

118 FERC ¶ 61,161
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Gulf South Pipeline Company, LP

Docket No. RP07-149-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS AND
ESTABLISHING TECHNICAL CONFERENCE

(Issued February 28, 2007)

1. On January 26, 2007, Gulf South Pipeline Company, LP (Gulf South), pursuant to section 4 of the Natural Gas Act (NGA), submitted the revised tariff sheets, listed in the Appendix, proposing to incorporate gas quality specifications into its FERC Gas Tariff. Gulf South proposes an effective date of March 1, 2007, for the revised sheets. For the reasons discussed below, the Commission accepts and suspends the tariff sheets, to become effective the earlier of a date set by subsequent Commission order or August 1, 2007, and establishes a technical conference to address the issues raised.

Gulf South's Filing

2. In the instant filing, Gulf South proposes to revise its gas quality specifications to create operational flexibility that will ensure that the quality of the gas it transports will not threaten the safe operations of its system and will be accepted for delivery by its on-system end-users, which include on-system local distribution companies (LDCs) and interconnecting interstate pipelines. Gulf South seeks to revise certain aspects of section 2 of its General Terms and Conditions (GT&C) regarding Gas Quality and section 10 regarding Operational Flow Orders (OFOs). Gulf South also adds definitions for the terms "hydrocarbon dew point" and "safe harbor" to section 1 of its GT&C.¹

3. Gulf South avers that its proposal is different from those submitted by other interstate pipelines, which have focused primarily upon the effects of colder climates where hydrocarbon liquid drop out is a concern. Gulf South states that as a pipeline

¹ Gulf South does not propose to establish a Wobbe Index Number in this proceeding.

located along the Gulf Coast, a region marked by its relatively moderate climate, Gulf South rarely experiences hydrocarbon liquid drop out related to cold weather. Gulf South submits that on average, the winter temperature in New Orleans, one of Gulf South's largest on-system markets, is 55°F. Gulf South asserts that its proposed tariff changes are not designed to specifically address engineering or operational problems associated with gas quality issues on either its system or the systems of its on-system customers. Rather, Gulf South states that its proposal is designed to provide Gulf South the ability to adjust its gas quality specifications when necessary to ensure reliable delivery of its customers' gas into other interstate pipelines, as it has for over fifty years.

4. Gulf South asserts that its proposal is consistent with the goals of the Commission's Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs (*Policy Statement*).² Gulf South also asserts that its proposal is consistent with the interim guidelines set forth in the Natural Gas Council Plus (NGC+) group White Paper on *Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* (HDP White Paper) and the Interchangeability Work Group's White Paper on *Natural Gas Interchangeability and Non-Combustion End Use* (Interchangeability White Paper).³ Gulf South claims the proposed tariff changes maintain the status quo on Gulf South's system in many respects, while also granting Gulf South tariff authority to implement measures that it may need from time to time to ensure that interconnecting pipelines will accept gas from its system.

² *Policy Statement*, 115 FERC ¶ 61,325 (2006).

³ The NGC is an organization made up of the following trade associations of the different sectors of the natural gas industry: the Independent Petroleum Association of America (IPAA), representing independent natural gas producers; the Natural Gas Supply Association (NGSA), representing producers and marketers of natural gas; the Interstate Natural Gas Association of America (INGAA), representing interstate pipelines; and the American Gas Association (AGA) representing natural gas utilities/local distribution companies (LDCs). In addition to representatives from the NGC, the NGC+ group, which wrote the papers, included representatives of all affected industry sectors, including appliance and turbine manufacturers, electric utilities, gas process consumers, liquid natural gas developers, municipal utilities and gas processors.

