

133 FERC ¶ 61,183  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Southern Natural Gas Company

Docket No. RP11-60-000

ORDER ACCEPTING AND SUSPENDING TARIFF SECTIONS  
SUBJECT TO REFUND AND CONDITIONS AND FURTHER REVIEW

(Issued November 30, 2010)

1. On October 13, 2010, Southern Natural Gas Company (Southern) filed the revised tariff sections listed in the Appendix to make miscellaneous updates, clarifications, error corrections and enhancements to various sections of Southern's currently effective tariff.<sup>1</sup> Southern requests an effective date of December 1, 2010. For the reasons discussed below, the Commission accepts and suspends the revised tariff sections to become effective December 1, 2010, subject to refund and conditions and further review.

**The Instant Filing**

2. Southern asserts that the enhancements proposed in this filing will afford Southern's shippers greater flexibility by (i) providing for the ability of all eligible shippers to utilize a single master agreement for multiple shippers under certain circumstances; (ii) allowing for sale of interim capacity in addition to the sale of capacity reserved for an expansion; (iii) increasing the accuracy of measurement; and (iv) providing a nomination enhancement.

3. Southern states that its current tariff provides firm shippers the ability to utilize a single master agreement for multiple shippers under the following conditions: the shippers show that they have collectively met the "shipper must have title" test; the shippers and agent demonstrate their agency relationship in writing and demonstrate they are jointly and severally liable to the obligations under the contract; and the shippers are

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<sup>1</sup> On August 27, 2010, Southern made a similar filing with an incorrect Type of Filing Code. Accordingly, the August 27, 2010 filing was rejected in an unpublished order issued on September 16, 2010, in Docket No. RP10-1043-001, without prejudice to Southern making the filing under the correct filing code.

willing to be treated collectively as one shipper for nomination, billing, and allocation purposes under the contract. Southern proposes to include this option for shippers holding any service agreement.

4. Southern also proposes to revise section 2.1(b)(vi) and section 20 of the General Terms and Conditions (GT&C) of its tariff to allow a shipper to enter into an agreement for interim capacity unrelated to an expansion when such capacity is available. Southern states that this proposal is similar to the interim capacity provision accepted by the Commission in *Tennessee Gas Pipeline Co.*, 126 FERC ¶ 61,200 (2009).

5. Southern states that its current tariff provides for adjustment of deliveries of gas when metering errors are found to be more than 2 percent. Southern proposes to revise this provision to provide an adjustment when such errors are more than 1 percent. Southern asserts that this proposed tolerance is the standard in the currently effective tariffs of other pipelines. Southern proposes to allow it to adjust a shipper's scheduled quantity when that shipper requests changes to nominations and when such nominations are accepted by Southern after the Intraday 2 nomination deadline.

6. Southern also proposes the following miscellaneous modifications to its tariff:

- a. eliminate the Rate Schedule for Merchant Sales Service (MSS);
- b. include operational transaction language;
- c. update the Preliminary Statement;
- d. update negotiated rate contract listing;
- e. update the reservation charge credit language for Rate Schedule FT (Firm Transportation Service) and FT-NN (Firm Transportation-No-Notice Service) by deleting the reference to an outdated rate case docket number;
- f. correct miscellaneous errors;
- g. include commencement and termination dates for prospective service when company requests bids for available capacity in order to be consistent with GT&C section 2.1(a)(iii), Inquiries and Conditions for Service;
- h. provide updates, clarifications and explanatory language;
- i. align Southern's measurement provisions with industry standards;
- j. include a 10 Dth tolerance in Southern's Prior Period Adjustment provision in order to minimize the frequency of corrections;
- k. clarify that force majeure on Southern's system may be due to a force majeure on upstream capacity; and,
- l. update Southern's discount provision to remove certain language addressing discounts at alternate points.

**Notice of Filing, Interventions and Protests**

7. Public notice of the instant filing was issued on October 14, 2010. Interventions and protests were due on or before October 25, 2010. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2010)), 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. Indicated Shippers and the Alabama Municipal Distributors Group, the Austell Gas System, the Municipal Gas Authority of Georgia, and The Southeast Alabama Gas District (collectively the Municipals) filed protests which are discussed below. Southern filed an answer to the protests requesting that the protests be denied, and Indicated Shippers filed an answer to Southern's answer.<sup>2</sup>

8. Indicated Shippers object to Southern's proposed tariff provisions concerning operational sales and purchases and to certain proposed tariff provisions concerning the measurement of volumes. Indicated Shippers and Municipals also protest Southern's proposed continuation of certain reservation charge crediting provisions.

**Discussion**

9. The Commission accepts and suspends the revised tariff sections to become effective December 1, 2010, subject to refund and conditions and further review. As discussed below, Southern is directed to file revised tariff sections in compliance with the directives in this order within thirty days of the date of this order.

