124 FERC ¶ 61,299
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Southern Natural Gas Company Docket Nos. RP07-690-001
RP07-690-002
RP07-690-003

ORDER ON REQUEST FOR CLARIFICATION OR REHEARING AND COMPLIANCE FILING

(Issued September 29, 2008)

1. On April 23, 2008, Southern Natural Gas Company (Southern) filed a request for clarification or, in the alternative, rehearing of the Commission's March 31, 2008 order (March 31 Order) [1] order in this proceeding. That order required Southern to modify its proposed changes to the hourly flow provisions in its tariff. On April 30, 2008, Southern, filed revised tariff sheets to comply with that order (April 30 Compliance Filing). On May 8, 2008, Southern filed a substitute revised tariff sheet[2] to replace the revised tariff sheets filed in the April 30 Compliance Filing which were either incorrectly paginated or previously filed. In this order, the Commission grants the requested clarification, dismisses the request for rehearing and compliance filings as moot, and requires an additional compliance filing.

Background

2. On September 12, 2007, Southern filed revised tariff sheets[3] to modify sections 10.2 and 10.3 of the General Terms and Conditions (GT&C) of its tariff and its *pro forma*

[1] *Southern Natural Gas Co.*, 122 FERC ¶ 61,302 (2008).

[2] Substitute Fifth Revised Sheet No. 123.

[3] Fifth Revised Sheet No. 123, Ninth Revised Sheet No. 177, Fourth Revised Sheet No. 218, Third Revised Sheet No. 222, and Second Revised Sheet No. 300 to its FERC Gas Tariff, Seventh Revised Volume No. l.

firm service agreement.[4] Section 10.1 of the GT&C of Southern's tariff provides that, except as provided in section 10.2, Southern will deliver gas at rates as constant as operationally feasible throughout the day. Section 10.2 of the GT&C of Southern's tariff allows shippers to take gas at any primary delivery point at an hourly rate of flow necessary to serve their firm markets, provided that Southern is not obligated to deliver at an hourly rate in excess of 6 percent the shipper's firm maximum daily delivery quantity (MDDQ) at such primary delivery point. This percentage allows shippers to take gas at their primary points up to their daily contractual MDDQ over a sixteen-hour day. Section 10.3 of the GT&C of Southern's tariff provides that, in the event it determines that a shipper's takes at an hourly rate in excess of 6 percent of the firm MDDQ for a primary delivery point threaten the integrity of its system, Southern can order the shipper to reduce its takes at that point to an hourly rate of not greater than 6 percent of the shipper's firm MDDQ at that delivery point. The section 10.1 requirement of uniform hourly takes (about 4.2 percent per hour) applies to all service at secondary points.

3. As here relevant, Southern proposed to revise section 10.3 of the GT&C of its tariff such that, in the event it determines that a shipper's takes at an hourly rate in excess of 6 percent of the MDDQ for a primary delivery point threaten the integrity of its system, Southern can order the shipper to reduce its takes at that point to an hourly rate equal to 6 percent of the scheduled volumes, rather than an hourly flow rate not greater than 6 percent of the shipper's MDDQ. Southern's specific proposed changes to section 10.3 at issue here are shown below in strike-out and italics:

> If COMPANY determines in its reasonable judgment that SHIPPER'S takes-of gas in excess of an hourly rate of 6 percent of the firm Maximum Daily Delivery Quantity for a Delivery Point threaten the integrity of its pipeline system, including the ability to deliver to any other SHIPPER its Daily Entitlement, COMPANY shall give SHIPPER four (4) hours' prior notice to reduce its takes of gas at such Delivery Point to an hourly rate ~~not greater than~~ *equal to* 6 percent of the *scheduled quantities within SHIPPER's* firm Maximum Daily Delivery Quantity for such Delivery Point . . . .[5]

4. The East Tennessee Group (ETG) and Calhoun Power Company I, LLC (Calhoun) filed protests arguing that limiting their hourly takes at primary points to 6 percent of their scheduled amounts would reduce their existing hourly take flexibility without justification. Southern filed an answer to the protests.

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[4] Southern also proposed changes to GT&C section 22.6(c)(14) concerning a releasing shipper's offer and to its transportation request form in Appendix A of its GT&C.

[5] Fifth Revised Sheet No. 123.

