



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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## **FERC Encourages Efficiency with New Pipeline Fuel Cost Recovery Methodology**

The Federal Energy Regulatory Commission (FERC) today acted to help interstate natural gas pipelines operate more efficiently by approving a method by which a pipeline can recover fuel costs.

Today's order permits a pipeline to establish, in a limited section 4 filing, a fixed fuel rate significantly below the cost-based level that it could otherwise justify. In exchange, the pipeline may keep a share of the fuel usage savings that result from fuel-related capital improvements it makes while the incentive mechanism is in effect. This new methodology is intended to assure customers an immediate, real rate reduction and encourage pipelines to make investments to improve the fuel efficiency of their systems.

The order allows a Columbia Gulf Transmission Company to implement such an incentive fuel savings mechanism. Columbia Gulf proposed to establish fixed fuel rates that reflected a portion of the fuel savings Columbia Gulf projected would result from capital improvements made under the incentive mechanism. However, based upon the most recent cost and throughput data, the Commission found that the proposed fixed fuel rates did not appear to be below the cost-based level Columbia Gulf could otherwise justify. Accordingly, Columbia Gulf's fuel incentive mechanism was approved subject to Columbia Gulf recalculating its incentive fixed fuel rates to be consistent with the new methodology.

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