

138 FERC ¶ 61,221
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 28, 2012

In Reply Refer To:
Kern River Gas Transmission Company
Docket No. RP12-434-000

Kern River Gas Transmission Company
2755 East Cottonwood Parkway
Salt Lake City, UT 84121

Attention: Mary Kay Miller, Vice President
Regulatory & Government Affairs

Reference: Annual Determination of Electric Compressor Fuel Surcharges

Dear Ms. Miller:

1. On February 29, 2012, Kern River Gas Transmission Company (Kern River) filed revised tariff records¹ and workpapers in accordance with section 12.12 of the General Terms and Conditions (GT&C) of its tariff pertaining to the annual determination of its electric compressor fuel surcharges. Kern River's filing includes revised electric compressor fuel surcharges applicable to gas scheduled for delivery downstream of the Daggett compressor station. The Commission accepts the revised tariff records listed in footnote No. 1, effective April 1, 2012. However, for the reasons discussed below, the Commission denies Kern River's request to remove its obligation to file future system benefit tests.

2. In its filing, Kern River proposes annual electric compressor fuel surcharges for rolled-in rate and incremental rate shippers. The rolled-in rate electric compressor fuel surcharge will remain at \$0.0002 per Dth. The incremental rate electric compressor fuel surcharge will decrease from \$0.0001 per Dth to \$0.0000 per Dth. The interruptible and authorized overrun electric compressor fuel surcharge will remain at \$0.0001 per Dth.

¹ Kern River Gas Transmission Company, FERC NGA Gas Tariff, Gas Tariff, [Sheet No. 5A, Statement of Rates, Firm Incremental Service, 8.0.0](#); [Sheet No. 5B, Statement of Rates, Apex Expansion Project, 2.0.0](#).

3. Kern River requests that the Commission relieve Kern River of the requirement to file future system benefit tests when it files its annual electric compressor fuel surcharge filings. Kern River explains that the Commission determined that it was appropriate for Kern River to roll-in the costs of its 2002 expansion project and thereby lower rates for Kern River's vintage shippers in its July 26, 2001 certificate order.² Kern River further explains that the Commission directed Kern River to establish a benchmark to ensure that the benefit to vintage shippers was not offset by incremental fuel costs associated with the new compressor and metering facilities. Kern River was required to submit workpapers showing the system benefit of the 2002 expansion project whenever it filed to adjust its electric compressor fuel surcharge and its annual gas fuel reimbursement report.³ Kern River explains that Table 3 of Exhibit B to its annual electric compressor fuel surcharge filing shows a system benefit in each of the last ten years since the 2002 expansion was placed into service. Kern River states that the cumulative net benefit over that time exceeds \$35.5 million and the average annual benefit is more than \$3.5 million.

4. Public notice of the filing was issued on March 1, 2012. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2011)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2011)), 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 the proceeding or place additional burdens on existing parties. Indicated Shippers⁴ filed a protest.

5. Indicated Shippers explain that the system benefit test was a critical part of the condition established in the Certificate Order where the Commission granted rolled-in rate treatment for the 2002 expansion. Indicated Shippers contend that Kern River has not provided a legal basis for overturning the Commission's decision in the Certificate Order to require Kern River to demonstrate that the revenue benefits of the 2002 expansion are not offset by the increased fuel costs due to the 2002 expansion. Indicated Shippers state that the Certificate Order's requirement that Kern River demonstrate continued benefits contains no time limit. Indicated Shippers contend that given the minimal level of information Kern River actually provides in its electric compressor fuel surcharge filings and its annual fuel gas reimbursement reports, there would be no significant burden on Kern River to continue complying with the system benefit test as

² *Kern River Gas Transmission Co.*, 96 FERC ¶ 61,137 (2001) (Certificate Order).

³ *Id.* at 61,582.

⁴ Indicated Shippers include Aera Energy LLC, Occidental Energy Marketing, Inc., and Shell Energy North America (US), L.P.

required by the Certificate Order. Accordingly, Indicated Shippers argue that Kern River's request to remove the requirement to file system benefit tests be denied.

6. The Commission finds that Kern River has demonstrated the system benefit to vintage shippers of rolled-in rate treatment for its 2002 expansion project exceeds any increased fuel costs caused by the expansion. Accordingly, the Commission finds Kern River's revised electric compressor fuel surcharges to be just and reasonable, and therefore accepts them here. However, Kern River has not provided a sufficient basis for the Commission to eliminate the Certificate Order's requirement that Kern River demonstrate that the revenue benefits of the 2002 expansion are not offset by the increased fuel costs due to the 2002 expansion. Nor does the Commission find that continuing to comply with the system benefits test requirement is an undue burden on Kern River. Accordingly, the Commission denies Kern River's request to remove the system benefit test requirement imposed by the Certificate Order.

By direction of the Commission.

Kimberly D. Bose,
Secretary.