5. In its October 31, 2007 Order (October 31 Order),[6] the Commission accepted and suspended the revised tariff sheets to become effective the earlier of a date established by a subsequent order or April 1, 2008, subject to refund and conditions and further review. The Commission noted that existing section 10.3 authorizes Southern to limit a shipper's hourly flow flexibility at its primary point based upon a finding that the shipper's takes of gas in excess of 6 percent of its daily MDDQ at that point threaten system integrity, and, consistent with that finding, permitted Southern to limit the shipper's hourly flows to no more than 6 percent of its daily MDDQ. The Commission further noted that Southern only proposed to modify the remedy it can impose based on its finding that takes in excess of 6 percent of MDDQ threaten system integrity. The Commission stated that Southern's proposal appeared to result in a mismatch between the finding it must make in order to limit a shipper's hourly flow flexibility and the remedy it may impose, and it was not clear why a finding that hourly takes in excess of 6 percent of MDDQ threaten system integrity should justify Southern limiting hourly takes to 6 percent of scheduled service, a lower level when a shipper has not scheduled its full MDDQ. The Commission directed Southern to explain whether its system can, as an operational matter, handle greater variability in hourly gas flows at lesser scheduled amounts, as its current tariff appears to presume, and, if so, why any limit tied to scheduled amounts should be permitted.

6. On November 16, 2007, Southern filed a response (November 16 Compliance Filing) providing further information and explanation supporting its proposed revision to section 10.3 of its GT&C to comply with the Commission's October 31 Order. ETG and Calhoun filed reply comments arguing that Southern had failed to support its proposal.

The March 31, 2008 Order

7. In the March 31 Order, the Commission conditionally accepted Southern's November 16 Compliance Filing as in satisfactory compliance with the October 31 Order and permitted the revised tariff sheets to become effective April 1, 2008, subject to conditions. The Commission noted that Southern explained that the purpose of its proposal is to maximize the amount of secondary service it may provide when excess hourly flows at primary points threaten system integrity. The Commission found that Southern had adequately demonstrated that requiring it to permit a shipper to take hourly deliveries at its primary point up to 6 percent of its MDDQ at that point, regardless of the levels of service the shipper has scheduled at primary and secondary points, would unnecessarily restrict Southern's ability to schedule service at secondary points during critical periods. However, the Commission also found that Southern's proposed revision to section 10.3 would permit it to reduce hourly flexibility to a lower level than its compliance filing indicated was necessary. The Commission stated that, in those examples, Southern stated, in effect, that, during a critical period a restriction of hourly flows at a shipper's primary delivery point would equal 6 percent of the MDDQ at that primary delivery point less its limited hourly flow at secondary points on the affected line

[6] *Southern Natural Gas Co.*, 121 FERC ¶ 61,118 (2007).

segment. Therefore, Southern was directed to file revised tariff sheets removing its originally proposed language and substituting language expressly stating that the limitation to hourly flows at the shipper's primary delivery point in section 10.3 will equal 6 percent of the shipper's firm MDDQ at that point less its limited hourly flow at secondary points on the affected line segment.

<u>The Request for Clarification or, in the Alternative, Rehearing</u>

8. Southern argues the revised tariff language required by the March 31 Order does not fully consider the effect of multiple shippers and their secondary nominations on the affected line segment or nominations of capacity release and the impact on secondary service. Southern states that the revised language required by the Commission would be appropriate to address the treatment of single firm shipper's hourly flow if that shipper was the only shipper requiring service on the affected line segment and it scheduled service at both its primary point and a secondary point on the segment. However, Southern contends that the Commission must recognize that there are instances where, in addition to the firm shipper with a primary point on the affected line segment, other firm shippers whose primary points are not on that line segment may nevertheless nominate to a secondary point on the affected line segment. Southern contends that the Commission should clarify that Southern may take into account hourly flows by all firm shippers at secondary points on the affected line segment, provided that a firm shipper with a primary point on the affected line segment may always receive at least 6 percent of its scheduled volumes on an hourly basis at its firm delivery point. Southern argues that, unless the Commission clarifies the revised tariff provision, Southern will not be able to maximize the amount of secondary service available on the affected line segment to shippers other than the primary point holder.[7]

9. Southern argues that the Commission's required revisions change how Southern currently operates, even under normal operating conditions, and increases the likelihood of it having to issue a Type 2 OFO.[8] Southern contends that, for example, under the revised provision directed by the March 31 Order, if the capacity of an affected line segment is 100,000 Mcf/day and a shipper has primary rights at the only point on the line segment of 100,000 Mcf/day, but such shipper is only nominating 50,000 Mcf/day at that point, Southern would not be able to schedule secondary flow of up to 50,000 Mcf/day on the line segment by other shippers because the firm capacity holder might decide to start taking 6 percent of its MDDQ on an hourly basis thereby using up the full capacity of the line segment even though it has scheduled only half of the capacity of the line segment on

[7] Southern asserts that this limitation on secondary service is demonstrated by the examples presented in Exhibit A in its filing.

