



FEDERAL ENERGY REGULATORY COMMISSION

November 20, 2008

Docket No. RM07-20-000

Item No. G-7

Commissioner Marc Spitzer

Statement of Commissioner Marc Spitzer on Terminating Fuel Retention Proceeding

"Today, we terminate this proceeding where we sought comment on whether the Commission should change its current policy to provide pipelines a greater incentive to reduce their fuel use and lost and unaccounted for gas and to minimize pipeline over-recoveries of these costs.

I agree with this decision for several reasons. First, the commenters have failed to provide the Commission with a basis to take generic action under Natural Gas Act section 5 to impose a generic fuel provision on pipelines. Second, recognizing shippers' concerns that they did not have enough information to bring NGA Section 5 complaints, the Commission strengthened Form 2 to enhance the transparency of pipelines' financial reporting including providing detailed information regarding the acquisition and disposition of fuel use and lost and unaccounted for gas. With this new information, shippers will be able to use the section 5 complaint process to address fuel concerns.

Indeed, the Commission's current policy concerning a pipeline's in-kind recovery of fuel use and lost and unaccounted for gas is unchanged and pipelines and shippers continue to have several options for fuel recovery. These options include for the pipeline to establish a fixed fuel retention percentage in a general Natural Gas Act section 4 rate case; for the pipeline to include in its tariff a mechanism permitting periodic changes in its fuel retention percentage outside of a general section 4 rate case if the tariff mechanism includes a true-up of any over- and under-recoveries of fuel; or for the pipeline to adopt some form of incentive mechanism in a tracker true-up mechanism, thus encouraging greater efficiency.

Lastly, I echo my colleagues call for Congress to modify NGA Section 5 to include a refund mechanism analogous to the refund provision in FPA section 205.

I therefore support the order."