

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

Southern Star Central Gas Pipeline, Inc
(formerly Williams Gas Pipelines Central, Inc.)

Docket Nos. RP04-93-000 and
RP03-135-000, et al.

ORDER ACCEPTING AND SUSPENDING TARIFF,
SUBJECT TO REFUND AND CONSOLIDATING
PROCEEDINGS FOR HEARING

(Issued December 31, 2003)

1. On December 1, 2003, Southern Star Central Gas Pipeline, Inc. (Southern Star)¹ filed a tariff sheet pursuant to Article 13 of the General Terms and Conditions of its FERC Gas Tariff to reflect revised fuel and loss reimbursement percentages to be in effect in 2004.² The Missouri Public Service Commission (MoPSC) filed a protest. For the reasons discussed below, the Commission will consolidate this docket with Docket No. RP03-135-000, et al., involving Southern Star's fuel and loss reimbursement percentages for the year 2003. This will permit the issues raised by MoPSC to be addressed at the hearing already established in Docket No. RP03-135-000, et al. This order benefits customers by providing an opportunity for parties to investigate the justness and reasonableness of Southern Star's fuel tracking tariff.

I. Background

2. Pursuant to Article 13 of the General Terms and Conditions, Southern Star files annually to revise its fuel and loss reimbursement percentages, to be effective January 1 of each year. The fuel and loss reimbursement percentages are calculated based on actual fuel and losses for the twelve-month period which ends September 30 of the previous year, adjusted for any over or under recovery during the same period.

¹ Formerly Williams Gas Pipelines Central, Inc.

² First Revised Sheet No. 12 of its FERC Gas Tariff, Original Volume No. 1, to become effective January 1, 2004.

3. On November 27, 2002, in Docket No. RP03-135-000, Southern Star submitted its 2002 annual recalculation of its fuel and loss reimbursement percentages to be effective January 1, 2003. On December 31, 2002, the Commission accepted and suspended, effective January 1, 2003, the November 27, 2002 filing of Southern Star.³ Because the parties raised a number of issues about Southern Star's proposed fuel and loss reimbursement percentages, the Commission directed Southern Star to respond to the data requests and questions submitted by the parties and directed its staff to convene a technical conference. MoPSC requested rehearing. On July 2, 2003,⁴ the Commission denied MoPSC's request for rehearing and set the issues raised by Southern Star's filing for hearing.

II. The Filing

4. The instant filing reflects revised fuel and loss reimbursement percentages, to be effective January 1, 2004, which are based on actual fuel and loss for the twelve months ended September 30, 2003, adjusted for any over or under recovery during the same period. The proposed percentages reflect net decreases in the production area, market area and storage by 0.64%, 0.28% and 2.47%, respectively. Workpapers included in the filing show calculations of fuel and loss percentages, and the over or under recovery of fuel and loss.

III. Notice of Filing, Interventions and Protest

5. Public notice of the filing was issued on December 3, 2003, with comments, protests and interventions due as provided for in Section 154.210 of the Commission's Regulations, 18 C.F.R. § 385.210 (2003). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2003), all timely, unopposed motions to intervene, and any motions 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. MoPSC filed a protest on December 15, 2003.

IV. Discussion

6. MoPSC's protest raises two issues concerning: (1) the justification for a decrease of storage billing determinants used to calculate Southern Star's Storage Fuel, Storage Loss, and Under/Over Recovery percentages and (2) whether Southern Star should be

³ Williams Gas Pipeline Central, 101 FERC & 61,407 (2002).

⁴ Southern Star Central Gas Pipeline, Inc., 104 FERC & 61,017 (2003)

required to separately state its Production Area Fuel Retention percentages.⁵ These issues are discussed in more detail below.

A. Storage Billing Determinants

7. MoPSC states that Southern Star's storage billing determinants, in its past five annual tracker filings, were based on total storage working gas capacity rather than the actual contractual storage injections (for the 12 months ended September 30, 2003) used in the instant filing.⁶ MoPSC further asserts that Southern Star provided no explanation for this change in methodology, which, MoPSC alleges, results in an increase in cost to Missouri shippers of \$550,907.13.

