

131 FERC ¶ 61,047
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 19, 2010

In Reply Refer To:
CenterPoint Energy Gas Transmission
Company
Docket No. RP10-503-000

CenterPoint Energy Gas Transmission Company
P.O. Box 21734
Shreveport, LA 71151

Attention: Lawrence O. Thomas,
Senior Director

Reference: Semi-Annual Adjustments to Fuel Reimbursement Percentages and Electric
Power Costs

Ladies and Gentlemen:

1. On March 19, 2010, CenterPoint Energy Gas Transmission Company (CenterPoint), filed revised tariff sheets¹ and supporting work papers reflecting adjustments to its Fuel Use percentages and Electric Power Costs (EPC) Rate Tracker pursuant to sections 27 and 28 of the General Terms and Conditions (GT&C) of its tariff. CenterPoint requests that the Commission permit the proposed tariff sheets to become effective May 1, 2010. CenterPoint also requests that the Commission act upon this filing on or before April 19, 2010, allowing CenterPoint to approve fuel rates for shippers nominating for May business. We will accept CenterPoint's revised tariff sheets, effective May 1, 2010, as discussed below.

2. Section 27 of CenterPoint's GT&C requires it to file semi-annually to incorporate adjusted fuel retention percentages into its tariff, to become effective May 1 and November 1 of each year. CenterPoint's fuel retention percentages include both fuel use percentages and lost and unaccounted for gas (LUFG) percentages. Section 28 requires

¹ See Appendix.

CenterPoint to file semi-annually to incorporate adjusted EPCs into its tariff, to become effective May 1 and November 1 of each year. These sections also set forth the 12-month base period CenterPoint should use in calculating its fuel retention and EPC adjustments for each reporting period.

3. CenterPoint's work papers provide supporting calculations used in deriving the proposed system-wide Fuel Use and LUGF percentages, the EPC Rate Tracker, the revised Delhi Fuel Use and Wheeling LUGF percentages, and the initial Line CP LUGF percentage. The system-wide fuel use calculations exclude: (1) the volumes associated with Perryville Hub wheeling transactions since wheeling transactions are exempt from Fuel Use assessment, (2) those volumes assessed the fixed Line CP Fuel Use and LUGF charge, (3) the volumes assessed the Line J Backhaul Fuel Use and LUGF charge, and (4) the volumes assessed the Sligo Lease Fuel Use and LUGF charge. CenterPoint does not propose to revise either the Line J Backhaul Fuel Use and LUGF percentages or the Sligo Lease Fuel Use percentage in this filing.

4. In the instant filing, CenterPoint proposes the following revisions to its LUGF percentages: (1) an increase from 0.40 percent to 0.46 percent for Firm Transportation Service; (2) an increase from 0.40 percent to 0.46 percent for Interruptible Transportation Service; (3) an increase from 1.16 percent to 1.63 percent for No Notice Transportation Service; and (4) an increase from 0.46 percent to 0.50 percent for Storage service.

5. Public notice of CenterPoint's filing was issued on March 24, 2010. Interventions and protests were due 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 motions to intervene out-of-time 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. The Missouri Public Service Commission (MoPSC) filed a request for clarification and protest.

6. On April 6, 2010, CenterPoint filed an answer. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. In this case, we accept CenterPoint's answer because it provides information that assisted the Commission in its decision-making process.

7. MoPSC expresses concern over one element of CenterPoint's fuel tracker. It contends that CenterPoint reported eight pipeline incidents to the Department of Transportation (DOT) during the tracking period. MoPSC asserts the filing is silent as to whether it included any of these volumes in the proposed LUGF percentages, and whether any such volumes are appropriately recoverable through its LUGF. MoPSC asks CenterPoint to explain the circumstances of these incidents and confirm whether it

included these losses in its LUFG percentages. If gas losses from the DOT reported incidents do not meet with the Commission's policy for inclusion in CenterPoint's tracking mechanism, MoPSC requests that CenterPoint adjust its LUFG percentage accordingly.

