

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Kern River Gas Transmission Company

Docket No. RP06-296-000

ORDER ACCEPTING 2005 FUEL REPORT

(Issued September 14, 2006)

1. On March 31, 2006, Kern River Gas Transmission Company (Kern River) filed a report supporting its gas compressor fuel and lost and unaccounted-for gas factors for the 2005 calendar year (2005 Fuel Report). Kern River also submitted a work paper showing the 2005 net benefit to preexisting, original or “vintage,” shippers of rolling in Kern River’s 2002 expansion project after actual fuel costs are considered. Kern River requests any waivers deemed necessary for the acceptance of the filing. The Commission will accept Kern River’s 2005 Fuel Report as satisfying the requirement of section 12.10 of the General Terms and Conditions of its FERC Gas Tariff.
2. The Commission accepts Kern River’s current fuel allocation methodology consistent with our decision in Kern River’s Docket No. RP05-254-000.¹ The Commission also accepts Kern River’s inclusion of its prior-period adjustments to the gas compressor fuel and lost and unaccounted-for (L&U) balances, consistent with the Commission’s recent decision in Docket No. RP06-151-000, as discussed below.

Background

3. On March 31, 2005, Kern River filed a fuel report for the 2004 calendar year in Docket No. RP05-254-000. On July 26, 2005, the Commission issued an order establishing a technical conference to address issues raised with regard to that report.²

¹ *Kern River Gas Transmission Co.*, 115 FERC ¶ 61,236 (2006) (May 24, 2006 Order).

² *Kern River Gas Transmission Co.*, 112 FERC ¶ 61,132 (2005).

On May 24, 2006, the Commission issued an order accepting Kern River's methodology for allocating gas compressor fuel between rolled-in and incremental shippers. In that order, Kern River had reported its allocation of 2004 fuel usage between its rolled-in and expansion shippers. It was undisputed that Kern River allocated the costs consistent with the method set forth in its tariff. However, Calpine had challenged the reasonableness of that allocation method. Since Kern River did not propose to change its current allocation method, Calpine bore the burden under section 5 of the NGA to show that the existing method of allocation was unjust and unreasonable, and to support a just and reasonable replacement methodology. We found that Calpine had not met its section 5 burden.

4. The fuel reimbursement factors contained in the 2005 Fuel Report incorporate certain prior period adjustments to the gas compressor fuel and L&U gas balances reflected in Kern River's annual fuel reports for calendar years 1999 through 2004. The Commission accepted these proposed adjustments, in Docket No. RP06-151-000, subject to the outcome of a technical conference on February 15, 2006.³

5. On September 1, 2006, the Commission conditionally accepted Kern River's refund report in Docket No. RP06-151-000.⁴ In that order, the Commission found that Kern River's prior-period adjustments were permitted by its tariff and were consistent with Commission policy.

March 31, 2006 Filing

6. Kern River's 2005 Fuel Report supports its gas compressor fuel and lost and unaccounted for gas factors for 2005, and includes three Exhibits. Exhibit A provides the compressor fuel use for each month, for each compressor station on Kern River's system.⁵ In addition, Exhibit A shows scheduled receipts and fuel reimbursed for authorized overrun and interruptible transportation services.

³ *Kern River Gas Transmission Co.*, 114 FERC ¶ 61,162 (2006).

⁴ *Kern River Gas Transmission Co.*, 116 FERC ¶ 61,217 (2006) (September 1, 2006 Order).

⁵ Kern River states that the information on Exhibit A is reported separately for the rolled-in rate shippers (original system and 2002 expansion project shippers) and for the 2003 expansion project shippers because each group of shippers is subject to different fuel reimbursement factors. *Kern River Gas Transmission Co.*, 103 FERC ¶ 61,102 (2003) (accepting procedure for allocating fuel between rolled-in rate and 2003 expansion shippers).

7. Exhibit B provides information on system-wide lost and unaccounted-for gas. Kern River states that all system-wide shippers are obligated to reimburse Kern River for L&U at the same rate. Exhibit B also provides similar monthly information on the High Desert Lateral L&U; this lateral is reported separately because shippers on that lateral are subject to L&U reimbursement that is specific to that lateral.

