

124 FERC ¶ 61,144  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

August 5, 2008

In Reply Refer To:  
Sabine Pipe Line LLC  
Docket No. RP08-112-001

Chevron Pipe Line Company  
P.O. Box 4879  
Houston, TX 77210-4879

Attention: Mary Anne Collins, Regulatory Manager  
Chevron Pipe Line Company

Reference: Compliance Filing Providing Additional Information and Revised  
Unaccounted For Gas Reimbursement Percentage

Ladies and Gentlemen:

1. On February 4, 2008, Sabine Pipe Line LLC (Sabine) filed supplemental information to comply with the Commission's order issued January 4, 2008.<sup>1</sup> Sabine also included Tenth Revised Sheet No. 20, to its FERC Gas Tariff, Original Volume No. 1, proposing to revise its unaccounted for gas reimbursement percentage (UFRP). Sabine requests waiver of the Commission's notice requirement to permit the revised UFRP percentage to become effective March 1, 2008.<sup>2</sup> Sabine's additional information complies with the directives in the Commission's January 4, 2008 Order. The Commission accepts Sabine's proposed Tenth Revised Sheet No. 20, effective September 1, 2008, as more fully discussed below.

2. On December 7, 2007, Sabine filed a revised tariff sheet and supporting work

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<sup>1</sup> *Sabine Pipe Line LLC*, 122 FERC ¶ 61,006 (2008) (January 4, 2008 Order).

<sup>2</sup> *See* Sabine's Compliance Filing at 3. The Commission notes that Sabine also requests in its calculations and workpapers that the 0.38 percent UFRP proposed in Tenth Revised Sheet No. 20 become effective January 1, 2008. *See* Sabine's Compliance Filing at 7 and Attachment B, UFRP worksheet column Y, row 41.

papers reflecting adjustments to its fuel gas reimbursement percentages (FRPs) and UFRP, pursuant to section 27 of the General Terms and Conditions (GT&C) of its tariff. Sabine based the FRPs and UFRP on the 12-month period from November 2006 through October 2007. The January 4, 2008 Order accepted and suspended Sabine's proposed Ninth Revised Sheet No. 20, effective January 1, 2008, subject to refund and Sabine filing, within 30 days of the January 4, 2008 Order, additional information supporting its proposed FRPs and UFRP.

3. In the instant compliance filing, Sabine incorporates its answer filed December 27, 2007, additional work papers and explanations for its proposed FRPs and UFRP. Sabine also states that after reviewing its December 7, 2007 filing, it discovered two worksheet-related errors to the calculation of its UFRP. Specifically, Sabine included three deliveries during September and October twice, thereby understating the true lost and unaccounted for (LAUF) volume for those months. Therefore, Sabine proposes to correct the filed UFRP by increasing it from 0.26 percent to 0.38 percent.

4. Sabine submits that the volumes experienced during July 2007 – October 2007, though appearing atypical, are not uncommon on its system. Sabine states it calculated correlation coefficients for its instant filing and previous fuel filings and determined that there is not a consistent, period-to-period pattern or trending with respect to totaled measured deliveries and LAUF gas on its system, i.e., there is very little or no relationship between its system's measured deliveries and LAUF gas.<sup>3</sup>

5. Sabine asserts there are several possibilities for this: (1) the calculation of LAUF gas is not an exact science, and is unique to virtually every pipeline under the Commission's jurisdiction;<sup>4</sup> (2) the physical configuration of the Sabine system; (3) gas flows may change daily, indeed hourly; (4) 66 percent of the meters on Sabine's system are owned/controlled by third parties unaffiliated with Sabine, i.e., volumetrically, third parties are responsible for 95 percent of receipt point

measurement and in excess of 55 percent of total delivery point measurement;<sup>5</sup> and (5)

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<sup>3</sup> See Sabine's Compliance Filing at 4 and Attachment A.

<sup>4</sup> Citing comments of NiSource Gas Transmission and Storage Companies in the Commission's Notice of Inquiry proceeding, *Fuel Retention Practices of Natural Gas Companies*, 120 FERC ¶ 61,255 (2007) (NOI Proceeding) at P 3 and 8, Spectra Energy Transmission, LLC comments at P 7, and Enbridge Inc. and Enbridge Energy Partners, L.P. comments at P 5.

<sup>5</sup> Interconnect agreements between Sabine and the parties obligate them to perform

metering equipment on Sabine's system allows a plus or minus 0.25 percent and 1 percent tolerance for ultrasonic and orifice meters, respectively.