8. In its answer, CenterPoint explains the eight incidents that MoPSC identifies, six of which resulted in pipeline losses. According to CenterPoint, two incidents did not involve loss of gas and had no bearing on its fuel use percentages. CenterPoint asserts that all of the other incidents occurred in the normal operation of the pipeline's system and that in each instance where a loss of gas occurred, the quantity lost was negligible in comparison to the pipeline's throughput, with no effect on the LUFG recovery percentage. CenterPoint contends that when combined, the incidents had a .005659 percent impact on the LUFG percentage, which when rounded, affects the LUFG percentage by .01 percent.

9. CenterPoint asserts that these incidents are operational events similar to those the Commission permitted it to include in its fuel tracker in the previous year's filing.² CenterPoint contends that all the incidents are consistent with previous Commission determinations,³ with the exception of an event when a relay that controls the functioning of a blow down valve failed and allowed the valve to operate in the open position without any command from the control system. CenterPoint describes this incident as not being a rare, catastrophic event and they note that the impact on the LUFG percentage was only .003729 percent.

10. CenterPoint asserts that a fire at the Champlin compressor station, though an extraordinary occurrence, should nevertheless be included because it only resulted in a gas loss of 194 Mcf, which does not impact its proposed LUFG rate. CenterPoint also includes in its LUFG percentage a loss of 208 Mcf from a lightning strike on a domestic meter station in Grady County, Oklahoma.

11. With respect to six of the DOT incidents, the Commission finds that four of them involve leaks and valve malfunctions related to routine pipeline operations, and CenterPoint has provided sufficient support to justify including these volumes in its proposed reimbursement percentages.

12. The Commission, however, finds that the gas lost as a result of the fire at the Champlin compressor station and the gas lost as a result of the lightning strike at the meter station in Grady County, Oklahoma are not related to routine operations so as to be

² Citing *CenterPoint Energy Gas Transmission Company*, 127 FERC ¶ 61,096, at P 12-14 (2009).

³ Citing *WTG Hugoton, LP*, 125 FERC ¶ 61,288 (2008).

recoverable through the LUFG percentage, although their impact to the LUFG percentage is de minimis. The Commission has determined that fuel tracking mechanisms are appropriate for normal operating costs but are not appropriate for the recovery of gas losses outside the scope of normal pipeline operations,⁴ and this approach has been upheld as reasonable.⁵ The Commission has not established a de minimis exception to this rule, and such an exception would lead parties to contend over what level of impact is de minimis, and would include losses inconsistent with the purpose of LUFG trackers.

13. Although such non-routine losses are not properly recoverable in the LUFG percentage, here after subtracting volumes from these two incidents from the data used to derive the LUFG percentage, the LUFG percentage would remain the same. Therefore, we will accept the revised tariff sheets, and not require their revision.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

cc: Public File
All Parties

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⁴ See *Williams Natural Gas Company*, 73 FERC ¶ 61,394, at 61,215 (1995) (finding that Williams could not use its fuel and loss reimbursement mechanism to recover costs associated with storage gas losses not related to normal pipeline operations).

⁵ See *Colorado Interstate Gas*, 121 FERC ¶ 61,161, at P 24 (2007), *order on reh'g*, 123 FERC ¶ 61,183 (2008) *aff'd Colorado Interstate Gas v. FERC*, No. 08-1243, 2010 U.S. App. Lexis 6255 (D.C. Cir. Mar. 26, 2010) (finding that pipeline could not recover gas lost as a result of a well casing failure through its fuel tracking mechanism).

APPENDIX

**CenterPoint Energy Gas Transmission Company
FERC Gas Tariff
Sixth Revised Volume No. 1**

Tariff Sheets Accepted Effective May 1, 2010

Twenty-Fourth Revised Sheet No. 17

Eighteenth Revised Sheet No. 18

Fifth Revised Sheet No. 20

Fifteenth Revised Sheet No. 31

Twentieth Revised Sheet No. 32