Gulf South asserts that it needs this type of flexible tariff authority to maximize available gas supplies on the national grid, and protect Gulf South's customers from being placed at a competitive disadvantage simply because of differing gas quality specifications.⁴

5. Specifically, Gulf South revises section 2 of its GT&C regarding heavier liquefiable hydrocarbons, heating value, total inerts, and carbon dioxide to provide Gulf South the operational tools needed to implement stricter gas quality standards, when necessary, which ensures that downstream interstate pipelines will continue to accept gas from its system. In addition, Gulf South proposes to establish a safe harbor for heavier liquefiable hydrocarbons, heating value, and carbon dioxide and proposes procedures to enable Gulf South from time to time to post a lower limit than the maximum tariff levels, but not below the safe harbor, to either address an operational problem on its system or ensure that gas will be accepted by interconnecting interstate pipelines. Gulf South states that it will accept on its system all gas meeting the safe harbor limit (assuming the gas otherwise satisfies other gas quality standards set forth in Gulf South's tariff). Gulf South further states that it will not post a limit lower than the safe harbor without issuing an OFO. Gulf South proposes a corresponding change to section 10 of its GT&C to permit it to issue an OFO to address certain types of gas quality issues.

6. More specifically, with respect to pentanes and heavier liquefiable hydrocarbons, Gulf South proposes to retain its current upper limit of 0.20 gallons per thousand cubic feet (GPM), but convert it to the approximate C6+ equivalent of 0.21 mole percent.⁵ Gulf South proposes to create a 0.07 C6+ mole percent safe harbor. Gulf South submits that this safe harbor is the approximate equivalent of a 15°F cricondentherm hydrocarbon dewpoint (CHDP), which has been proposed or adopted by a number of interconnecting pipelines.⁶

7. Gulf South also proposes to lower its current maximum heating value limits from 1175 Btu to 1110 Btu and create a maximum Btu safe harbor of 1075. For carbon dioxide, Gulf South proposes to retain its current maximum limit of three percent (3%)

⁴ Gulf South filing at 3.

⁵ Gulf South states that this conversion is based upon Gulf South's average system gas splits (55/30/15) using the Peng-Robinson Equation of State. Because the conversion is based on a system average, certain receipts that meet the current gas quality standards may not meet this requirement and certain receipts that do not meet the current standards may meet the new standards.

⁶ Gulf South filing at 10.

by volume, and create a two percent (2%) by volume safe harbor. Finally, consistent with the Interchangeability White Paper, Gulf South proposes to create a new specification for total inerts.⁷

8. Gulf South states that although it has not experienced gas quality concerns on its system, the trend among interconnecting interstate pipelines that deliver to colder climates is to implement more strict gas quality standards. Gulf South claims that this trend could result in interconnecting pipelines refusing to accept gas delivered from the Gulf South system, and could cause supply disruptions and interfere with the seamless transportation of gas across the interstate pipeline grid.

9. Gulf South further states that its proposed tariff sheets maintain its traditional operational flexibility, but provide Gulf South with tariff authority to impose tighter gas quality restrictions that could be needed to ensure that interconnecting interstate pipelines will accept gas from the Gulf South system. Gulf South avers that its proposed tariff revisions satisfy the principles set forth in the *Policy Statement*, and generally are consistent with the interim guidelines of the HDP and Interchangeability White Papers, as well as the tariff trends on interconnecting interstate pipelines. Gulf South claims that without the ability to impose tighter gas quality restrictions, Gulf South's ability to transport gas for off-system customers, which accounts for approximately fifty percent of its total throughput, will be jeopardized and could impede customers' access to competitive natural gas supplies. Gulf South emphasizes that its proposal will allow it to continue operating reliably, to eliminate the use of gas quality specifications as a competitive tool, to maximize the availability of gas supply to critical markets and to enhance the integration of the interstate grid.

10. Gulf South provides certain figures and exhibits to support its filing. The following figures are provided: (1) Figure 1 displays the average receipts from pipeline interconnects, wellheads, plant tailgates, and storage from December 2004 to November 2006; (2) Figure 2 compares Gulf South's current specifications and interconnecting pipeline specifications; (3) Figure 3 compares Gulf South's proposed specifications and interconnecting pipelines specifications; (4) Figure 4 compares approximate C6+ mole percent, CHDP, and C5+ GPM values; (5) Figure 5 provides Gulf South's historical C6+ mole percent deliveries; (6) Figure 6 provides Gulf South's historical Btu deliveries; (7) Figure 7 provides Gulf South's historical carbon dioxide deliveries (percent by volume); and, (8) Figure 8 provides Gulf South's historical total inerts deliveries (percent

