

154 FERC ¶ 61,258
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 30, 2016

In Reply Refer To:
Southern Star Central Gas
Pipeline, Inc.
Docket No. RP16-626-000

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

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

Dear Mr. Rullman:

1. On February 24, 2016, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed a revised tariff record¹ 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, 23,107 Dekatherms (Dth) of natural gas lost during five 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 Record² which does not

¹ Southern Star Central Gas Pipeline, Inc., FERC NGA Gas Tariff, Tariff Provisions, Sheet No. 13, Fuel Reimbursement Percentages, 6.0.0.

² Southern Star Central Gas Pipeline, Inc., FERC NGA Gas Tariff, Tariff Provisions, Sheet No. 13, Fuel Reimbursement Percentages, 6.0.1.

include the fuel lost from the five PHMSA reportable incidents.³ Southern Star proposes an April 1, 2016 effective date for whichever tariff record the Commission accepts. In this order, the Commission accepts the Alternate Tariff Record listed in footnote 2, effective April 1, 2016, 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 0.23 percent increase in the Production Area Percentage (from .98 percent to 1.21 percent), a 0.29 percent increase in the Market Area Percentage (from .76 percent to 1.04 percent), and a 1.44 percent increase in the Storage Percentage (from 1.01 percent to 2.45 percent).

4. As indicated above, the fuel and loss reimbursement percentages in Southern Star's Primary Tariff Record reflect the losses associated with five PHMSA reportable incidents (23,107 Dth). Southern Star maintains the losses should be

³ 49 C.F.R. § 191.3 (2015) 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 \$50,000 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.

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 costs of the PHMSA-reported gas losses the reimbursement percentages included in the Alternate Tariff Record would result in no change for the Production Area surcharge and a reduction in the Market Area surcharge from 0.02 percent to 0.01 percent, as compared to the Primary Filing.

5. Public notice of the filing was issued on February 24, 2016. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2015)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2015)), 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, since the gas lost due to the five PHMSA reportable incidents were not within the scope of normal pipeline operations, and these losses from unusual, non-recurring events are types of losses the Commission has determined are not recoverable by means of 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

8. The Kansas Commission notes that the Commission has consistently rejected Southern Star's proposed recovery of PHMSA reportable losses in several prior fuel adjustment filings, and Southern Star fails to offer any explanation why the subject

⁴ Missouri Commission Comments at 3.

⁵ Kansas Commission Comments at 3 (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 62,215 (1995)).

PHMSA reported losses should be treated differently from the similar 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. In *CIG*, *CenterPoint*, and in Southern Star's other recent fuel tracker filings, the Commission has consistently applied its policy 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 non-normal operational losses due to flooding, line damage caused by a fallen communications tower, and other similar losses. The costs of these incidents are not typically recurring events as would ordinarily be part of a tracking mechanism for fuel use and related unaccounted for amounts related to that normal usage.

10. Because the Commission allows fuel tracking mechanisms to track only those costs related to normal pipeline operations, it is inappropriate for Southern Star to include in its fuel tracker the cost of losses due to the five PHMSA reportable incidents in the Production Area reimbursement percentage. Therefore, the Commission accepts the Alternate Tariff Record, listed in footnote 2 of this order, which properly excludes the five PHMSA reportable incidents. Southern Star's Primary Tariff Record listed in footnote 1 of this order is rejected as moot.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.