

130 FERC ¶ 61,272
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

Gulf South Pipeline Company, LP

Docket No. RP10-465-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS SUBJECT TO
CONDITIONS AND ESTABLISHING A TECHNICAL CONFERENCE

(Issued March 31, 2010)

1. On March 2, 2010, Gulf South Pipeline Company, LP, (Gulf South) filed revised tariff sheets¹ to modify the pooling provisions set forth in its Rate Schedule PS and certain other tariff sections. Specifically, Gulf South states that its proposal will address a system constraint that is affecting the scheduling of pooling on its system by dividing its existing Pooling Area 7 into two smaller pooling areas. Gulf South proposes the instant tariff sheets to become effective April 1, 2010. For the reasons discussed below, the Commission accepts and suspends the tariff sheets, to become effective September 1, 2010, or an earlier date set by subsequent Commission order, subject to the outcome of a technical conference.

Details of Filing

2. Gulf South states that it currently offers pooling service under Rate Schedule PS and that it has eleven pooling areas, all on what it terms as is Legacy System.² Gulf South contends it is experiencing capacity constraints in the center of Pooling Area 7, which is located to the north of its Legacy System, due to increased production in the Haynesville Shale, located in the Hall Summit area of Louisiana. As a result, Gulf South proposes to split the existing Pooling Area 7 into two pooling areas – a smaller Pooling Area 7 and Pooling Area 20. Gulf South proposes to divide the pooling area at the point

¹ See Appendix.

² Gulf South states that the Legacy System includes its historical reticulated pipeline, but does not include certain expansion facilities delineated in section 1 of its General Terms and Conditions (GT&C).

of the constraint in the Hall Summit area. Gulf States contends this division of its current Pooling Area 7 into two pools will better reflect how it currently operates its system and will resolve operational pooling problems by keeping the system constraints on the boundaries of the pooling area instead of in the middle of the pool.

3. According to Gulf South, the Hall Summit constraint exists because shippers now desire to transport more gas through the Hall Summit Compressor Station than can be physically accommodated because of the increased gas production west of the Hall Summit area. As support for this contention Gulf South states that between January 2008 and January 2010, gas supplies on the west side of Hall Summit have grown from nine percent of the total receipts in current Pooling Area 7 to 65 percent of the total receipts. Gulf South states that because of the ongoing development of the Haynesville Shale production area, Gulf South expects this trend to continue for the foreseeable future. Further Gulf South contends that because this constraint is in the middle of the current pooling area, scheduling through Pooling Area 7 has become unduly complex and this complexity makes it difficult for shippers to predict the movement of their scheduled quantities through the pooling area. Gulf South asserts that its proposal to divide Pooling Area 7 into two individual pools, thus moving the constraint to the boundary of a pooling area, would help resolve its scheduling difficulties.

4. Gulf South states that Commission policy permits such changes to pooling areas to address operational concerns like system constraints.³ It contends the proposal is also consistent with the order the Commission issued pursuant to Gulf South's original pooling proposal, where the Commission stated that

if after actual operating experience, [Gulf South] or its customers experience problems with the location and/or the number of pooling points, the Commission may revisit the issue in response to an appropriate filing.⁴

Gulf South adds that since large gas supplies are located both east and west of Hall Summit, the reconfigured pooling areas should not significantly reduce liquidity or a shipper's ability to aggregate supplies.

5. To implement its proposal, Gulf South proposes to: (1) revise the pooling maps set forth on Sheet Nos. 11, 13, and 17 of its tariff; (2) add the new pooling area designation to PS Rate Schedule; and (3) make attendant changes to its GT&C. To support its proposal, Gulf South provides an exhibit detailing the gas volumes received at

³ Gulf South Transmittal Letter at 3, *citing*, *El Paso Natural Gas Co.*, 99 FERC ¶ 61,244 (2002).

⁴ Gulf South Transmittal at 4, *citing*, *Koch Gateway Pipeline Co.*, 75 FERC ¶ 61,283, at 61,906 (1996).

Hall Summit, on a monthly basis, for the time period January 1, 2008, through January 1, 2010.

Public Notice and Interventions and Comments

6. Public notice of Gulf South's filing was issued on March 4, 2010, allowing for protests as provided by section 154.210 of the Commission's regulations. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2009), 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 this proceeding or place additional burdens on existing parties. Protests were filed by North Louisiana Shippers, Chesapeake Energy Marketing, Inc., Questar Exploration and Production Company, and Shell Energy North America (US), L.P. BP America Production Company and BP Energy Company filed comments in support of Gulf South's proposal.

7. All protesting parties request that the Commission either reject the filing, or in the alternative, suspend the tariff sheets and convene a technical conference. In general, protesters argue that Gulf South has failed to meet its burden of proof to show that its proposed changes to its pooling provisions are just and reasonable and not unduly discriminatory. They contend the support Gulf South provides for its proposal consists mostly of generalities that are inadequate to prove that dividing an existing pooling area into two smaller pooling areas is the correct course of action to address the system constraints that Gulf South discusses.

