150 FERC ¶ 61,246
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 31, 2015

In Reply Refer To:
Southern Star Central Gas
Pipeline, Inc.
Docket No. RP15-519-000

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

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

Mr. Rullman:

1. On February 26, 2015, 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, 48,879 Dekatherms (Dth) of natural gas lost during eight incidents reportable to the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA). In addition to its Primary Tariff Record, Southern Star filed an Alternate Tariff Record[2] which does not

[1] Southern Star Central Gas Pipeline, Inc., FERC NGA Gas Tariff, Tariff Provisions, Sheet No. 13, Fuel Reimbursement Percentages, 5.0.0 A.

[2] Southern Star Central Gas Pipeline, Inc., FERC NGA Gas Tariff, Tariff Provisions, Sheet No. 13, Fuel Reimbursement Percentages, 5.0.1 B.

include the eight PHMSA reportable incidents.[3] Southern Star proposes an April 1, 2015 effective date for its proposed tariff record. In this order, the Commission accepts the Alternate Tariff Record listed in footnote 2, effective April 1, 2015, 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 0.31 percent decrease in the Production Area Percentage (from 1.30 percent to 0.99 percent), a 0.37 percent decrease in the Market Area Percentage (from 1.14 percent to 0.77 percent), and a 2.16 percent decrease in the Storage Percentage (from 3.17 percent to 1.01 percent).

4. As indicated above, the fuel and loss reimbursement percentages in Southern Star's Primary Tariff Record reflect the losses associated with eight PHMSA

---

[3] 49 C.F.R. § 191.3 (2014) 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
>
> (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 (2014).

reportable incidents (48,879 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 0.17 percent to a negative surcharge of 0.18 percent, and the Market Area would decrease from a negative surcharge 0.18 percent to a negative surcharge of 0.19 percent.

5. Public notice of the filing was issued on March 3, 2015. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2014)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), 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) and the Indicated Shippers[4] (jointly "the Protestors") filed protests, 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 eight PHMSA 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 not includable in a fuel tracking mechanism.[5]

7. Similarly, the Protestors state 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.[6] The

---

[4] In this proceeding, the Indicated Shippers are ConocoPhillips Company and BP Energy Company.

[5] Missouri Commission Comments at 3.

[6] Kansas Commission Comments at 3 and Indicated Shippers at 4 (citing *CenterPoint Energy Gas Transmission Co.*, 131 FERC ¶ 61,047 (2010) (*CenterPoint*); *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 recover gas lost as a result of a well casing failure through its fuel tracking mechanism); *Williams Natural Gas Co.*, 73 FERC ¶ 61,394, at 61,215 (1995)).

Protestors state that the eight PHMSA reportable incidents must be evaluated in light of the standards set forth in *CenterPoint* and *CIG*. The Protestors argue 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 Protestors note that in the face of a series of previous Commission orders rejecting Southern Star's proposed recovery of various losses through its 2011, 2012, 2013, and 2014 fuel tracker mechanism, Southern Star fails to offer any explanation concerning the details of the reportable losses which would distinguish them from the losses previously rejected by the Commission for recovery through a fuel tracker. Therefore, the Protestors argue 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, 2013, and 2014 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 PHMSA include losses due to the failure of relief and Emergency Shut Down valves, line blow downs due to a leak and losses due to other issues. These incidents are not typically recurring events, but reflect 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 eight PHMSA reportable incidents in the Production Area reimbursement percentage. Therefore, we accept the Alternate Tariff Record, listed in footnote No. 2 of this order, which properly excludes the eight PHMSA reportable incidents. Southern Star's Primary Tariff Record listed in footnote No. 1 of this order is rejected as moot.

By direction of the Commission.

Kimberly D. Bose,
Secretary.