8. MoPSC requests that the Commission reject Southern Star's reduction to its storage billing determinants and require Southern Star to use the same storage billing determinants used in its past five annual tracker filings, or set this docket for hearing. Alternatively, MoPSC requests that the Commission combine the instant docket with Docket No. RP03-135-000, et al. which has already been set for hearing and covers some of the same issues involved in the instant docket. MoPSC notes that Southern Star's supplemental testimony filed on December 11, 2003, in Docket No. RP03-135-000, et al. includes an explanation of its proposal to modify the billing determinants at issue in the instant filing.⁷ MoPSC maintains that it would be administratively efficient to address the issue of how storage billing determinants should be calculated in 2004 and beyond in Docket No. RP03-135-000, et al.⁸

B. Production Area Fuel Retention

9. MoPSC maintains that Southern Star should be required to separately state the production area fuel retention percentages, one for gas loss and one for fuel use, to its rate sheets, including detailed information regarding those transactions for which fuel use was

⁵ According to MoPSC, Southern Star has only a single production area reimbursement percentage for both gas loss and fuel use.

⁶ MoPSC cites Docket Nos. RP03-135-000, RP02-111-000, RP01-164-000, RP00-128-000 and TM99-2-43, which used determinants of 42,900,000 Dth, in contrast to determinants of 36,620,173 Dth found in Appendix A, page 2 of the instant filing.

⁷ Exhibit SSC-11, page 4, line 10 through page 5, line 4.

⁸ MoPSC states that parties will still have opportunity to address this issue in intervenor's and Commission Staff direct and answering testimony due to be filed February 6, 2004, and February 2, 2004, respectively.

waived during the reporting period. MoPSC asserts that such detailed information would assist in the reconciliation of Southern Star's claimed fuel retentions to the computed amount of fuel retentions using Southern Star's reported throughput and reimbursement rates in effect. MoPSC notes that its protest in Docket No. RP03-135-000, et al. also addresses this issue, which the Commission set for hearing, asserting that Southern Star's tariff provides for certain transactions where a zero fuel charge is assessed, while applicable gas loss charges continue to accrue.

10. MoPSC requests that the Commission condition any approval of Southern Star's Production Area Fuel Retention proposal in this docket upon the outcome of Docket No. RP03-135-000, et al. or, alternatively, consolidate the instant docket with the ongoing hearing in Docket No. RP03-135-000, et al.

C. Commission Determination

11. The Commission finds that the existing record in this proceeding does not provide an adequate basis to resolve the issues raised by MoPSC. Accordingly, the rates in the instant filing have not been shown to be just and reasonable and, may be unjust and unreasonable. Therefore, as requested by MoPSC, the Commission will accept the proposed tariff sheet, suspend it to become effective January 1, 2004 subject to refund and consolidate the instant filing with Southern Star's underlying proceeding in Docket No. RP03-135-000, et al.

12. We find it reasonable to consolidate these proceedings for administrative ease as these filings address similar issues. With regard to the storage billing determinants issue in the instant filing, Southern Star has provided, in its supplemental testimony filed in Docket No. RP03-135-000, et al. an explanation of why it believes it is more appropriate to use actual contractual storage injections rather than total storage working gas capacity.⁹ In addition, the instant filing has been included, by reference in Southern Star's supplemental testimony, in Docket No. RP03-135-000, et al.¹⁰

⁹ Southern Star's supplemental testimony states: "The use of total storage capacity assumes that customers will completely withdraw and re-inject their inventory during a twelve month storage cycle. Actual experience has proven that a complete turn of customer storage never occurs ... and, therefore, it is more appropriate to use the most recent 12 months of actual customer storage injections of 36,620,173 Dth to design storage fuel reimbursement percentages."

¹⁰ Filed on December 11, 2003, see Exhibit SSC-11, page 2, line 19 through page 3, line 6, referring to the instant filing as Exhibit No. SSC-12.

13. Similarly, regarding Production Area Fuel Retention, and MoPSC's assertion that Southern Star should be required to separately state its production area fuel retention percentages, the Commission notes that MoPSC's protest in this proceeding raises precisely the same issue, which the Commission has already set for hearing in Southern Star's underlying proceeding in Docket No. RP03-135-000, et al.

14. The Commission's policy regarding suspensions is that filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.¹¹ It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.¹² Such circumstances exist here where the filing is made pursuant to an accepted fuel adjustment tariff mechanism. Accordingly, the Commission shall suspend the effectiveness of First Revised Sheet No. 12, and permit it to become effective January 1, 2004, subject to refund.

The Commission Orders:

(A) First Revised Sheet No. 12 of its FERC Gas Tariff, Original Volume No. 1 is accepted for filing and suspended, to be effective January 1, 2004, subject to refund.

(B) Docket No. RP04-93-000 is hereby consolidated with the proceeding established in Docket No. RP03-135-000, et al. for hearing and decision.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.

¹¹ See Great Lakes Gas Transmission Co., 12 FERC & 61,293 (1980) (five-month suspension).

¹² See Valley Gas Transmission, Inc., 12 FERC & 61,197 (1980) (one-day suspension).