146 FERC ¶ 61,242
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 31, 2014

In Reply Refer To:
Southern Star Central Gas
Pipeline, Inc.
Docket No. RP14-555-000

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

Attention: Philip A. Rullman
VP & Chief Commercial Services Officer

Ladies and Gentlemen:

1. On February 28, 2014, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed a revised tariff record[1] and supporting workpapers to reflect adjustments to its fuel and loss reimbursement percentages, applicable to all rate schedules, for the Production Area, Market Area, and for Storage (Primary Tariff Record). In the Primary Tariff Record, Southern Star proposed to recover, among other things, 81,177 Dth of gas that was lost during six Department of Transportation's Pipeline and Hazardous Materials Safety Administration's reportable incidents. In addition to its Primary Tariff Record, Southern Star filed an Alternate Tariff Record[2] which does not include the six Department of Transportation reportable incidents.[3] Southern Star proposes an

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[1] Southern Star Central Gas Pipeline, Inc., FERC NGA Gas Tariff, Tariff Provisions, Sheet No. 13, Fuel Reimbursement Percentages, 4.0.0 A.

[2] Southern Star Central Gas Pipeline, Inc., FERC NGA Gas Tariff, Tariff Provisions, Sheet No. 13, Fuel Reimbursement Percentages, 4.0.1 B.

[3] 49 C.F.R. § 191.3 (2013) defines an incident as any of the following events:

(1) An event that involves a release of gas from a pipeline, or of liquefied natural gas, liquefied petroleum gas, refrigerant gas, or gas from an LNG facility and that results in one or more of the following consequences

(continued…)

April 1, 2014 effective date for its proposed tariff record. In this order, the Commission accepts the Alternate Tariff Record listed in footnote 2, effective April 1, 2014, and rejects the Primary Tariff Record listed in footnote 1 as moot.

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 gas in kind. The section requires Southern Star to file annually to revise its fuel and loss reimbursement percentages, effective April 1 of each year. Southern Star's fuel and loss reimbursement percentages are made up of three components: a fuel component, a loss component, and a surcharge component (which accounts for prior period over- or under-recoveries). Southern Star submits specific fuel and loss reimbursement percentages for its Production Area, Market Area, and for Storage.

3. As part of its Primary Tariff Record, Southern Star proposes a 0.02 percent decrease in the Production Area Percentage (from 1.35 percent to 1.33 percent), a 0.08 percent decrease in the Market Area Percentage (from 1.22 percent to 1.14 percent), and a 1.24 percent decrease in the Storage Percentage (from 4.41 percent to 3.17 percent).

4. As indicated above, the fuel and loss reimbursement percentages in Southern Star's Primary Tariff Record reflect the losses associated with six Department of Transportation reportable incidents (81,177 Dth). Southern Star argues the losses should be recovered in its fuel and loss tracker because they are actual costs of operating a pipeline. Southern Star states, however, that should the Commission deny recovery of the gas losses included in the Primary Tariff Record, the reimbursement percentages included in the Alternate Tariff Record for the Production Area would decrease from a negative surcharge of 0.03 percent to a negative surcharge of 0.06 percent. Southern Star asserts that due to the *de minimis* amount of gas losses in the Market Area, the

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(i) A death, or personal injury necessitating in-patient hospitalization;

(ii) Estimated property damage of $500,000 or more, including loss to the operator and others, or both, but excluding cost of gas lost;

(iii) Unintentional estimated gas loss of three million cubic feet or more;

(2) An event that results in an emergency shutdown of an LNG facility. Activation of an emergency shutdown system for reasons other than an actual emergency does not constitute an incident.

(3) An event that is significant in the judgment of the operator, even though it did not meet the criteria of paragraphs (1) or (2) of this definition. 49 C.F.R. § 191.3 (2013).

Market Area surcharge remains 0.05 percent regardless of whether the losses are included or excluded from the filing.

5. Public notice of the filing was issued on March 4, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2013)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2013)), 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. The Kansas Corporation Commission (Kansas Commission) filed a protest and the Missouri Public Service Commission (Missouri Commission) filed comments.

6. The Missouri Commission states that the Commission should reject the Primary Filing Tariff Record and accept the Alternate Tariff Record. According to the Missouri Commission, the gas lost due to the six Department of Transportation reportable incidents were not normal operating costs or within the scope of normal pipeline operations. The Missouri Commission states that these losses were unusual, non-recurring events and as such are types of losses that are not to be includable in a fuel tracking mechanism.[4]

7. Similarly, the Kansas Commission states that 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.[5] The Kansas Commission states that the six Department of Transportation reportable incidents must be evaluated in light of the standards set forth in *CenterPoint* and *CIG*. The Kansas Commission argues that, if the incident is an unusual, non-recurring event a pipeline may not recover the costs of the lost gas from its customers through a lost and unaccounted-for tracker.

8. The Kansas Commission notes that in the face of a series of previous Commission orders rejecting Southern Star's proposed recovery of various losses through its 2011, 2012, and 2013 fuel tracker mechanism, Southern Star fails to offer any explanation concerning the details of the reportable losses which would distinguish them from the

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[4] Missouri Commission Comments at 3.

[5] Kansas Commission Comments at 3 (citing *CenterPoint Energy Gas Transmission Co.*, 131 FERC ¶ 61,047 (2010); *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) (*CIG*) (finding that the pipeline could not through its fuel tracking mechanism recover gas lost as a result of a well casing failure); *Williams Natural Gas Co.*, 73 FERC ¶ 61,394, at 61,215 (1995)).

losses previously rejected by the Commission for recovery through a fuel tracker. Therefore, the Kansas Commission argues, rejection of Southern Star's Primary Filing is required here.

9. Consistent with its orders in *CIG*, *CenterPoint*, and in Southern Star's previous 2011, 2012, and 2013 fuel tracker filings, 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. The losses reported to Department of Transportation include losses due to line failures, line blow downs due to a leak, and losses due to leaking coupling, items that are not typically recurring events, but reflect an abnormal pipeline malfunction.

10. Because fuel tracking mechanisms should track only those costs related to normal pipeline operations, we find it inappropriate for Southern Star to include losses due to the six Department of Transportation reportable incidents in the Production Area reimbursement percentage. Therefore, we accept the Alternate Tariff Record, listed in footnote No. 2, which properly excludes the six Department of Transportation reportable incidents. Southern Star's Primary Tariff Record, listed in footnote No. 1 is rejected as moot.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.