UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

Gulf South Pipeline Company, LP Docket No. RP06-158-000

ORDER REJECTING TARIFF SHEETS

(Issued January 31, 2006)

1. On December 29, 2005, Gulf South Pipeline Company, LP (Gulf South) filed First Revised Sheet No. 719 and Second Revised Sheet No. 720 to its FERC Gas Tariff, Sixth Revised Volume No. 1, to modify its Pooling Service (PS) Rate Schedule. Gulf South proposes to assess its Rate Schedule PS customers a fuel charge for long imbalances under their pooling service contracts (*i.e.*, customers that leave excess gas on the system). Gulf South requests the proposed tariff sheets become effective February 1, 2006. For the reasons set forth below, the Commission rejects the proposed tariff sheets.

Background

2. In its filing, Gulf South alleges that a "loophole" exists in its PS Rate Schedule. Gulf South states that customers using its pooling service that incur a long imbalance on the system can resolve that long imbalance without incurring a fuel charge.[1] Gulf South states that this is because, under its current tariff provisions, Gulf South does not assess fuel charges on gas receipts into the pooling point; rather, a fuel charge is assessed under the transportation contract used to deliver the pooled gas. Gulf South asserts that, when a pooling customer is allocated gas in excess of its scheduled quantities at a physical receipt point, this gas does not go through the pool and, therefore, fuel is not retained for this gas. Gulf South asserts that the problem that is created by its current tariff is that there are certain transactions where fuel is actually consumed by Gulf South to move the imbalance gas into storage, but no fuel is charged to the customers. Therefore, to close this alleged loophole in its pooling service, Gulf South proposes to charge fuel to the pooling customer when excess gas is allocated at a physical receipt location on its pooling contract. Gulf South states this charge will place pooling customers on the same

[1] Under Gulf South's currently effective tariff, it assesses a fuel charge of 1.60 percent under its firm, interruptible and no-notice transportation services. *See* Eleventh Revised Sheet No. 20, Eighth Revised Sheet No. 22, and Sixth Revised Sheet No. 24 to Gulf South's FERC Gas Tariff, Sixth Revised Volume No. 1.

competitive position as all other transportation customers that incur a long imbalance. Gulf South proposes to add the following underscored language to section 5 of Rate Schedule PS to accomplish its proposal:

> Fuel shall not be retained on nominations between the receipt point and the pooling point; however, a Pooling Customer will be charged fuel for any long imbalance quantities on their Pooling Service agreement each month at the cash for fuel rate posted on Gulf South's Internet Web Site for the month in which the long imbalance occurred.

Notices and Responsive Filings

3. Public notice of Gulf South's filing was issued on January 5, 2006, with interventions and protests due as provided in section 154.210 of the Commission's regulations, (18 C.F.R. § 154.210 (2005)). Pursuant to Rule 214, (18 C.F.R. § 385.214 (2005)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the date of issuance 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. On January 13, 2006, after submitting a timely intervention, Chevron Natural Gas (Chevron) filed an out-of-time protest. The Commission will consider this protest in its analysis of the instant filing. On January 18, 2006, Gulf South filed an answer to Chevron's protest. Generally, the Commission does not permit answers to protests. The Commission will permit Gulf South's Answer as it aids in the Commission's review of the instant proposal.

4. Chevron raises numerous concerns in its protest. First, it claims that Gulf South fails to explain and fully justify its proposed pooling fuel charge. Chevron argues that Gulf South neglected to support its allegation that "there are certain transactions where fuel is actually being consumed to move the imbalance gas to storage."[2] Chevron also notes that Gulf South fails to show that a long (or positive) imbalance in connection with pooling causes Gulf South to consume fuel. Second, Chevron contends that Gulf South already over-recovers its fuel costs and, hence, a new fuel charge on pooling would simply exacerbate this windfall. Third, Chevron asserts a pooling charge impairs the ability of shippers to utilize pooling, and therefore clashes with the Commission's policy that bars a pipeline from imposing barriers to pooling. Accordingly, Chevron requests that the Commission reject this proposal.

