146 FERC ¶ 61,216
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 21, 2014

In Reply Refer To:
National Fuel Gas Supply Corporation
Docket No. RP14-477-000

National Fuel Gas Supply Corporation
Attention: Janet R. Bayer, Regulatory Analyst
6363 Main Street
Williamsville, NY 14221

Dear Ms. Bayer:

1. On February 14, 2014, National Fuel Gas Supply Corporation (National Fuel) filed revised tariff records[1] and related work papers pursuant to Section 41 of the General Terms and Conditions (GT&C) of its FERC NGA Gas Tariff to reflect its Annual Retainage Adjustment filing for recovery of its system's compressor fuel and lost and unaccounted for (LAUF) volumes by retaining in-kind a percentage of gas. According to National Fuel, this is its second annual filing to adjust the retainage factors under this provision, which was added to its tariff pursuant to the Stipulation and Agreement in Docket Nos. RP12-88-000, *et al.*[2] As discussed below, the Commission accepts the revised tariff records effective April 1, 2014, as proposed.

2. Section 41 of the GT&C of National Fuel's tariff requires it to file an Annual Retainage Adjustment at least thirty days prior to the annual effective date of April 1. National Fuel states that the purpose of these filings is to update Transportation Fuel and Company Use Retention, Transportation LAUF Retention, and Storage Operating and LAUF Retention (collectively, the Retainages) using the prior calendar year as the Base Period. Section 41 also requires National Fuel to maintain a Deferred Fuel and Loss Retention account for each of the three Retainages to separately track over- or under-collections.

[1] *See* Appendix for list of tariff records.

[2] The Commission approved that settlement on August 6, 2012. *See National Fuel*, 140 FERC ¶ 61,114 (2012).

3. In its instant filing, National Fuel proposes (1) to increase the Transportation Fuel and Company Use Retention from 0.42 to 0.80 percent; (2) to increase the Transportation LAUF Retention from 0.12 to 0.30 percent; (3) and to reduce the Storage Operating and LAUF Retention from 1.19 to 0.79 percent.

4. Public notice of the filing was issued on February 18, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.[3] Pursuant to Rule 214,[4] all timely filed motions to intervene and any unopposed 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 the proceeding or place additional burdens on existing parties. On February 26, 2014, Indicated Shippers filed a limited protest.[5] On March 6, 2014, National Fuel filed an answer to Indicated Shippers' protest.[6]

5. Indicated Shippers note that National Fuel projected Transportation LAUF for calendar year 2013 to be 1,348,272 Dth (891,420 Dth of actual LAUF and 456,852 Dth of under-recovered LAUF), based on an annual throughput of 448,690,002 Dth. Indicated Shippers point out that in National Fuel's prior Annual Retainage Adjustment filing in Docket No. RP13-579-000, National Fuel claimed that Transportation LAUF for calendar year 2012 was 310,580 Dth (annualized 2012 actual LAUF of 256,949 Dth and 53,631 Dth of under-recovered LAUF) on annual throughput of 264,979,028 Dth. According to Indicated Shippers, National Fuel's 2013 actual LAUF of 891,420 Dth represents an approximately 250 percent increase over its 2012 actual LAUF of 256,949 Dth, despite only a 70 percent increase in throughput between 2012 and 2013. Although Indicated Shippers do not challenge National Fuel's retainage tracker mechanism, they contend that National Fuel's instant filing does not sufficiently explain the substantial increase in actual LAUF and that the pipeline should be required to provide further explanation and support for the increased LAUF volumes. Indicated Shippers assert that in the absence of further explanation, National Fuel has not shown its proposed Transportation LAUF Retention to be just and reasonable.

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[3] 18 C.F.R. § 154.210 (2013).

[4] 18 C.F.R. § 385.214 (2013).

[5] For the purpose of this proceeding, Indicated Shippers consist of: BP Energy Company; Chevron U.S.A. Inc.; Cross Timbers Energy Services, Inc.; Hess Corporation; Interstate Gas Supply, Inc.; Shell Energy North America (US), L.P.; and SWEPI LP.

[6] Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits answers to protests unless otherwise permitted by the decisional authority. (18 C.F.R. § 385.213(a)(2) (2013)). The Commission will grant National Fuel's request because the answer has aided us in our decision making process.

6. In its answer, National Fuel points out that Indicated Shippers concede that the increase in actual LAUF may be attributable in part to a 70 percent increase in system throughput, and that when comparing actual LAUF with its respective annual throughput, there was only a modest year-to-year increase from 0.1 to 0.2 percent. National Fuel further states that measurement calibration uncertainty at state-of-the-art laboratories utilized by National Fuel and other pipelines range generally from 0.19 to 0.25 percent and that because its proposed LAUF increase falls well within this range, it should not be viewed as an anomaly.

7. Based upon a review of the filing and National Fuel's answer, we find the proposed rates just and reasonable. In evaluating the reasonableness of proposed reimbursement percentages, we determine whether the pipeline followed the methodology approved in its tariff and whether its percentages are properly supported.[7] National Fuel's methodology for calculating its Annual Retainage Adjustment in the instant filing is consistent with the methodology set forth in Section 42 of the GT&C. Although a significant increase in a fuel or unaccounted-for percentage may indicate the need for additional examination of the proposed reimbursement percentages, such increases, in themselves, do not render reimbursement percentages unjust and unreasonable. Moreover, as the name suggests, the cause of unaccounted-for volumes is difficult and, at times, impossible to identify with any specificity.[8] National Fuel has adequately supported its unaccounted-for percentage under the circumstances, which include a significant year-to-year increase in throughput and a LAUF percentage reasonably close to the margin of error for current industry metering equipment. Accordingly, we accept the proposed tariff records, effective April 1, 2014, as requested.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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[7] This latter evaluation includes a determination as to whether the amounts included in annual reimbursement percentage are the type of "normal operating expenses" that are reasonably recoverable from shippers through a fuel tracker. *See Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161, at P 24 (2007), *order on reh'g*, 123 FERC ¶ 61,183 (2008).

[8] *E.g.*, *WTG Hugoton, LP*, 125 FERC ¶ 61,288 (2008).

Appendix

National Fuel Gas Supply Corporation
FERC NGA Gas Tariff
National Fuel Tariff

Tariff Records Accepted to be Effective April 1, 2014

4 - Applicable Rates, 4.010 – Transportation Rates, 10.0.0
4 – Applicable Rates, 4.020 – Part 284 Storage Rates, 7.0.0
4 – Applicable Rates, 4.030 – Part 157 Storage Rates, 7.0.0
4 – Applicable Rates, 4.040 – Gathering Rates, 18.0.0
4 – Applicable Rates, 4.050 – Other Rates, 8.0.0