

128 FERC ¶ 61,192
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 27, 2009

In Reply Refer To:
Crossroads Pipeline Company
Docket No. RP09-371-001

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

Attention: James R. Downs, Director of
Regulatory Affairs

Reference: Compliance Filing

Dear Mr. Downs:

1. On April 20, 2009, Crossroads Pipeline Company (Crossroads) submitted additional information (compliance filing) in compliance with the Commission's order issued March 31, 2009 in this proceeding.¹ The Commission accepts Crossroads' compliance filing subject to conditions as discussed in this order.
2. Section 35 of the General Terms and Conditions (GT&C) of Crossroads' tariff enables the pipeline to set an overall transportation retainage factor that 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 recovery 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).
3. On February 19, 2009, Crossroads filed a revised tariff sheet and supporting work papers to reflect its most recent annual Transportation Retainage Adjustment (TRA). In its filing, Crossroads proposed to increase its overall retainage factor to 0.989 percent

¹ *Crossroads Pipeline Company*, 126 FERC ¶ 61,306 (2009) (March 31 Order).

from the 0.46 percent retainage factor established in its 2008 TRA filing. Crossroads stated that the increase was primarily because it had under-recovered its CUG and LAUF costs during 2008, in contrast to its over-recovery during 2007. Therefore, the proposed 0.989 percent retainage factor reflects an over/under recovery component of 0.195 percent, in contrast to the negative 0.189 percent over/under recovery component reflected in Crossroads' 2008 TRA filing. In addition, Crossroads stated that it projected its 2009 LAUF quantities to be 283,411 Dth, which is a 42,531 increase over last year's projection of 240,880 Dth.

4. On March 3, 2009, BP Canada Energy Marketing Corp. (BP) protested Crossroads' filing and requested that the Commission convene a technical conference to investigate Crossroads' ever increasing LAUF quantities. BP further argued that Crossroads should be required to explain the abnormally high 4,896 Dth of CUG experienced by the pipeline in September 2008, as compared to CUG in the other 11 months of 2008 ranging from 7 to 457 Dth.

5. In its answer to BP's protest, Crossroads explained that its CUG in September 2008 was significantly higher than in other months, because in that month it relocated a pipeline segment in connection with highway construction by the Indiana Department of Transportation (IDOT). This required that the pipeline segment be blown down. The total amount of gas released for the blow down and purging was 4,888 Dth.

6. By letter order issued March 31, 2009, the Commission accepted and suspended Crossroads' proposed tariff sheet, effective April 1, 2009, subject to refund and conditions. In addition, the Commission denied BP's request for technical conference. Although the Commission denied BP's request, the Commission directed Crossroads to file, within 20 days of the order, additional information to address issues identified by BP and the Commission. Specifically, Crossroads was directed to file the following:

- 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.

7. In response to (A), Crossroads provides Exhibit 1 which contains the pipeline's actual monthly LAUF quantities for 2004 through 2008. Exhibit 1 shows the following LAUF quantities from 2004 through 2008 respectively: 128,692 Dth; 281,540 Dth; 377,340 Dth; 240,890 Dth; and 283,111 Dth.

8. Crossroads submits Exhibit 2 to respond to request (B). Exhibit 2 lists the dates for 2004 through 2008 when third party operators inspected the two main receipt meters at Schererville and Defiance. Crossroads contends the operators of these two stations establish the frequency of inspections, and at present, they inspect the meters every month. Crossroads asserts none of the inspections indicated any measurement system problems. Crossroads avers that all post inspection adjustments were minor, and none were required to correct a measurement error.

9. In response to request (C), Crossroads states that in July 2004, it internally inspected approximately 73 miles of pipeline from the Schererville compressor station to the Nappanee measuring station. According to Crossroads, it found no anomalies that required immediate attention. However, Crossroads states that it did perform three verification digs in November 2005. Crossroads asserts these inspections did not identify the need for further repairs. Crossroads also states that it intends to perform additional internal assessments on approximately 76 miles of pipeline in 2010 and 2011, including three High Consequence Area locations.²

10. Crossroads submits Exhibit 3 to respond to request (D). As indicated by Crossroads, the exhibit details the average measured heating value of gas received at the Defiance and Schererville receipt points and the average measured heating value of gas delivered at Butler, North Coast, and Cygnet delivery points for each day in 2007 and 2008.

² High Consequence Area is a specifically defined location in pipeline regulations where releases or operational impacts could have greater impacts to health, safety or the environment. The regulations require pipeline operators to take specific measures to ensure the integrity of a pipeline in a high consequence area. *See* 49 C.F.R. § 192.903 (2008).

11. In responding to request (E), Crossroads states it relocated a pipeline segment in September 2008 that required blowing down and purging approximately 7.7 miles of 20-inch pipeline. IDOT directed Crossroads to relocate the pipeline to permit highway construction. Crossroads contends the blow down and purging associated with the pipeline relocation resulted in the release of 4,888 Dth. While Crossroads states that it does not have the ability to recoup the value of the released gas through insurance, it submitted an invoice to the IDOT seeking reimbursement, and if reimbursed, it will reflect that credit in its next annual TRA filing.