5. On January 18, 2006, Gulf South filed an Answer to Chevron's protest. Gulf South argues that it is not proposing to impose a fuel charge on all volumes that are nominated under a pooling contract; nor is it claiming that it is under-recovering fuel. Gulf South asserts that the fact that its tariff provides that fuel will be retained on transportation contracts which move gas from the pooling point makes it clear that fuel will be charged on all transactions utilizing a pool as a receipt point. Although the

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[2] Gulf South Transmittal Letter at 1.

transmittal to its December 29, 2005 filing only supported the filing on the basis of a claimed use of fuel to move PS imbalances to storage, in its Answer, Gulf South asserts that the "loophole' is demonstrated by a hypothetical involving netting of a Rate Schedule PS contract long imbalance with an equal interruptible (ITS) transportation contract short imbalance. It asserts that, under this example, it has actually transported the imbalance volume without any fuel being charged. Gulf South also reiterates its claim that another example of this "loophole" occurs if the shipper only has a Rate Schedule PS contract and incurs a long imbalance. It asserts that "Gulf South would have to move the gas either to storage or to another market without [the Customer] reimbursing for compressor fuel."[3] Finally, Gulf South argues that its proposal will not make pooling uneconomic. Gulf South contends that its proposed tariff revision would only affect a pooling customer with long net imbalances under a pooling contract. It asserts that the long imbalance would be that customer's net position of all activity under its pooling contract. Charging fuel on this limited group of transactions, Gulf argues, would not have a material impact on how customers utilize Gulf South's pooling service, or the economic value of those services. Additionally, Gulf South asserts that the seemingly large dollar figure Chevron has associated with Gulf South's fuel charge is a function of the price of natural gas per unit of fuel consumed and charged under Gulf South's just and reasonable fuel rate. Gulf South contends that whether it has over recovered fuel on its system is not relevant to the issue presented by this filing.

Discussion

6. The Commission finds that Gulf South's proposed revision is unsupported. The PS Rate Schedule service is a paper pooling service under which, for no charge, multiple receipts in a given segment of its system are accounted for as theoretically being received at a single paper receipt point so that supplies may be contractually aggregated for subsequent transportation under a transportation rate schedule. No physical transportation services are provided under the PS Rate Schedule, and gas is not physically moved pursuant to this paper pooling service. Therefore, no fuel can be deemed consumed as a result of the paper transactions pursuant to this service. Any physical imbalance attributable to a PS contract is appropriately governed by the tariff's existing imbalance provisions, which deal with physical imbalances and which, notably, do not provide for separate fuel charges.[4] Gulf South's concerns may appropriately be resolved in other ways, such as requiring that such imbalances be treated as parked amounts under

[3] Gulf South Answer at 3.

[4] Section 2(f) of the PS Rate Schedule provides that "At the end of each month, Pooling Rate Schedule imbalances will be netted with any transportation contract imbalances incurred by the Pooling Customer and any remaining imbalance will be subject to resolution pursuant to section 20 of the General Terms and Conditions." section 20 of the General Terms and Conditions, in turn, provides for trading and cash-out of remaining imbalances.

its PAL (Park and Loan) Rate Schedule, requiring simultaneous scheduling of the same volumes for a take away transportation service such that imbalances are managed as transportation imbalances, and/or changes to the tariff's general imbalance provisions.

7. Apart from the fundamental flaw that the proposal seeks to charge for fuel under a paper service, neither the December 29, 2005 filing nor Gulf South's Answer contains any evidence to support its claim of a physical movement of Rate Schedule PS imbalances from pooling points to storage as claimed in both documents. Further, Gulf South's netting example in its Answer is unclear, raising more questions than it answers, and appears to impose an unreasonable interpretation of the hypothetical transaction it poses. The example appears to assume that if the shipper schedules 1,000 Dth under both its PS and ITS contracts, but actually tenders 1,050 Dth at the receipt point, and takes delivery downstream of only 1,000 Dth, the extra 50 Dth is not deemed to be transported from the pooling point, thus deeming the imbalance to have occurred under the PS contract rather than the ITS contract. If that is what its example purports to show, that would be unreasonable. The imbalance should be considered an ITS contract imbalance since the amount actually tendered at the receipt point should be considered the same for the receipt under the ITS contract as for the receipt under the PS contract.

8. Based on a review of the filing, the Commission finds that First Revised Sheet No. 719 and Second Revised Sheet No. 720 to Gulf South's FERC Gas Tariff, Sixth Revised Volume No. 1 have not been shown to be just and reasonable and accordingly, the instant proposal is rejected.

The Commission orders:

First Revised Sheet No. 719 and Second Revised Sheet No. 720 to Gulf South's FERC Gas Tariff, Sixth Revised Volume No. 1, are rejected.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.