[8] Section 41 of Southern's GT&C provides that the hourly market demand exceeds capacity provisions of section 10.3 constitute a Type 2 OFO or critical period.

a daily basis. Southern argues that its proposed clarification is consistent with its current successful practice which allows flexibility and does not unnecessarily preserve hourly capacity on an unscheduled basis which would degrade secondary flexibility. In Exhibit A to its rehearing request, Southern illustrates its arguments on rehearing with several examples of how it would implement it proposal for limiting a firm shipper's hourly flows at its primary points during critical periods.

Public Notice

10. Public notice of the April 30 Compliance Filing and the May 8, 2008 correction was issued on May 2, 2008 and May 13, 2008, respectively. Protests were due as provided in section 154.210 of the Commission's regulations. No protests or adverse comments were filed.

Discussion

11. The Commission grants Southern's requested clarification in order to permit Southern to take into account the uniform hourly flows of all shippers scheduling secondary service on the affected line segment, when Southern exercises its section 10.3 authority to limit a shipper's hourly flow flexibility at its primary point. The Commission will continue to require that Southern use six percent of the firm shipper's MDDQ at its primary point as the starting point for calculating any section 10.3 limitation on that shipper's hourly flows at that point. However, the Commission clarifies that Southern may reduce that volume by the uniform hourly flows of all shippers scheduling secondary firm service on the affected line segment, provided that the hourly flow entitlement of the firm shipper with a primary point on the affected line segment is not reduced below six percent of its scheduled volumes.

12. This clarification appropriately maximizes Southern's ability to schedule secondary service on the affected line segment for all shippers requesting such service during periods when excess hourly flows at the primary points threaten system integrity. At the same time, the requirement that Southern continue to use six percent of the firm shipper's MDDQ at the primary point as the starting point for calculating its hourly flow entitlement during critical periods avoids authorizing Southern to reduce the shipper's hourly flow flexibility at primary points below that necessary to account for scheduled secondary service. As demonstrated in Southern's examples presented in Exhibit A of its request, without the clarification granted by this order, Southern's ability to schedule secondary service would be hindered. Those examples also demonstrate that Southern

need not reduce hourly flow entitlement of a firm shipper at its primary point all the way down to six percent of its scheduled volumes in all circumstances in order to maximize its ability to schedule secondary firm service.[9]

13. Therefore, the Commission grants Southern's requested clarification. Southern is directed, within thirty days of the date this order issues, to clarify the subject language by filing revised tariff sheets stating that the limitation of hourly flows at the shipper's primary delivery point in section 10.3 will equal 6 percent of the shipper's firm MDDQ at that point less the uniform hourly flows of all firm shippers scheduling service at secondary points on the affected line segment, provided that the affected shipper shall always be entitled to receive at least 6 percent of its scheduled volumes on an hourly basis at its primary delivery point on the affected line segment.

14. Accordingly, Southern's alternative request for rehearing of the March 31 Order, the April 30 Compliance Filing, as corrected in the May 8, 2008 filing, and the revised tariff sheets contained therein, are dismissed as moot.

<u>The Commission orders:</u>

(A) Southern's request for clarification of the March 31 Order is granted.

(B) Southern's request for rehearing of the March 31 Order is dismissed as moot.

(C) The April 30 Compliance Filing, as corrected in the May 8, 2008 filing, and the revised tariff sheets contained therein are dismissed as moot.

(D) Southern is directed, within thirty days of the date this order issues, to file revised tariff sheets consistent with the Commission's discussion in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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[9] Under both scenarios presented in Exhibit A, Southern states that under its proposal for taking into account all scheduled secondary firm service, the firm shipper would be entitled to receive approximately 7.7 percent of its scheduled volumes on an hourly basis, not just 6 percent.