12. In addition, Crossroads intends to initiate additional investigations to identify the causes of LAUF on its system. Specifically, Crossroads plans to engage the NiSource Internal Audit department to begin, by June 1, 2009, a review of the methodology used for calculating LAUF on the Crossroads system. Crossroads states it is also in the process of retaining an independent third party consultant to physically inspect the majority of its receipt and delivery measuring stations. Crossroads anticipates beginning these inspections during the summer of 2009. Crossroads states it will report the results of these future investigations in its next annual TRA filing.

13. Finally, Crossroads reports that it cannot upload the new retainage rates into its electronic bulletin board system before shippers submitted their monthly nominations for April 2009. In order to minimize business disruptions for shippers by requiring these shippers to re-submit previously made nominations, Crossroads intends to quantify the small difference between the retainage rates charged for April 2009 and the new rate approved effective April 1, 2009, and roll the difference into its next annual TRA filing as a one time adjustment.

14. Public notice of Crossroads' compliance filing was issued on April 23, 2009, with comments, interventions, and protests due on or before May 4, 2009, as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2009)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2009)), 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 interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. BP Canada Energy Marketing Corp. (BP) filed comments on Crossroads' compliance filing.

15. BP's comments focus on two main issues: the high level of LAUF experienced by Crossroads; and the inclusion of the September 2008 blow down/fuel –purge in Crossroads' 2009-2010 CUG projection.

16. BP continues to express its concern that Crossroads has not resolved the high level of LAUF on its system despite the recent measures undertaken by Crossroads. BP also notes that Crossroads' LAUF appears significantly higher than the LAUF experienced by other interstate pipelines. In light of Crossroads' continued high level of LAUF, BP requests the Commission direct Crossroads to file periodic updates regarding its investigations, corrective measures, and related activities.

17. The Commission finds that Crossroads' additional information adequately responds to its March 31 Order and BP's concerns regarding the high level of LAUF experienced on the Crossroads system. In its compliance filing, Crossroads states that it will initiate additional investigations to help identify the causes of LAUF on its system and that it will hire an independent consultant to inspect the majority of the receipt and delivery stations on its system. In addition, consistent with Crossroads commitment in its compliance filing, the Commission will require Crossroads to provide a report on the results of its on-going efforts and investigations into the cause of the high level of LAUF in its next annual TRA filing.

18. BP objects to Crossroads including the one-time fuel purge/blow down of 4,888 Dth associated with a highway construction project in its 2009-2010 company use projection. Specifically, BP states the purge/blow down in September 2008 was related to a one-time event, and based on the additional information submitted by Crossroads, it appears the purge is not expected to re-occur during the 2009-2010 annual fuel period. BP asserts that including this one time event in the projection of fuel use during the 2009-2010 fuel period will over-estimate the amount of fuel that will be used during that period. Therefore, BP requests the Commission require Crossroads to adjust its 2009-2010 fuel use projection by removing the 4,888 Dth. However, BP does not object to Crossroads recovering the actual gas loss resulting from the purge/blow down in the over/under recovery component of its TRA.

19. The Commission will permit Crossroads to recover the approximately 4,888 Dth in lost fuel resulting from the September 2008 purge/blow down in the over/under recovery component of its TRA, but requires Crossroads to remove that amount from its projection of future fuel use. Crossroads' fuel loss was not preventable, and the loss was a direct result of IDOT ordering Crossroads to move its pipeline during a highway construction project.³ Moreover, BP did not object to Crossroads' recovery of the fuel lost during the purge/blow down.

20. With regard to BP's concern about the inclusion of 4,888 Dth associated with the purge/blow down in its annual fuel projection for 2009-2010, the Commission finds that Crossroads has not adequately supported the inclusion of this volume as an on-going event and therefore, we will require Crossroads to eliminate this volume from its fuel

³ These facts distinguish this case from other instances where the Commission has disallowed the pipeline's recovery in a tracker of fuel losses caused by unexpected failures of a pipeline's equipment that might have been avoided by proper system maintenance. See e.g., *Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161 (2007), *order on reh'g*, 123 FERC ¶ 61,183 (2008) (The Commission rejected the inclusion of gas losses associated with a well casing failure); see also, *Cheyenne Plains Gas Pipeline Co.*, 123 FERC ¶ 61,220 (2008) (The Commission rejected the pipeline's fuel losses associated with the failure of a flange connection associated with a relief valve).

projection. Crossroads has not stated that it expects to incur a similar loss of gas in its 2009-2010 annual fuel period; therefore, Crossroads should remove the 4,888 Dth from the projected fuel use quantity used to derive its proposed transportation fuel retainage percentage.⁴

21. Accordingly, the Commission directs Crossroads to file a revised tariff sheet within 15 days of the date this order issues to remove the 4,888 Dth associated with the purge/blow down from its proposed transportation fuel retainage percentage. The Commission also directs Crossroads in its next annual TRA filing to: (1) submit a report on its efforts to mitigate the level of LAUF incurred on its system; and (2) identify through a separate line item, the reconciliation of the deferred application of the revised retainage percentage effective beginning April 1, 2009. Further, the Commission directs Crossroads to include full support for the above-ordered line item adjustment.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁴ This is also consistent with Crossroads' tariff which provides that "...Transporter shall adjust the Retainage percentage, to take into account both prospective changes in Retainage requirements and unrecovered Retainage quantities from the preceding period..." (First Revised Volume No. 1, Second Revised Sheet No. 359).