137 FERC ¶ 61,228
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 16, 2011

In Reply Refer To:
Pelico Pipeline, LLC
Docket No. PR10-62-001

Pelico Pipeline, LLC
370 17th Street, Suite 2500
Denver, CO 80202

Attention: Katie Rice, Director, Regulatory Affairs

Reference: Compliance Filing

Dear Ms. Rice:

1. On April 18, 2011, Pelico Pipeline, LLC (Pelico) filed supplemental information to comply with a Commission order issued on February 18, 2011 in Docket No. PR10-62-000.[1] We accept the filing as in compliance with the underlying order, subject to Pelico filing the changes to its Statement of Operating Conditions (SOC) that Pelico suggests in its compliance filing.

2. Public notice of the filing was issued on April 22, 2011. Interventions and protests were due on or before May 3, 2011. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,[2] all timely filed motions to intervene and any unopposed 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 the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

3. On July 15, 2010, Pelico filed a revised SOC to modify its imbalance cash-out pricing for resolving shippers' net monthly imbalances, among other revisions. In particular, Pelico proposed to eliminate the use of the monthly average of the daily

[1] *Pelico Pipeline, LLC*, 134 FERC ¶ 61,133 (2011).

[2] 18 C.F.R. § 385.214 (2011).

mid-point prices published in *Platts Gas Daily* to resolve imbalances between 0 percent and 5 percent. Pelico proposed instead to use the highest daily mid-point price and the lowest daily mid-point price for imbalances between 0 percent and 5 percent, depending upon whether the shipper had taken more or less gas than the pipeline had received. This proposal eliminated what was in effect a safe harbor for small imbalances. ConocoPhillips protested Pelico's proposal to eliminate any safe harbor for *de minimis* imbalances, because according to ConocoPhillips, "the industry standard for measurement allows for a plus-or-minus 2% tolerance and Pelico has not demonstrated that it is able to measure or operate its system at this degree of perfection."[3] The Commission accepted Pelico's filing subject to Pelico making a further filing demonstrating the standard margin of error in the measurements that it would use to calculate imbalance. The Commission directed Pelico to address the argument of under what operating conditions it would be fair and equitable to impose penalties for levels of imbalance that are smaller than the margin of error in its measurements.

4. Pelico submitted its compliance filing on April 18, 2011. Pelico states that it is capable of measuring Receipt, Company Use, and Delivery volumes for a given month with sufficient accuracy such that shippers are certain that any imbalance penalties are due to their own actions. Pelico notes that its Unaccounted For volume is a key indicator of measurement accuracy. Pelico submits data showing that since January 2009, its Unaccounted For volume has amounted to less than one percent of gas flows. In individual months over this period, the Unaccounted For percentage has ranged between 0 and 1.45 percent. Pelico states that on its system, in accord with common industry practice, each measurement party has the right to challenge the accuracy of the other party's measurement and, when challenged, the equipment shall be tested and calibrated. The cost of the test shall be borne by the challenging party if the inaccuracy is two percent or less and by the challenged party if the inaccuracy is more than two percent.

5. Pelico states that "in the interest of compromise, Pelico is willing to modify the cash-out prices prospectively so that imbalances of two percent or less and less than one thousand MMBtu are cashed out at the average price."[4] Pelico suggests that this modification to the cash-out price will align the safe harbor with the typical Unaccounted For percentage on the Pelico system. "Pelico proposes that the Compromise Cash-Out Prices be implemented on the first day of the month after the final order in this docket is issued to avoid significant prior period adjustments."[5]

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[3] ConocoPhillips Protest at 3-4.

[4] Pelico Compliance Filing at 3.

[5] *Id.*

6. We accept Pelico's unprotested filing as in compliance with the previous order in this docket, subject to Pelico submitting the above revisions to its SOC. We direct Pelico to file the revised records within 30 days of the date that this order issues, with an effective date of January 1, 2012.

By direction of the Commission.

Kimberly D. Bose,
Secretary.