

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 29, 2005

In Reply Refer To:
Southern Star Central Gas Pipeline, Inc.
Docket No. RP06-129-000

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

Attention: David N. Roberts, Manager
Regulatory Affairs

Reference: Revised Fuel Reimbursement Percentages

Ladies and Gentlemen:

1. On December 1, 2005, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed Fourth Revised Sheet No. 12 to its FERC Gas Tariff, Original Volume No. 1 and supporting work papers reflecting adjustments to its Fuel Reimbursement Percentages (FRPs). Southern Star requests the proposed tariff sheet become effective January 1, 2006. For the reasons discussed below, Southern Star's revised tariff sheet is accepted and suspended, subject to refund and certain conditions, and further Commission action, to become effective January 1, 2006, as proposed.

2. In the filing, Southern Star adjusts its FRPs pursuant to Article 13 of the General Terms and Conditions (GT&C) of its tariff which requires Southern Star to annually reflect changes in fuel usage and lost and unaccounted for gas. Southern Star proposes to adjust its FRPs as follows:

- (1) 0.24 percent decrease in the Production Area FRP from 2.10 percent to 1.86 percent;
- (2) 0.24 percent decrease in the Market Area FRP from 0.95 percent to 0.71 percent; and
- (3) 0.44 percent increase in the Storage Injection FRP from 2.64 percent to 3.08 percent;

Southern Star calculated its new storage FRP by using the new tariff provisions in Article 13 of its GT&C approved by the Commission in its December 30, 2004 Order in Docket Nos. RP03-135-000 and RP04-93-000.¹ The new storage FRP calculation is based on the actual fuel, and any over or under recovery for the most recent twelve month period, divided by the most recent three-year average of actual customer storage injections. Southern Star submits that it experienced a net decrease in the fuel component of the storage FRP of 0.26 percent, a net increase in the storage loss percentage of 0.55 percent, and a storage loss surcharge of 0.15 percent resulting in the 0.44 percent increase of the Storage Injection FRP.

3. Further, Southern Star states that the combination of a decrease in the actual storage fuel and a small over recovery of storage fuel during the most recent twelve months, partially offset by a decrease in the three-year average of actual customer storage injections, resulted in a net decrease in the fuel component of the storage FRP of 0.26 percent. However, continues Southern Star, the combination of an increase in the three-year average of storage losses and a decrease in the three-year average of actual customer storage injections resulted in a net increase in the storage loss percentage of 0.55 percent. In addition, Southern Star states that the current tariff methodology, only in effect for the nine-month period January to October rather than a full twelve-month cycle of October to September, was a primary factor in the cumulative undercollection of storage losses exceeding the 500,000 Dth tolerance band by 65,636 Dths, resulting in a storage loss surcharge of 0.15 percent.

4. The Commission noticed Southern Star's filing on December 6, 2005. Interventions and protests were due December 13, 2005, as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2004)). All timely filed motions to intervene and any motions to intervene out-of-time filed before the date of issuance of this order are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2004)). Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. On December 13, 2005, the Missouri Public Service Commission (MoPSC) filed a protest and the Kansas Corporation Commission (KCC) filed a request for a technical conference.

5. MoPSC claims that Southern Star failed to explain and justify its significant storage losses for the 12-months ending September 30, 2004 and September 30, 2005. MoPSC argues that based on past experience with Southern Star's storage losses, there is cause to question the reasonableness of those losses and investigate why they are so high. Accordingly, MoPSC requests the Commission direct Southern Star to respond to its data requests, reflected in Appendix A of its December 13 protest. MoPSC also requests the Commission suspend only Southern Star's proposed storage rate increase for a full five (5) months and that when the suspension period expires, the increase should become effective subject to refund and the outcome of an investigation of Southern Star's claimed

¹ 109 FERC ¶ 61,378 (2004).

storage losses. MoPSC further requests the Commission establish technical conference procedures that obligate Southern Star to respond to interested parties' discovery and allow parties to submit comments and conclusions to the Commission concerning the subject storage losses.

6. The KCC states that it is reviewing the terms of applicable rate settlements involving Southern Star and the KCC to determine whether the instant filing is in compliance with the requirements of those agreements. KCC explains that it has not yet formulated a position on the issue. However, the KCC also urges the Commission to establish a technical conference to resolve this issue. The KCC further states that, while it has no reason to believe that Southern Star's filing does not comply with the requirements of the settlement and tariff provisions, the complexity of the tariff provisions suggest that Commission staff and all parties would benefit from a technical conference to review Southern Star's filing to assure that it is in compliance with the applicable settlement and tariff provisions.

7. The Commission accepts and suspends Southern Star's proposed FRPs effective January 1, 2006, subject to refund and conditions. Southern Star must supply additional information in order to permit the Commission to address the concerns raised by the parties. Accordingly, the Commission directs Southern Star to file its response to the questions listed in the Appendix to this order within 21 days of the date it is issued. Reply comments are due 15 days after the date the response is filed.

8. The Commission's general policy is to suspend rate filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is also recognized however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension). Such circumstances exist here where the pipeline is filing pursuant to a Commission approved tracker mechanism. Accordingly, the Commission will exercise its discretion to suspend the rates for a shorter period and permit the rates to take effect on January 1, 2006, subject to refund and further Commission action.

By direction of the Commission.

Magalie R. Salas,
Secretary.

APPENDIX

1. Provide the storage loss (Dths) attributable to each storage field/facility for the 12 months ending September 30, 2005. Also provide an annual loss history for each storage field for 2000, 2001, 2002, 2003, and 2004. Include the calculations used to determine 2003, 2004, and 2005 storage losses.
2. Provide the Spring and Fall shut-in pressure testing dates and test results for each storage field during the 12-months ending September 30, 2004 and September 30, 2005.
3. Provide the total injections, withdrawals, and working gas inventory balances (Dths) by month, for all storage fields for the 12-months ending September 30, 2004 and September 30, 2005.
4. Describe the measures taken by Southern Star to determine why it experienced high storage losses for the 12-months ending September 30, 2004 and September 30, 2005. Describe Southern Star's efforts to correct any discrepancies found.
5. Provide a detailed narrative explaining why Southern Star experienced high storage losses for the 12-months ending September 30, 2004 and September 30, 2005.

Southern Star should include all workpapers necessary to support its answers.