**Operational Sales and Purchases**

10. Southern proposes to add a new section 14.1(j) of its GT&C permitting it to make operational sales and purchases of gas. That section provides that such operational sales may include, but are not be limited to, purchases or sales to maintain system pressure and line pack, to balance fuel quantities, to resolve shipper imbalances, to maintain an appropriate level of storage inventory, and to perform other operational functions. That section also provides that the operational transactions shall be conducted on a not unduly discriminatory basis either by negotiating directly with individual parties or through an open season. Operational transactions entered into to resolve shipper imbalances and maintain storage inventory shall be accounted for under section 14.2 of the GT&C.

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<sup>2</sup> Pursuant to 18 C.F.R. § 385.213 (2010), answers to protests and answers to answers are not permitted. In the instant circumstances, the Commission finds that the answers provide information to help ensure a complete record in this proceeding and, therefore, the Commission accepts Southern's answer and Indicated Shippers' answer to that answer.

11. Indicated Shippers request that the Commission require Southern to conduct an open season for all operational purchases and sales, unless operationally infeasible. Southern argues that because of the volatility of gas prices, taking the time to implement an open season may cause a loss in value of the purchase or sale of the gas. If gas prices are relatively stable, then Southern might elect to hold an open season, but it is not necessarily true that an open season renders the best pricing result. Southern asserts that its Tariff is consistent with the tariffs of numerous other pipelines that do not require an open season for operational transactions.<sup>3</sup>

12. Regardless of whether some pipelines may have tariff provisions not requiring open seasons for operational transactions, current Commission policy “requires that all operational sales of gas be subject to bidding.”<sup>4</sup> As the Commission stated in *Dominion*, posting the gas for sale will provide all of the pipeline’s shippers with the opportunity to compete for those volumes. Therefore, Southern is directed to file revised tariff sections which include a requirement that the operational gas for sale be posted for bid pursuant to the bidding procedures in section 20 of its GT&C.

13. Indicated Shippers also request that the Commission require Southern to file an annual report documenting all operational purchases and sales. Indicated Shippers assert that this annual report should include the following items: the source of the operational gas purchased/sold (i.e., the third party involved in the purchase or sale), the date of such purchases/sales, volumes, the purchase/sale price, the costs and revenues from such purchases/sales and the disposition of the associated costs and revenues for all types of operational purchases and sales. Indicated Shippers contend that the annual report should also separately state cash out operational purchases and sales from other types of operational purchases and sales.

14. Southern argues that it is already required to provide two annual reports detailing its operational purchases and sales associated with fuel use and imbalance cash out activity and filing a third report as proposed by the Indicated Shippers would be unduly burdensome, especially considering that the fuel and cash out reports required to be filed annually cover approximately 98 percent of the total operational purchases and sales made by Southern. Southern further asserts that, pursuant to Order No. 704, the Commission requires pipelines to file annually Form 552, also detailing their types of

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<sup>3</sup> Citing, e.g., Empire Pipeline, Inc. FERC Gas Tariff, First Revised Volume No. 1, Part VII Section 4.9(c); Tennessee Gas Pipeline Company FERC Gas Tariff, Sixth Revised Volume No. 1, Original Sheet No. 255.

<sup>4</sup> *Blue Lake Storage Co.*, 132 FERC ¶ 61,177, at P 7 (2010), (citing *Wyoming Interstate Gas, Ltd.*, 107 FERC ¶ 61,315, at P 9 (2004), *order on reh’g*, 111 FERC ¶ 61,215 (2005) and *Dominion Transmission, Inc.*, 106 FERC ¶ 61,029, at P 17 (2004) (*Dominion*)).

purchase and sale transactions. Southern asserts that the requirements of Order No. 704 demonstrate that Southern's operational purchases and sales are *de minimis* by the Commission's standards and Southern's reportable transactions required to be included in Form 552 did not even rise to the reportable threshold of 2.2 Bcf in 2009, the most recent year reported.

15. Southern further argues that the tariff provision detailing the annual report under the fuel tracking mechanism in paragraph 35.2 of its GT&C is covered under its most recent rate case settlement and is protected under the moratorium which parties are precluded from revising. Southern argues that, in the Stipulation and Agreement in Docket No. RP09-427, Southern and the Settlement Parties agreed as part of the Rate Moratorium not to modify or change the fuel tracking mechanism contained in the Settlement Tariff Provisions prior to September 1, 2012 under the terms of any proceeding. Southern further argues that, Article IV C.1. of the Stipulation and Agreement states:

During the Rate Moratorium, [Southern's] customers, interveners herein, and any successor or assignee of any of the foregoing (collectively, "Customers"), will not initiate, undertake, pursue, seek, lobby, advocate or support during the Rate Moratorium any effort, whether by itself or with others, under NGA Section 5 or any other procedural vehicle before any governmental authority or regulatory body having jurisdiction over [Southern], to modify, restrict, encumber, reduce or otherwise change in any way the Settlement Rate Provisions, Settlement Tariff Provisions or any other provision of this Settlement including, but not limited to a change in the Rate Moratorium or in the maximum lawful rate charged by [Southern] to parties not subject to the Settlement Rate Provisions during the Rate Moratorium (a "Restricted Proceeding"). The Customers hereby waive and relinquish their rights under NGA Section 5 with respect to advocating the effectiveness during the Rate Moratorium of any changes or adjustments to the Settlement Rate Provisions, and/or the Settlement Tariff Provisions.