6. Sabine contends that notwithstanding the foregoing, it adheres to extensive policies, procedures and measures to monitor, control and minimize LAUF gas on its system. Sabine states that it uses the "Open Architecture SyStem" (OASyS) hardware and software package, located in its gas control center in Bellaire, Texas, to provide for real time gas pipeline monitoring, data gathering, interactive graphic displays, field device gas flow control, alarm annunciation and casual user access. It also states that OASyS collects and archives hourly and daily gas flows, pressures, temperatures and gas quality data for each of Sabine's remote terminal units (RTU) located at virtually every third party measurement interconnect. Sabine adds that there are 28 RTUs on Sabine's mainline system and 16 RTUs at Henry Hub. Sabine also avers that it maintains an offsite backup site running the same OASyS system in case of an evacuation/outage of the Bellaire gas control center.

7. Sabine calibrates its pressure and temperature devices and gas analysis equipment, every 30 to 45 days and requires the same time format for third party measurement facilities. Sabine maintains calibration documentation for all of its measurement facilities, as well as third party measurement facilities, including check measurement.

8. Sabine contends that when measurement differences arise between Sabine's check gas measurement and a third party's gas measurement, it first comprehensively reviews for accuracy its own measurement equipment and if measurement differences still exist, Sabine requests the third party for a similar review of their measurement equipment. If a problem exists with the third party measurement, Sabine requests a measurement correction by the third party, where either the third party agrees to accept Sabine's "check measurement" volume or Sabine and the third party agree on an acceptable volume adjustment in relation to the measurement error observed. This procedure is still subject to the tolerances in the interconnect agreements.<sup>6</sup>

9. Sabine states that with respect to its 33 owned/controlled meters, it convenes daily meetings with gas control, Henry Hub and pipeline operations personnel and customer service representatives to review its estimated LAUF balance for the previous day. Sabine calculates this estimate by comparing all receipts and all deliveries across the whole system. Based on these estimates, it then reviews the operations and inspects these

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the measurement function within a plus or minus 1-2 percent differential tolerance level.

<sup>6</sup> See n.5 supra.

meters and after the gas day is over, reviews the balance using actual volumes. Regarding the 62 third party owned/controlled meters, Sabine does not have actual measurements available until the next day or later, depending on whether the parties send the measurements electronically or by hard-copy. Sabine submits that when these actuals are available, it again estimates the LAUF by comparing total receipts and total deliveries to ascertain if and where gains/losses are occurring on the system. These estimates are then distributed to operations, gas control, gas measurement and customer service representatives. If necessary, Sabine states it holds follow-up meetings to review where gains/losses are occurring, if determinable, and the remedial measures to be taken, if any. Sabine contends that, in some instances, it calls the interconnecting pipeline to get their end of the day volumes for comparison with Sabine's readings. Sabine also contends that, in most cases, volumes are not significantly different (i.e., within the agreement and/or manufacturers' tolerance levels). At the end of the gas month, continues Sabine, it calculates a final monthly LAUF, after it receives all actual volumes from both its measurement equipment and third party custody meters.

10. Sabine provides work papers entitled LAUF, UFRP, Port Neches FRP and Henry Hub FRP, in response to the Commission's directive in the January 4, 2008 Order. Sabine states that virtually all the data in the work papers are from its transaction management and nomination system, SabNet. Sabine states that the LAUF work paper is a monthly compilation of receipt and delivery volumes by meter and distinguishes the metering point as low pressure, high pressure, mainline or Henry Hub, and Sabine or third party owned. The UFRP work paper details the step-by-step calculation of Sabine's UFRP. The Port Neches FRP and Henry Hub FRP work papers details the step-by-step calculation of the Port Neches FRP and Henry Hub FRP, respectively.

11. Notice of Sabine's February 4, 2008 compliance filing was issued on February 7, 2008. Protests were due February 19, 2008, as provided in section 154.210 of the Commission's regulations.<sup>7</sup> On February 19, 2008, Sequent Energy Management, L.P. (Sequent) filed a motion to reject and protest and Coral Energy Resources, L.P. (Coral) filed adverse reply comments.

12. In the protest and reply comments, Sequent and Coral request that the Commission reject Sabine's February 4, 2008 compliance filing, and direct Sabine to submit a revised compliance filing that fully adheres to the Commission's directives in the January 4, 2008 Order, and fully complies with the Commission's regulations regarding compliance filings. Sequent and Coral also urge the Commission to reject Sabine's attempts to resubmit its December 27, 2007 answer and to change its rates in the context of a compliance filing because the new rates were not authorized by the Commission.

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<sup>7</sup> 18 C.F.R. § 154.210 (2008).

Sequent and Coral contend that without better quality information from Sabine, parties cannot fully scrutinize Sabine's application of the proposed tariff language related to Sabine's FRP and UFRP values and the justness and reasonableness of Sabine's FRP and UFRP proposals.

13. Specifically, Sequent and Coral state that Sabine's compliance filing does not sufficiently explain the inconsistencies in its July 2007 – October 2007 data. Coral argues that Sabine's statement that the data may be atypical, but not uncommon on its system, establishes nothing. Sequent and Coral also argue that Sabine's discussion of correlation factors does not provide a detailed explanation of why the LAUF losses/gains for the period do not trend with the total measured deliveries.<sup>8</sup> Sequent and Coral maintain it appears Sabine cannot explain the reasons for the anomalous July 2007 – October 2007 data. Sequent would like to know if the LAUF losses/gains were due to operational issues, weather-related issues, maintenance issues, etc.

