

122 FERC ¶ 61,180
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 29, 2008

In Reply Refer To:
SG Resources Mississippi, L.L.C.
Docket No. RP08-184-000

SG Resources Mississippi, L.L.C.
c/o Dewey & LeBeouf LLP
975 F Street, N.W.
Washington, DC 20004-1405

Attention: James F. Bowe, Jr.

Reference: Certificate Compliance Filing

Ladies and Gentlemen:

1. On January 31, 2008, SG Resources Mississippi, L.L.C. (SGRM) filed its proposed FERC Gas Tariff, Original Volume No. 1 (*see* Appendix) to comply with the Commission's October 10, 2002 Order (Certificate Order) granting SGRM a certificate of public convenience and necessity to construct and operate a high-deliverability salt-dome gas storage facility in Greene County, Mississippi and to provide open-access storage and hub services at market-based rates.¹ The Certificate Order required SGRM to file revised tariff sheets to comply with the requirements of the order thirty to sixty days prior to commencement of service. In addition to filing revised tariff sheets to comply with the Certificate Order, SGRM has filed additional modifications to its tariff to comply with Commission orders of general applicability to natural gas companies issued since the Certificate Order and to reflect current commercial conditions. We accept SGRM's FERC Gas Tariff, Original Volume No. 1 to be effective on March 1, 2008, subject to further revisions discussed below.

¹*SG Resources Mississippi, L.L.C.*, 101 FERC ¶ 61,029 (2002). The certificate was later amended to include additional pipeline and interconnect facilities, i.e., the FGT/Transco Lateral. 118 FERC ¶ 61,048 (2007).

2. Public notice of SGRM's filing was issued on February 7, 2008. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2007). Pursuant to Rule 214 of the Commission's Rules and Practices of Procedure, 18 C.F.R. § 385.214 (2007), all timely motions to intervene and any motions to intervene out-of-time filed before the issuance of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. No protests were filed.

3. SGRM's *pro forma* tariff submitted with its certificate application included certain penalties for gas improperly left in storage in the form of retention of the delinquent customer's gas without compensation that would have applied when a customer failed to vacate storage at the termination or expiration of its contract or when an interruptible customer failed to remove gas from storage following an interruption notice. SGRM proposes to modify its *pro forma* tariff to eliminate the penalty aspects of its process for disposing of such gas by using an auction process following which SGRM would credit 95 percent of the proceeds of the auction to the customer. SGRM proposes to retain 5 percent of the proceeds to cover its costs of storing the gas, conducting the auction and other administrative costs of arranging the sale. SGRM states that its disposition of gas in this manner is not a penalty because the entire proceeds of the auction, net of SGRM's costs, are paid to the customer and that the Commission's regulations requiring the crediting of penalty revenues are not applicable because there would be no penalty revenue to credit.

4. The Commission finds that SGRM's proposal is not consistent with Commission policy or with proposals of other storage providers accepted by the Commission. The Commission has accepted, pursuant to the revenue crediting provision of Order No. 637, gas retention proposals by other storage providers whereby the storage provider credits some portion of the net proceeds from the sale of retained gas to all of its customers whose gas was not purchased, stating that the retention of gas left in storage at the end of the withdrawal period is an operationally-justified deterrent to shipper behavior that could threaten the system or degrade service to firm shippers. However, the Commission has not permitted the storage provider to retain any specific percentage of the proceeds of the sale as SGRM proposes. In *Windy Hill Gas Storage, LLC*,² cited by SGRM, the Commission accepted a proposal that provided that the storage provider would refund a portion of the *net proceeds* of the auction to the customer and the remainder of the *net proceeds* to other customers.³ This is not the same as SGRM's proposal to keep 5 percent of the proceeds of the auction to cover administrative expenses. SGRM's proposal could result in it retaining an amount greater than its expenses and this is not consistent with Commission policy. Therefore, SGRM is ordered to revise the provisions

² 119 FERC ¶ 61,291, at P 51-56 (2007).

³ See also, *Tres Palacios Gas Storage, LLC*, 120 FERC ¶ 61,253, at P 57-59 (2007).

in Rate Schedules FSS, SFS, ISS, IP and IB to provide that the net proceeds of the sale must be credited to the customer. This permits SGRM to cover its administrative costs, but not to receive a profit on the sale.

5. SGRM proposes changes to section 3(j) of Rate Schedule FSS to provide customers the option of paying directly to the taxing authority for all applicable taxes assessed to SGRM. This option has not been added to section 3.3 of the Form of Service Agreement on Original Sheet No. 201 and SGRM is directed to add that provision to the Form of Service Agreement.

6. SGRM proposes changes to section 17 of its General Terms and Conditions to address a shipper's obligation to pay reservation charges and SGRM's requirement to provide reservation charge credits. Section 17.1(c) states that SGRM will provide reservation charge credits for each day on which a customer's firm service is curtailed such that the customer does not receive at least 98 percent of its scheduled service. The Commission's policy regarding reservation charge adjustments is that where scheduled gas is not delivered due to a *non-force majeure* or planned maintenance event, there must be a full reservation charge adjustment as to the undelivered amount. This is because the failure was due to the pipeline's conduct and was within its control. SGRM's proposal not to provide reservation charge credits when it schedules at least 98 percent of a shipper's nominations in non-force majeure situations does not comply with Commission policy because it requires shippers to bear the risk associated with interruption of service within the pipeline's control.⁴ SGRM is directed to revise its tariff to provide reservation credit when it does not provide 100 percent of its scheduled service.

7. SGRM requests a limited waiver in the form of an extension of time to comply with the NAESB standards related to Electronic Data Interchange/Electronic Delivery Mechanism (EDI/EDM) and Flat File/Electronic Delivery Mechanism (FF/EDM) requirements so as to allow SGRM to postpone implementation until 90 days following receipt by SGRM of a request to send information via EDI/EDM. SGRM states it has not received any requests to send information via EDI/EDM and FF/EDM and does not expect any such requests in the foreseeable future. SGRM also states its Internet web site will include postings of capacity release information that the Commission requires to be available to the public. Consistent with Commission precedent we will grant SGRM's request for an extension of time to comply with the EDI/EDM and FF/EDM standards, based on its statements that it does not expect requests to send information via those mechanisms. However, we will require SGRM to implement those standards within 90 days following the receipt of such a request.⁵

⁴ See, e.g., *Rockies Express Pipeline LLC*, 116 FERC ¶ 61,272, at P 63 (2006).

⁵ See, e.g., *Tres Palacios Gas Storage, LLC*, 120 FERC ¶ 61,253, at P 52 (2007); *Windy Hill Gas Storage, LLC*, 119 FERC ¶ 61,291, at P 103 (2007).

8. In sum, the Commission accepts SGRM's tariff sheets listed in the Appendix to be effective March 1, 2008, subject to SGRM filing revised tariff sheets, within 15 days of the date of this order, consistent with the discussion in the body of this order.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

cc: All Parties
Mark D. Cook, Vice President
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Appendix

**SG Resources Mississippi, L.L.C.
FERC Gas Tariff, Original Volume No. 1**

Tariff Sheets Effective March 1, 2008, Subject to Conditions

Original Sheet Nos. 0 through 13

Sheet Nos. 14-19 (Reserved for future use)

Original Sheet Nos. 20 through 52

Sheet Nos. 53-99 (Reserved for future use)

Original Sheet Nos. 100 through 170

Sheet Nos. 171-199 (Reserved for future use)

Original Sheet Nos. 200 through 247