

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 2, 2006

In Reply Refer To:
Southern Natural Gas Company
Docket No. RP06-192-000

Southern Natural Gas Company
P.O. Box 2563
Birmingham, Alabama 35202-2563

Attention: Glenn A. Sheffield
Director - Rates

Reference: Maintenance Capital Surcharge

Dear Mr. Sheffield:

1. On January 31, 2006, Southern Natural Gas Company (Southern) filed revised tariff sheets¹ to establish its maintenance capital surcharge at \$.01 per decatherm (Dth) pursuant to section 31 of the General Terms and Conditions (GT&C) of its tariff.² Southern requests that the Commission grant all necessary waivers to permit an effective date of March 1, 2006. The Commission accepts and suspends the proposed tariff sheets, permitting them to become effective March 1, 2006, subject to refund and to the conditions set forth below.

2. Pursuant to section 31 of its GT&C, Southern proposes to implement a maintenance capital surcharge of \$.01 per Dth to be effective for the period March 1, 2006, through February 28, 2007. The proposed surcharge is based on total costs of \$8,810,578 which

¹ Sixth Revised Sheet No. 26, Fifth Revised Sheet No. 27, Fifth Revised Sheet No. 28, Forty-Fifth Revised Sheet No. 29, and Twenty-Seventh Revised Sheet No. 30 to Southern's FERC Gas Tariff, Seventh Revised Volume No. 1.

² On October 31, 2005, the Commission issued an order that accepted and suspended Southern's initial maintenance surcharge filing, subject to refund and conditions, and subject to further review. *See Southern Natural Gas Co.*, 113 FERC ¶ 61,112 (2005) (October 31, 2005 Order).

includes both actual maintenance capital expenses of \$5,592,943 for the period March 1, 2005 through December 31, 2005, and projected maintenance capital expenses of \$3,217,635 for the period January 1, 2006 through February 28, 2007.

3. Southern states that the maintenance capital expenditures for March 1, 2005, through December 31, 2005, include costs that Southern considered as capitalized items prior to issuance of the Commission's *Order on Accounting for Pipeline Assessment Costs*.³ Southern claims that it did not capitalize any costs in its projected maintenance capital expenditures after December 31, 2005, which would not be allowed to be capitalized under the guidelines of the Accounting Order.

4. Southern states that the total cost-of-service is divided by its actual annual billing determinants for 12-month period ending December 31, 2005. Southern states that its calculation results in a surcharge rate of \$.0138 per Dth which is greater than the \$.01 per Dth rate cap, therefore, Southern's proposed surcharge is at the cap. Finally, Southern states that it has provided the same detailed description of the actual maintenance capital surcharge expenditures placed in-service for the period from September 1, 2005 to December 31, 2005 in excess of \$250,000 as provided in its initial maintenance capital surcharge filing in Docket No. RP05-684-000.⁴

5. Public notice of Southern's filing was issued February 2, 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 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. Peoples Gas System, Division of Tampa Electric Company (Peoples) filed comments which are discussed below.

6. Peoples comments that it protested Southern's initial maintenance capital expenditure surcharge filing in Docket No. RP05-684-000. Peoples states that the same issues raised by the instant filing are still pending in Docket No. RP05-684-000 and adopts the same position here. Peoples reiterates that it protested the initial maintenance capital surcharge filing on the basis that Southern failed to provide sufficient information to support a conclusion that the asserted expenditures qualified as maintenance capital expenditures and asks that the instant filing be reviewed in accordance with the resolution of the issues in Docket No. RP05-684-000.

³ 111 FERC ¶ 61,501 (2005), *order on reh'g*, 112 FERC ¶ 61,309 (2005) (Accounting Order).

⁴ See Appendix A of Southern's initial maintenance surcharge filing in Docket No. RP05-684-000.

7. Consistent with the Commission's order issued contemporaneously herewith requiring additional information regarding Southern's initial maintenance surcharge filing in Docket No. RP05-684-000, Southern is directed to provide detailed descriptions for the maintenance capital surcharge expenditures in excess of \$50,000 covered by the instant surcharge filing and is required to explain the allocation of qualifying and non-qualifying matters, within 30 days of this order.

8. Based upon a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable and unduly discriminatory or otherwise unlawful. Accordingly, the Commission shall accept the tariff sheets for filing and suspend their effectiveness for the period set forth below, subject to the conditions set for in this order.

9. The Commission's policy regarding suspensions is that filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.⁵ It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.⁶ Such circumstances exist here where the pipeline is filing to establish a surcharge pursuant to a settlement. Accordingly, the Commission exercises its discretion to suspend the effectiveness of the proposed tariff sheets for a shorter period and permits the rates to be effective March 1, 2006, subject to refund and the conditions of this order.

By direction of the Commission.

Magalie R. Salas,
Secretary.

⁵ See *Great Lakes Gas Transmission Co.*, 12 FERC & 61,293 (1980) (five-month suspension).

⁶ See *Valley Gas Transmission, Inc.*, 12 FERC & 61,197 (1980) (one-day suspension).