⁷ *Id.* Gulf South states that it reordered certain of its gas quality specifications in section 2.1, and that except as discussed in its filing, no other changes are proposed to section 2 or 10 of its GT&C.

by volume). The following exhibits are provided: (1) Exhibit A displays major off-system deliveries with interconnecting pipelines and their CHDP requirements; (2) Exhibit B displays the average daily flow and commingled CHDP for wellhead gas by area specifically displaying wellhead receipts and straddle plant processing points; (3) Exhibit C displays the percent throughput to off-system markets; and, (4) Exhibit D displays proposed quality monitoring sites.

Public Notice, Interventions and Protests

11. Public notice of Gulf South's filing was issued on January 30, 2007. Interventions and protests were due February 7, 2007, as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2006)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2006)), 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. On February 7, 2007, CenterPoint Energy Entex (Entex) filed a motion to intervene in support of Gulf South's filing, Indicated Shippers⁸ filed a protest and request for a technical conference and United Municipal Distributors Group (UMDG)⁹ filed a motion to intervene in general support of Gulf South's filing with additional comments. On February 16, 2007, Gulf South filed an answer to the Indicated Shippers' protest. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 213(a)(2)(2006), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Gulf South's answer because it provided us information that assisted us in our decision-making process.

12. Indicated Shippers request that the Commission reject Gulf South's filing and order Gulf South to revise its tariff to include just and reasonable gas quality specifications and safe harbors consistent with the Interchangeability and HDP White Papers, the *Policy Statement* and the operating characteristics of Gulf South's system. Indicated Shippers argue, among other things, that Gulf South's proposed Btu safe harbor

⁸ For purposes of this filing Indicated Shippers consist of BP America Production Company, BP Energy Company, Chevron U.S.A. Inc., and Shell NA LNG LLC.

⁹ UMDG consists of the following municipal-distributor customers of Gulf South: Utilities Board of the City of Atmore, Alabama; City of Brewton, Alabama; Town of Century, Florida; Utilities Board of the Town of Citronelle, Alabama; City of Fairhope, Alabama; Utilities Board of the City of Foley, Alabama; North Baldwin Utilities, Alabama; Okaloosa Gas District, Florida; City of Pensacola, Florida; and South Alabama Gas District, Alabama.

is not based on technical requirements and is inconsistent with the Interchangeability White Paper. Moreover, continues Indicated Shippers, Gulf South's proposed hydrocarbon liquid safe harbor is not supported by the technical, historical and operating conditions on its system, and suggests that Gulf South should amend certain of its proposed gas quality tariff provisions. Indicated Shippers further request that the Commission set Gulf South's gas quality proposals for additional evidentiary proceedings and a technical conference.

13. UMDG states that it generally supports Gulf South's proposals in the instant filing. Specifically, UMDG supports the tariff provisions that provide protection to on-system distributors from liquids drop-out problems, including the new safe harbor specification and the authority to issue OFOs to protect Gulf South's system and the systems of its on-system distributor customers. UMDG also asserts, however, that Gulf South's proposed section 2.2 of its GT&C contains some apparent inconsistencies that require clarification. UMDG also urges Gulf South to clarify that Gulf South will endeavor when applying its revised gas quality standards to maximize gas supply available to on-system customers when doing so will not compromise its ability to serve those customers. UMDG cautions that to the extent practicable, the pipeline should not sacrifice on-system customers' access to gas supplies in its pursuit of consistency with the gas quality provisions of downstream pipelines.

Gulf South's Answer

14. In its answer, Gulf South states that Indicated Shippers' protest reflects general commentary and rhetoric common in the current gas quality debate, rather than a serious analysis of Gulf South's proposed tariff sheets. However, Gulf South also states that Indicated Shippers' protest is correct in the aspect that Gulf South did not submit any technical or scientific data to support its proposed tariff changes. Gulf South asserts that its proposed tariff changes are not required by the operational requirements of Gulf South's system. Rather, continues Gulf South, as clearly explained in its transmittal letter, the proposal is based upon the more restrictive gas quality specifications established, proposed, and under consideration by other interstate pipelines connected to Gulf South's system. Accordingly, argues Gulf South, a technical conference will be of no value. Gulf South further asserts that the Commission should reject Indicated Shippers' protest, deny their request for discovery procedures, and approve Gulf South's filing, to be effective March 1, 2007.