14. Sequent and Coral also argue that it is inappropriate for Sabine to incorporate its December 27, 2007 answer and another fuel rate change in its compliance filing, since the Commission regulations clearly limit compliance filings to only the matters addressed in a Commission order and are not to include other rate or tariff changes.<sup>9</sup> Coral is more troubled by Sabine's attempt to change its fuel percentages yet again in light of Sabine's seeming inability to explain the reasons for its original proposed changes.

15. Coral further argues that Sabine's discussion of policies and procedures, and the measures it adheres to, respecting its efforts to monitor, control and minimize LAUF on its system does not justify or explain the requested changes to its FRPs and UFRP.

16. Given the above, Sequent and Coral request Sabine provide the specific information the Commission directed Sabine to file in the January 4, 2008 Order and all other justification for its proposed fuel rate changes. Sequent and Coral also request that the Commission reject Sabine's attempts to resubmit its December 27, 2007 answer and change its UFRP in the context of the compliance filing. Sequent further requests the Commission direct Sabine to submit a separate and distinct filing for any fuel rate changes beyond those contemplated in Sabine's December 7, 2007 filing.

17. The Commission finds that the new data and worksheets Sabine included in its compliance filing sufficiently justifies its FRPs and corrected UFRP.<sup>10</sup> Further, we find

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<sup>8</sup> Sequent's protest at 5 and Coral's reply comments at 5.

<sup>9</sup> *Citing* section 154.203(a)(2)(b) of the Commission's regulations.

<sup>10</sup> The Commission rejects Sabine's incorporation by reference of its

that Sabine's policies, procedures and measures to monitor, control, and minimize LAUF on its system are appropriate and sufficient at this time. Accordingly, the Commission denies the requests of Sequent and Coral for additional information in this proceeding as unnecessary and overly burdensome. If parties to Sabine's future FRP and UFRP adjustments find the work papers and other information submitted in such proceedings insufficient, they may seek additional information in such proceedings at that time.

18. The Commission finds that Sabine adequately demonstrated that the proposed 0.82 percent and 0.24 percent FRPs for Port Neches and Henry Hub, respectively, and the 0.38 percent UFRP represents its actual fuel gas and LAUF quantities during November 2006 through October 2007. As Sabine explained, LAUF, by its very nature, is unknown and cannot be defined. It is the difference between gas received by the pipeline and the amount delivered by the pipeline or otherwise accounted for. The remaining lost and unaccounted for quantities result from losses that Sabine cannot identify as occurring at any particular location – including losses due to problems with measurement devices. The proposed FRPs and UFRP are subject to a true-up in the next adjustment filing, which will therefore address any inaccuracies in Sabine's LAUF estimates.

19. Finally, the Commission finds that Sabine has reasonably identified the LAUF anomaly during July 2007 through October 2007 and has accurately recalculated the UFRP to reflect the corrected data. Accordingly, the Commission finds that Sabine adequately supported its proposed 0.38 percent UFRP reflected on proposed Tenth Revised Sheet No. 20. Further, while we agree with Sequent and Coral that Sabine should not make new tariff proposals in a compliance filing, it is the kind of tariff rate change that the Commission would otherwise have ordered Sabine to file to correct its filed UFRP. However, permitting the change to become retroactively effective March 1, 2008, as Sabine proposes, would create implementation problems as it reflects a retroactive increase in the UFRP. On the other hand, not permitting the corrected rate to become effective may exacerbate any underrecovery for the current period which may cause an excessive increase in its next UFRP rates to make up for any such increased underrecovery. Accordingly, the Commission grants waiver of section 154.203(a)(2)(b) of the Commission's regulations and accepts the proposed tariff sheet to be prospectively effective the first day of the next full service month. Therefore, the Commission accepts Sabine's Tenth Revised Sheet No. 20, effective September 1, 2008. Because the corrected data relates to months falling in the November 2006 through October 2007 period, Sabine will need to file a separate request for a prior period adjustment in its next

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December 27, 2007 answer as the Commission disfavors incorporation of information by reference, the answer provides no response to the questions directed to be answered by the January 4, 2008 Order, and the answer does not aid the Commission in the disposition of the issues raised by the December 7, 2007 filing as noted in the January 4, 2008 Order, at P 3.

annual FRP adjustment filing if it seeks to be made whole for any resulting under-recoveries for the November 2006 through October 2007 period due to the delay in implementing the corrected UFRP.<sup>11</sup> The Commission will review any such request at that time.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>11</sup> Section 27 of the General Terms and Conditions of Sabine's Tariff requires Sabine to adjust its FRP and UFRP each November, to be effective the following January 1, based on actual data for the preceding twelve month period covering November through October.