Gas Stored – Current.

[17] 18 C.F.R. Part 201 (2010).

[18] Instructions to Account 823; 18 C.F.R. Part 201 (2010).

[19] Special Instructions to Accounts 117.1, 117.2, and 117.3; 18 C.F.R. Part 201 (2010).

fixed inventory value of $0.452 per Dth for its East Unionville facility and $0.517 per Dth for its West Unionville facility, is appropriate.[20]

16. We also approve MRT's proposal to reclassify 1.2 Bcf of cushion gas capacity as working gas capacity. It appears that Ameren's assertion that MRT should reclassify cushion gas to working gas valued at the historical cushion gas cost at the Unionville fields is based on a misunderstanding of MRT's proposal. To clarify, MRT proposes to write-off the costs associated with 1.2 Bcf of lost cushion gas and reassign the available *capacity* to working gas. MRT does not propose to reclassify *volumes* of gas from cushion gas to working gas. MRT only proposes to reassign and adjust the *capacity* of cushion gas and working gas to reflect the actual storage capacities after the loss of the recoverable portion of cushion gas is recorded to offer more interruptible storage services to customers.[21]

17. In that vein, the Commission's USofA only permits, for balance sheet purposes, reclassifications to Account 164.1, Gas Stored – Current, for portions of gas stored underground, which constitutes a current asset according to conventional rules for classification of current assets. As MRT indicates, it only accounts for volumes, not values, for customer gas actually held on its system for providing interruptible storage service. Further, MRT explains that it would only record an accounting entry for this capacity when customers actually use it, with accounting entries reflecting only volumes of gas and not values since the gas is owned by customers and is not an MRT asset.[22] Accordingly, MRT is not required to record any amounts of gas inventory in Account 164.1.[23]

18. The Commission finds that MRT's proposal will not result in a change in the capacity or boundaries of the fields or in the fields' deliverability. To the extent that capacity limits in the Unionville storage fields have not been specified in previous orders,

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[20] *Koch Gateway Pipeline Co.*, 81 FERC ¶ 61,272, at 62,350 (1997); *Colorado Interstate Gas Co.*, 132 FERC ¶ 62,207 (2010).

[21] *See* MRT's February 18, 2011 and March 4, 2011 responses to staff's February 4, 2011 and March 2, 2011 data requests.

[22] *See* MRT's March 4, 2011 response to staff's March 2, 2011 data request.

[23] Ameren also asserts that MRT's filing contains "contradictory" statements regarding services or fuel loss impact to MRT's customers that may result in potential violations of section 22.4(a) of the General Terms and Conditions of MRT's tariff. We agree with MRT's explanation that Ameren takes the disputed statements out of context and reflects an inaccurate interpretation of MRT's application.

we find that the certificated capacity of the East Unionville Storage Field is 55.2 Bcf (27.6 Bcf working gas capacity and 27.6 Bcf cushion gas capacity) at a maximum shut-in reservoir pressure of 4,350 psig (an increase of approximately 1.0 Bcf in working gas capacity). The certificated capacity of the West Unionville Storage Field is 25.0 Bcf (11.5 Bcf working gas capacity and 13.5 Bcf cushion gas capacity) at a maximum shut-in reservoir pressure of 4,335 psig (an increase of approximately 0.2 Bcf in working gas capacity). We will require MRT to continue to monitor the fields, and report the results of their annual inventory verification studies for the next two years to confirm that there is no further loss through the surface and measuring facilities.

19. In our view, it is significant that the cause of MRT's gas losses from the Unionville storage fields is attributable to surface leakage and malfunctioning valves rather than migration simply because surface leakage issues may be more easily remedied than subsurface migration. Inasmuch as MRT has made repairs to valves and surface facilities and given our requirement in this order that MRT continue to monitor the fields and report the results of inventory verification studies for two years, we believe the prospects for future leakage will be minimized. Considering this context and MRT's recent operating history suggesting that MRT was able to meet its entire certificate and service obligations despite the lost gas, it is appropriate to approve MRT's proposals to write off previous cushion gas losses and to reclassify 1.2 Bcf of cushion gas capacity as working capacity. For all of these reasons, the Commission finds that the public convenience and necessity requires approval of MRT's proposal.

20. Nonetheless, we note that the authorization granted herein shall not be construed as addressing any potential storage rate issues associated with the East and West Unionville Storage Fields that may be raised in a future rate case.[24]

21. At hearing held on April 21, 2011, the Commission on its own motion, received and made a part of the record all evidence, including the applicant(s), as supplemented, and exhibits thereto, submitted in this proceeding and upon consideration of the record,

The Commission orders:

(A) MRT's certificates of public convenience and necessity are amended to account for the loss of approximately 1.2 Bcf of cushion gas, and to reclassify approximately 1.2 Bcf of cushion gas capacity to working gas capacity, all as more fully described in the application and in the body of this order.

[24] Since this proposal does not involve the construction of any facilities, it qualifies as a categorical exclusion pursuant to the Commission's regulations, and therefore no environmental review is required. *See* 18 C.F.R. § 380.4(a)(27).

(B) The certificated total capacity of the East Unionville Storage Field is 55.2 Bcf at a maximum shut-in reservoir pressure of 4,350 psig (as measured at the wellhead), of which 27.6 Bcf is cushion gas capacity and 27.6 Bcf is working gas capacity.

(C) The certificated total capacity of the West Unionville Storage Field is 25 Bcf at a maximum shut-in reservoir pressure of 4,335 psig (as measured at the wellhead), of which13.5 Bcf is cushion gas capacity and 11.5 Bcf is working gas capacity.

(D) MRT is authorized to account for the 1.2 Bcf cushion gas loss as more fully described in the application and in the body of this order.

(E) Except as provided herein, the operating terms and conditions of the East and West Unionville Storage Fields remain unchanged.

(F) MRT shall conduct an annual inventory verification study on the East and West Unionville Storage Fields and file the results with the Commission for the next two calendar years.

By the Commission

(S E A L)

Kimberly D. Bose,
Secretary.