

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 29, 2006

In Reply Refer To:
El Paso Natural Gas Company
Docket No. RP07-88-000

El Paso Natural Gas Company
Post Office Box 1087
Colorado Springs, CO 80903

Attention: Rex D. Adams
Director, Rates

Reference: Fuel and Lost and Unaccounted For Filing

Dear Mr. Adams:

1. On November 30, 2006, El Paso Natural Gas Company (El Paso) filed a revised tariff sheet¹ to amend the fuel charges applicable to transportation service on El Paso's system pursuant to Article 26 of the General Terms and Conditions (GT&C) of its tariff. The revised tariff sheet is accepted and suspended effective January 1, 2007, subject to refund, to further order of the Commission, and to all underlying conditions.²

2. Article 26 of the GT&C provides that El Paso will restate its Fuel and Lost and Unaccounted For (L&U) percentages effective January 1, 2007, using an 18-month data collection period ending September 30, 2006. True-up adjustments to the percentages as set forth in Article 26.6 will be based upon a nine-month data collection period that began January 1, 2006, and ended September 30, 2006, wherein El Paso tracked any over or under collection of fuel and the impacts of gas purchased or sold to maintain line pack.

¹ Fourteenth Revised Sheet No. 29 to FERC Gas Tariff, Second Revised Volume No. 1-A.

² See *El Paso Natural Gas Co.*, 112 FERC ¶ 61,150 (2005), 114 FERC ¶ 61,305 (2006).

3. El Paso states that, as part of the proceedings in Docket No. RP05-422-000, *et al.*, the Commission accepted El Paso's fuel tracker/true-up mechanism (which includes L&U quantities) beginning January 1, 2006, but set for hearing the initial fuel retention rates proposed by El Paso for its various transportation services.³ El Paso explains that, because the hearing has not occurred, for January 1, 2006 to date, El Paso has billed the fuel retention rates as proposed in the general rate proceeding in Docket No. RP05-422-000 and uses such billed retention in the fuel recovery mechanism to calculate the difference between burned fuel and retained fuel.

4. El Paso states that it included the timing differences in the cost and volume of gas acquisition and disposition as an adjustment in its fuel retention percentage derivation in section 26.3 of its tariff. El Paso further explains that it credits or recovers from shippers the impact of line pack and other system gas balance items on cashout and imbalance activity pursuant to sections 36.6 and 32.3 of its tariff. El Paso has proposed to include over \$21 million in operational gas purchases for which it provided no explanation. Further, El Paso contends that, it is difficult, if not impossible, to isolate the cashout impact from the overall impact.

5. In the instant filing, El Paso proposes to change the fuel percentages as follows: Mainline to increase from the currently-effective 2.46 percent to 2.87 percent, Anadarko Within Basin to increase from 0.14 percent to 0.97 percent, Permian Within Basin to decrease from 1.12 percent to 1.07 percent, San Juan Within Basin to increase from 0.55 percent to 0.92 percent, Permian to Anadarko to decrease from 1.27 percent to 1.14 percent, and Washington Ranch Interruptible Storage to decrease from 2.11 percent to 1.35 percent. In addition, the L&U percentage is proposed to decrease from the currently-effective 0.20 percent to 0.00 percent.

6. The filing was noticed on December 5, 2006, with comments due on or before December 12, 2006. No protests or adverse comments were filed. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214.

7. The El Paso Municipal Customer Group (Customer Group) filed comments requesting clarification that the 2006 fuel rates will remain subject to hearing if the

³ *Id.* On December 6, 2006, El Paso filed a comprehensive settlement in this proceeding that renders the need for the hearing moot. El Paso and the settling parties stipulated that the fuel percentages for 2006 are just and reasonable, subject to a true up in the instant filing.

Commission does not approve Article 5.2 of the pending settlement in Docket No. RP05-422-000, *et al.*, wherein the parties stipulated that the 2006 fuel percentages are just and reasonable, subject to a true-up in the instant filing. The Customer Group further contends that a close review of the instant filing is appropriate, particularly in light of how the imbalance and fuel mechanisms interact and given the Commission's conditional approval of the fuel tracker.

8. Based on a review of the filing, the Commission finds that the proposed tariff sheet has not been shown to be just and reasonable, and may be unjust and unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission shall accept the revised tariff sheet for filing, and suspend its effectiveness until January 1, 2007, subject to refund, to further order of the Commission, and to all underlying conditions.

9. The Commission finds that a further review of the reasons for El Paso's purchases and sales of gas for operational purposes is necessary. The purchases combined with El Paso's retention and cashout mechanism seem redundant and confusing. Therefore, within thirty days of the date of this order, El Paso must provide the Commission with a written explanation for the reasons behind the purchases and sales and how these purchases coincide with other existing authorities for tracking fuel from shippers. As a result, El Paso's revised tariff sheet is accepted and suspended effective January 1, 2007, subject to refund, to further order of the Commission, and to all underlying conditions.

By direction of the Commission.

Magalie R. Salas,
Secretary.