

120 FERC ¶ 61,152
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 10, 2007

In Reply Refer To:
El Paso Natural Gas Company
Docket No. RP07-88-001

El Paso Natural Gas Company
Post Office Box 1087
Colorado Springs, CO 80903

Attention: Catherine E. Palazzari
Vice President

Reference: Fuel and Lost and Unaccounted For Compliance Filing

Dear Ms. Palazzari:

1. On January 29, 2007, El Paso Natural Gas Company (El Paso) filed an explanatory statement and supporting schedules in compliance with the December 29, 2006 Order, in this proceeding, which accepted and suspended El Paso's fuel tracker/true-up mechanism subject to further order.¹ The December 29 Order required El Paso to provide additional information regarding the operational purchases included in its fuel tracker filing. The Commission finds that El Paso's filing satisfactorily complies with the December 29 Order, subject to the conditions discussed below.

2. By order issued March 23, 2006, in Docket No. RP05-422-000, *et al.*, the Commission accepted El Paso's fuel tracker/true-up mechanism and tariff provisions permitting El Paso to purchase and sell gas for system operations.² The March 23 Order required El Paso to include in its annual fuel tracker filing all information pertaining to its

¹ *El Paso Natural Gas Co.*, 117 FERC ¶ 61,361 (2006) (December 29 Order).

² *El Paso Natural Gas Co.*, 114 FERC ¶ 61,305 at P 207-208 (2006).

operational purchases and sales. Consistent with *Colorado Interstate Gas Co.*,³ the Commission directed El Paso to file information indicating the source of the gas, date of the purchase/sale, volumes, purchase/sale price, costs and revenues from the purchase/sale, and the disposition of the costs and revenues.

3. On November 30, 2006, El Paso filed a revised tariff sheet to amend the fuel charges applicable to transportation service on El Paso's system pursuant to Article 26 of the General Terms and Conditions (GT&C) of its tariff.⁴ El Paso included the timing differences in the cost and volume of gas acquisition and disposition as an adjustment in its fuel retention percentage derivation in section 26.3 of its tariff. El Paso explained that it credits or recovers from shippers the impact of line pack and other system gas balance items on cash-out and imbalance activity pursuant to sections 36.6 and 32.3 of its tariff. El Paso further explained that, since it is difficult, if not impossible, to isolate the cash-out impact from the overall impact, El Paso provided a total gas balance true-up recovery in the annual fuel computation. The December 29 Order accepted and suspended the revised tariff sheet effective January 1, 2007, as proposed, subject to further order by the Commission and subject to all underlying conditions.⁵ The Commission found that further review was necessary and required El Paso to file a written explanation for the reasons behind the operational purchases and sales and how these purchases coincide with other existing authorities for tracking fuel from shippers.

4. In the instant filing, El Paso submitted additional operational purchases information in compliance with the December 29 Order. The information details El Paso's operational purchases by month including the quantity purchased, the amount paid and the price paid for operational purchases made as a result of fuel and other system requirements as well as imbalance cash-outs. El Paso states that it will include a schedule containing this additional detail in subsequent annual fuel filings.

5. The instant filing also includes an explanation that section 26 of El Paso's tariff (Fuel Mechanism) provides, among other things, that El Paso will purchase or sell gas to maintain system linepack due to fuel recovery shortfalls or overages. The Fuel

³ See *Colorado Interstate Gas Co.*, 107 FERC ¶ 61,312 at P 15 (2004) (*CIG*).

⁴ Article 26 of the GT&C provides that El Paso will restate its Fuel and Lost and Unaccounted For (L&U) percentages effective January 1, 2007, using an 18-month data collection period ending September 30, 2006. True-up adjustments to the percentages as set forth in Article 26.6 are to be based upon a nine-month data collection period that began January 1, 2006, and ended September 30, 2006, wherein El Paso tracked any over or under collection of fuel and the impacts of gas purchased or sold to maintain line pack.

⁵ See *El Paso Natural Gas Co.*, 112 FERC ¶ 61,150 (2005), 114 FERC ¶ 61,305 (2006).

Mechanism includes a component that reflects gas that was purchased or sold and includes an adjustment that reflects the difference between the cost of the gas when the shortfall or overage occurred and the actual cost of gas bought or sold, and the differences in gas cost when removed from or placed into inventory (timing differences). El Paso further explains that, because the changes in linepack and other gas balance changes resulting from monthly cash-out activity are interrelated with the gas balance changes related to fuel recovery shortfalls and overages, El Paso has reflected the requirements of sections 26, 32.3, and 36.6 all within the annual fuel filing.

6. The filing was noticed on February 1, 2007, with comments due on or before February 12, 2007. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. The El Paso Municipal Customer Group (Customer Group) filed comments stating that El Paso had not fully complied with the information requirements consistent with *CIG*. Specifically, the Customer Group requests that the Commission require El Paso to provide information on the disposition of costs and revenues from gas purchases and sales, i.e., state which FERC Accounts it is using. The Customer Group cites *ANR Pipeline Co.*, where the Commission found that ANR's operational purchases and sales report, as supplemented by ANR's answer specifying its accounting practices, satisfactorily complied with ANR's tariff.⁶

7. The Commission finds that the supplemental information submitted by El Paso generally complies with the December 29 Order. The additional information provides a more detailed picture of the system gas balance activities, as does including both the fuel and cash-out activity specified in sections 26, 32.3, and 36.6 of its tariff, due to the interrelated nature of the system gas balance impacts of each. While reporting the fuel and cash-out activity in the same filing records the overall system gas balance activities, the accounting for each is not clear. We find that reporting of the accounting practices used, consistent with *ANR*, will result in transparent reporting of these activities. The Commission will therefore require El Paso to submit the relevant accounting information for this filing within 30 days of the date of this order and to include this information in future fuel filings.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary.

⁶ See *ANR Pipeline Co.*, 116 FERC ¶ 61,158 at P 9 (2006) (*ANR*).