8. Exhibit C contains the 2005 System Benefit Test for the period from January 1, 2005 through December 31, 2005.⁶ Exhibit C indicates that Kern River's vintage shippers received a net benefit of \$154,434 for calendar year 2005. The exhibit indicates that the cumulative net benefit to the vintage shippers for the period from May 1, 2002 (when the 2002 expansion project was placed into service), through December 31, 2005, was \$11,458,845.

9. Kern River notes that, in compliance with the July 26, 2001 certificate order pertaining to Kern River's 2002 expansion project,⁷ it is submitting a work paper showing the 2005 system benefit to vintage shippers of rolling in Kern River's 2002 expansion project after actual fuel costs are considered. Kern River was ordered by the Commission to submit a system benefit test each time it files to adjust its electric compressor fuel surcharge and when it files its annual gas compressor fuel reimbursement report. Kern River has complied with this directive and that information is contained in Kern River's Exhibit C.

10. Kern River states that the proceeding in Docket No. RP06-151-000 may affect the outcome of this filing. Kern River explains that that proceeding deals with certain prior-period adjustments by Kern River that affected compressor fuel and L&U balances and inclusion of the prior-period adjustments in the calculation of future reimbursement factors. Kern River states, however, that based on the Commission's conditional acceptance of the prior-period adjustments,⁸ it is using the corrected balances as the beginning balances for the schedules in its 2005 Fuel Report, as shown in Exhibits A and B.

⁶ The information contained in Exhibit C is the same information that was included in Kern River's March 1, 2006 filing pertaining to Kern River's electric compressor fuel surcharges. *See Kern River Gas Transmission Co.*, Docket No. RP06-249-000 (Mar. 21, 2006) (unpublished letter order).

⁷ *Kern River Gas Transmission Co.*, 96 FERC ¶ 61,137 (2001).

⁸ *Kern River Gas Transmission Co.*, 114 FERC ¶ 61,162 (2006).

Notice and Responsive Pleadings

11. Notice of Kern River's filing was issued on April 5, 2006, with interventions and protests due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2006)).⁹ BP Energy Company (BP); Calpine Energy Services, L.P. and Pastoria Energy Facility, L.L.C. (collectively, Calpine); Nevada Power Company (Nevada Power); and the Rolled-in Customer Group filed motions to intervene and protest.

12. BP, Nevada Power, and the Rolled-in Customer Group object to Kern River's proposed prior-period adjustments, proffering the same arguments that they made in Docket No. RP06-151-000. They argue, among other things, that Kern River's tariff does not permit such prior-period adjustments.

13. Calpine objects to Kern River's allocation methodology and incorporates by reference its technical conference comments in Docket No. RP05-254-000, arguing, as in that docket, that Kern River's compressor fuel allocation methodology remains unjust and unreasonable.

Discussion

14. The Commission accepts Kern River's 2005 Fuel Report. The issues raised in the protests were previously addressed by the Commission in the May 24, 2006 and September 1, 2006 Orders. No new issues have been raised here. We will accept Kern River's prior-period adjustments here consistent with our action in the September 1, 2006 Order in Docket No. RP06-151-000.

15. Kern River's 2005 Fuel Report reflects the fuel usage between its rolled-in and incremental shippers for the various compressor stations using its current methodology, which the Commission previously accepted.¹⁰ The Commission has examined the evidence Calpine presented in the instant proceeding, which is the same as that presented in Docket No. RP05-254-000.¹¹ The Commission affirms its findings in Docket No. RP05-254-000 that Kern River's current fuel allocation methodology, which is based on a comparison of design day studies before and after the 2003 expansion, has not been shown to be unjust and unreasonable. It reflects the 2003 expansion facilities,

⁹ 18 C.F.R. § 154.210 (2005).

¹⁰ May 24, 2006 Order, 115 FERC ¶ 61,236 at P 17.

¹¹ See May 24, 2006 Order, 115 FERC ¶ 61,236 at P 15-19.

which were designed and constructed to provide service for additional gas volumes on the system.

The Commission orders:

(1) Kern River's 2005 Fuel Report, supporting its gas compressor fuel and L&U gas balances for 2005, is hereby accepted.

(2) Kern River's 2005 System Benefit Test is hereby accepted as being in compliance with its July 26, 2001 Certificate Order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.