15. Gulf South asserts that Indicated Shippers' claim that Gulf South's proposal is inconsistent with the *Policy Statement* and HDP and Interchangeability White Papers is irrelevant and should be disregarded by the Commission. Gulf South stresses that the *Policy Statement* and HDP and Interchangeability White Papers do not impose mandatory requirements on pipelines. Gulf South argues that: (1) its proposed Btu and C6+ tariff

provisions are just and reasonable; (2) it needs the proposed C6+ and Btu maximum limits to safely operate its system; (3) the Commission should reject the suggested definition for “Dusts, Gums and Solid Matter,” but accept Indicated Shippers’ suggested definition for “Hydrocarbon Dew Point” and Liquids;” (4) its proposed monitoring point provision contains sufficient detail; (5) it needs the proposed gas quality procedures to operate its system flexibly; (6) proof of processing and contractual pairing; and, (7) the Commission should not require Gulf South to post gas quality waivers.

Discussion

16. The Commission has reviewed Gulf South’s filing as well as the protests in the proceeding and finds that Gulf South’s proposed gas quality specifications raise numerous technical, engineering and operational issues which are best addressed at a technical conference. At the conference, the Commission Staff and the parties to the proceedings will have the opportunity to further discuss Gulf South’s justification and support for the proposed gas quality specifications.

17. Gulf South should be prepared to address the concerns raised by the parties in this proceeding and, if necessary, to provide additional technical, engineering and operational support for its proposed gas quality specifications, including support for Gulf South’s assertion that its current operating parameters are not sufficient to ensure the acceptance of gas by interconnecting pipelines. Consistent with the Commission’s Natural Gas Interchangeability Policy Statement in PL04-3-000, Gulf South should be prepared to explain how its proposal differs from the NGC+ interim guidelines.¹⁰ In addition, any party proposing alternatives to Gulf South’s proposal should also be prepared to support its position with adequate technical, engineering and operational information. Finally, based upon its analysis of the information provided in this proceeding, the Commission Staff may issue data requests prior to the technical conference or a notice of the technical conference may contain questions that need to be addressed by Gulf South or other parties at the conference.

Suspension

18. Based on 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, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing, and suspend their effectiveness for the period set forth below, subject to the conditions in this order.

¹⁰ Policy Statement at P 34 and 37.

19. The Commission's policy regarding tariff filing 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 that it may be inconsistent with other statutory standards. *See, Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). 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. *See, Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). Such circumstances do not exist here. Therefore, the Commission will accept and suspend the proposed tariff sheets until the earlier of a date set by subsequent Commission order or August 1, 2007, subject to the outcome of the technical conference established herein and further orders of the Commission.

The Commission orders:

(A) The tariff sheets listed in the Appendix are accepted and suspended to be effective the earlier of a date set by a subsequent Commission order or August 1, 2007, and subject to the outcome of the technical conference established below.

(B) The Commission's staff is directed to convene a technical conference to address the issues raised by Gulf South's filing and report the results of the conference to the Commission within 120 days of the date this order issues.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

APPENDIX

Gulf South Pipeline Company, LP
FERC Gas Tariff, Sixth Revised Volume No. 1
Tariff Sheets conditionally accepted effective August 1, 2007

First Revised Sheet No. 805A
Second Revised Sheet No. 810
First Revised Sheet No. 900
Second Revised Sheet No. 901
Original Sheet No. 901A
Original Sheet No. 901B
Second Revised Sheet No. 902
First Revised Sheet No. 903
Original Sheet No. 904
Sheet Nos. 905-999
Second Revised Sheet No. 1705
Second Revised Sheet No. 1708
Original Sheet No. 1708A