

134 FERC ¶ 61,260
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 31, 2011

In Reply Refer To:
Southern Star Central Gas Pipeline, Inc.
Docket No. RP11-1833-000

Southern Star Central Gas Pipeline, Inc.
4700 Highway 56
Owensboro, KY 42301

Attention: Daryl R. Johnson
Vice President, Rates & Gas Management

Reference: Annual Fuel Filing

Ladies and Gentlemen:

1. On March 1, 2011, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed a revised tariff record¹ and supporting workpapers to reflect adjustments to its fuel and loss (FL&U) reimbursement percentages, applicable to all rate schedules, for the Production Area, Market Area, and for Storage (Primary Filing). In the event the Commission does not approve the proposed tariff changes and resulting fuel reimbursement percentages in its Primary Filing, Southern Star filed an alternate revised tariff record² to reflect the removal of 91,727 Dth of gas that were lost due to a girth weld failure on Southern Star's Kansas Hugoton loop line (Line RA Loss), identified in the Primary Filing (Alternate Filing). Southern Star proposes an April 1, 2011 effective date for its tariff record. Southern Star's proposed tariff record in its Alternate Filing, as listed in footnote n.2, is accepted, to be effective April 1, 2011. Sheet No. 13, Fuel Reimbursement Percentages, 1.0.0 is rejected as moot.

¹ Sheet No. 13, Fuel Reimbursement Percentages, 1.0.0 to Tariff Provisions, FERC NGA Gas Tariff.

² Sheet No. 13, Fuel Reimbursement Percentages, 1.0.1 to Tariff Provisions, FERC NGA Gas Tariff.

2. Section 13 of the General Terms and Conditions (GT&C) of Southern Star's tariff requires shippers to reimburse Southern Star for fuel and loss in kind. The section also requires Southern Star to file annually to revise its reimbursement percentages, effective April 1 of each year. The section further requires Southern Star to submit specific calculations for its Production Area, Market Area, and for Storage. GT&C section 13.1 states that the filing made by March 1, 2011 will include 15 months of data due to changing the 12-month ending period from September 30 to December 31 in 2010.

3. As part of its Primary Filing, Southern Star proposes a 0.89 percent increase in the Production Area Percentage from 1.33 percent to 2.22 percent, a 0.62 percent increase in the Market Area Percentage from 0.61 percent to 1.23 percent, and a 2.12 percent increase in the Storage Percentage from 1.45 percent to 3.57 percent.

4. Southern Star states that in the event the Commission does not approve the proposed tariff changes and resulting fuel reimbursement percentages in its Primary Filing, it has revised the FL&U reimbursement percentages in the Alternate Filing to remove the Line RA Loss identified in the Primary Filing.

5. In its Alternate Filing, Southern Star proposes a 0.86 percent increase in the Production Area Percentage from 1.33 percent to 2.19 percent, a 0.62 percent increase in the Market Area Percentage from 0.61 percent to 1.23 percent, and a 2.12 percent increase in the Storage Percentage from 1.45 percent to 3.57 percent.

6. Southern Star states that the combination of the Production Area and Market Area surcharge increases and an increase in system losses in both areas resulted in overall increases in FL&U reimbursement percentages for both the Production Area and Market Area.

7. Southern Star explains that its Storage fuel and loss percentage calculation is based on actual fuel and any over- or under-recovery for the most recent 12-month period, divided by the most recent 3-year average of actual customer storage injections. The Storage Injection fuel percentage reflects an increase of 0.52 percent, resulting from an increase in the fuel percentage of 0.14 percent and an increase in the fuel surcharge of 0.38 percent. The Storage injection loss percentage reflects an increase of 1.60 percent, resulting from a decrease in the loss percentage of 0.18 percent and an increase in the loss surcharge of 1.78 percent.

8. Southern Star asserts that the majority of the increase in FL&U reimbursement percentages for the Production Area, Market Area, and for Storage is due to the increase in the surcharges, which Southern Star contends is due in part to under collections for a 15-month period rather than the normal 12-month period. Southern Star states that any under/(over) recovery for the 15-month period of October 1, 2009 through December 31, 2010 will be recovered over the 12-month period April 1, 2011 through March 31, 2012.

9. Southern Star observes that it has been in the process of performing a comprehensive analysis of the integrity of each storage field and all associated facilities. Southern Star states that such analysis has resulted in filings with the Commission related to the Colony Storage Field, Piqua Storage Field, North Welda Storage Field, and South Welda Storage Field. Southern Star further states that it is in various stages of review and analysis on the remaining fields.

10. Public notice of the filing was issued on March 1, 2011. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2010)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2010)), all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed 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. BP America Production Company and BP Energy Company (BP) filed a protest. The Missouri Public Service Commission (MoPSC) and Missouri Gas Energy (MGE) filed a motion to intervene and comments, which are discussed below.

11. BP requests that the Commission reject Southern Star's attempt to recover through its FL&U tracker the Line RA Loss. BP asserts that the serious and non-routine nature of Southern Star's loop line rupture is buttressed by the fact that Southern Star filed an Incident Report with the U.S. Pipeline and Hazardous Materials Safety Administration.

12. MoPSC urges the Commission to approve Southern Star's Alternate Filing, contending that the Line RA Loss is the type of loss that the Commission has determined should not be included in a FL&U tracker. MGE requests that the Commission review in detail Southern Star's proposal to recover through its FL&U tracker the Line RA Loss.

13. 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.³

14. Since fuel tracking mechanisms should track only those costs related to normal pipeline operations, we find that Southern Star inappropriately included the 91,727 Dth

³ *CenterPoint Energy Gas Transmission Co.*, 131 FERC ¶ 61,047 (2010) (citing *Williams Natural Gas Co.*, 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)). *See also Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161, at P 24 (2007), *order on reh'g*, 123 FERC ¶ 61,183 (2008), *aff'd Colorado Interstate Gas Co. v. FERC*, 599 F.3d 698 (D.C. Cir. 2010) (*Colorado*) (finding that the pipeline could not recover gas lost as a result of a well casing failure through its fuel tracking mechanism).

Line RA Loss in the production area reimbursement percentage identified in the Primary Filing. As the Commission held in *Colorado* losses resulting from the complete failure of some portion of a pipeline system—such as the loss incurred as a result of the RA Line girth weld failure—are not appropriately recovered through a tracking mechanism. Therefore, we accept Southern Star’s proposed reimbursement percentages identified in the Alternate Filing.

15. Sheet No. 13, Fuel Reimbursement Percentages, 1.0.1 to Tariff Provisions, FERC NGA Gas Tariff is accepted, to be effective April 1, 2011. Sheet No. 13, Fuel Reimbursement Percentages, 1.0.0 to Tariff Provisions, FERC NGA Gas Tariff is rejected as moot.

By direction of the Commission. Commissioner Moeller concurring with a separate statement to be issued at a later date.

Kimberly D. Bose,
Secretary.