8. Protesters raise several specific concerns with regard to Gulf South's pooling proposal. Specifically, they assert that Gulf South fails to: (1) explain why increased flow through Hall Summit would require, from an operational perspective, the bifurcation of an existing pooling area; (2) address the negative impacts its proposal would have on shippers; (3) provide adequate information regarding the long-term gas flows in the existing Pooling Area No. 7, or whether the constraint in question is likely to be a long-term phenomenon; (4) explain what effects its proposal to install additional compression at Hall Summit would have on its pooling proposal; (5) take into account new pipeline capacity being built in the North Louisiana area; (6) discuss the effect its proposal would have on supply diversity; (7) show the effect its proposal would have on the scheduling rights of firm shippers; (8) explain how the creation of Pooling Area 20 would bring greater simplicity, transparency, and efficiency to its pooling service; and (9) estimate the lead time that shippers would need to implement its proposal. Protesters also express concerns that the proposal would reduce market liquidity and customer supply options.

9. On March 17, 2010, Gulf South filed an answer to protests. North Louisiana Shippers filed a reply to this answer by Gulf South on March 24, 2010. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits answers to a protest or adverse comments unless otherwise ordered by the

decisional authority. In this case, the Commission will accept Gulf South's answer and the reply comments filed by North Louisiana Shippers because such filings provide information that has assisted the Commission in its decision-making process.

10. In general, Gulf South states that despite the concerns shown by the comments, its Haynesville/Perryville Project is not relevant to the design of the pooling areas on the Legacy System. Gulf South notes that the Haynesville/Perryville Project receipt points are not connected to the Legacy System and the subject Pooling Area 7 does not serve the Haynesville/Perryville Project facilities. Further, Gulf South comments that the Haynesville/Perryville Project is fully subscribed and will provide little, if any, relief for the Legacy System constraint in the Hall Summit area.

11. Gulf South also comments that its proposal will not change its system to the extent feared by the protests to this proposal. First, Gulf South states that its proposal will not adversely affect customers' flexibility, ability to aggregate gas, or liquidity. Further, it asserts that its proposal will not change any of the rate zone boundaries or the existing rate structure nor will it change any of the scheduling rules under Gulf South's tariff. Gulf South maintains that its proposal will not change the flexible point rights available under Gulf South's tariff, nor will it change the amount of primary firm capacity that is available through the constrained area, and thus will not change the value of such capacity.

12. Lastly, Gulf South asserts that the true complaint of this limited group of protesters is that such protesters have a competitive advantage over other Gulf South customers under the status quo, and Gulf South's proposal to reduce the complexity of current Pooling Area 7 would erode this advantage. For these reasons, Gulf South asserts the protests should be rejected, and this proposal should be approved effective April 1, 2010.

13. North Louisiana Shippers respond and disagree with several statements made by Gulf South in support of its filing. North Louisiana Shippers maintain that Gulf South has not shown that its shippers will in fact benefit from this pooling modification or that the constraint that Gulf South seeks to alleviate is in fact permanent, and request that the Commission either reject the filing or set the proposal for a technical conference.

Discussion

14. The Commission has reviewed Gulf South's filing, the protests and Gulf South's answer. Based on our review of the pleadings, we cannot find that Gulf South has shown its proposed tariff sheets to be just and reasonable. Accordingly, the Commission will accept the tariff sheets for filing, and suspend their effectiveness for the period set forth below, subject to the conditions set forth in this order. Further, as a result of our review of the pleadings, we also find that Gulf South's proposed changes to its pooling

provisions raise operational and technical issues that will best be addressed at a technical conference where staff and all parties will have an opportunity to further discuss their concerns issues and Gulf South's justifications for it proposed pooling modification. Accordingly, Commission staff will convene a technical conference to further discuss the issues raised in this proceeding. At the technical conference, Commission staff and parties will have the opportunity to further discuss Gulf South's justification and support for its proposed pooling changes. Gulf South should be prepared to address all the issues raised by protesters in their pleadings.

Suspension

15. 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 maximum period to be effective September 1, 2010, or an earlier date set by subsequent Commission order, subject to the conditions in this order.

16. The Commission's policy regarding tariff filing suspensions is that such 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). The Commission finds that such circumstances do not exist here. Therefore, the Commission will exercise its discretion and suspend the proposed tariff sheets for the maximum period and permit them to become effective September 1, 2010, 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 become effective September 1, 2010, or an earlier date set by a subsequent Commission order, and subject to the outcome of the technical conference established herein.

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

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Gulf South Pipeline Company, LP
FERC Gas Tariff, Sixth Revised Volume No. 1

Tariff Sheets accepted and suspended, subject to conditions to become effective
September 1, 2010, or an earlier date set by Commission order

Third Revised Sheet No. 11
Second Revised Sheet No. 13
First Revised Sheet No. 17
Fourth Revised Sheet No. 716
First Revised Sheet No. 1500
First Revised Sheet No. 2709A