Southern asserts that the Stipulation and Agreement specifically includes the fuel tracking mechanism and required annual report among the tariff provisions included in the definition of Settlement Tariff Provisions. Southern argues that, therefore, Indicated Shippers' proposal to add additional reporting requirements for Southern's operational purchases and sales associated with fuel is a violation of the Stipulation and Agreement and potentially makes Indicated Shippers subject to the rates applicable to Contesting Parties.

16. In its answer to Southern's answer, Indicated Shippers argue that the fuel mechanism included in Southern's tariff, and referenced in the Settlement, does not have any specificity regarding what will be included in the annual fuel report.<sup>5</sup> Indicated Shippers contend that the tariff provision simply states that Southern will make a filing (with workpapers) at least thirty days before the effective date of April 1 of each year setting forth the updated fuel retention rates to be effective April 1 through March 31, and nowhere in this language, or anywhere else in the settlement in Docket No. RP09-427, is Southern required to state, or prohibited from stating, details related to operational purchases and/or sales associated with fuel use. Indicated Shippers assert that, if the term "workpapers" in the Southern fuel tariff provision was intended to mean that Southern would reference, and provide details for, all operational purchases and sales associated with fuel, then the Indicated Shippers would seek nothing further related to the annual report for fuel purchases. Indicated Shippers further assert that, if "workpapers" is not intended to include a report of all operational purchases and sales associated with fuel purchases, then all operational purchases and sales, regardless of the reason for the purchase or sale, should be included in a separate annual report. Indicated Shippers argue that this report would not violate the settlement because an annual report detailing all operational purchases and sales would have no effect on the fuel mechanism included in the settlement and would not be inconsistent in any respect with the fuel mechanism in the tariff that was included in the settlement.

17. Further, Indicated Shippers argue that if "workpapers" does not include a detailed report of the operational purchases and sales of gas associated with fuel, then a party could not be in violation of the settlement for requesting such an annual report. Indicated Shippers contend that an annual report of operational purchases and sales does nothing to change the method by which Southern calculates its fuel retention rates, nor does it affect how those rates are assessed. Indicated Shippers further contend that the annual report is not a violation of the settlement and is consistent with the Commission's transparency requirements on other pipelines, including Southern's affiliates.

18. The Commission has held that tariff provisions permitting a pipeline to make operational sales and purchases must include a provision for an annual report of those transactions. The Commission has required that, for each purchase or sale, the pipeline provide the source of the operational gas purchased or sold, the date of such purchase or sale, the volume, the purchase or sale price, the costs and revenues from such purchases and sales, the disposition of the associated costs and revenues, and an explanation of the purpose of any operational transaction.<sup>6</sup> In *Dominion*, the Commission found that an

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<sup>5</sup> Citing Southern's GT&C at section 4.35.2.

<sup>6</sup> *Northern Border Pipeline Co.*, 128 FERC ¶ 61,230, at P 7 (2009) (*Northern Border*); *Colorado Interstate Gas Co.*, 107 FERC ¶ 61,312, at P 15 (2004); *order on reh'g*, 111 FERC ¶ 61,216, at P 13 (2005); *Dominion*, 106 FERC ¶ 61,029 at P 17.

annual report would provide interested parties an opportunity to examine the sales of excess gas and the revenues realized from such sales.<sup>7</sup> In *Northern Border*, the Commission held that the Form 552 reporting requirement does not provide adequate transparency for the Commission and shippers to examine a pipeline's operational transactions. The Form 552 does not include such information as the date of the transaction, source of the gas, costs and revenues for the transactions, and the disposition of the costs and revenues. Further, the 2.2 million MMBtu *de minimis* limitation to the Form 552 reporting requirements is unrelated to need provide transparency for these operational sales and purchases. Therefore, the Commission's acceptance of proposed section 14.1(j) of Southern's GT&C is subject to the condition that it revise its tariff, as necessary, to require that it annually report all its operational purchases and sales consistent with the requirements set forth in *Northern Border*.<sup>8</sup>

19. Southern contends that its tariff already requires it to report all operational purchases and sales associated with fuel use and imbalance cash out activity. We will not require Southern to file duplicative reports of operational purchases and sales. However, it is not clear to us that Southern's tariff does require it to file reports of operational sales and purchases in the manner required by *Northern Border*, at least with respect to such purchases and sales associated with fuel use. Southern cites Section 35.2 of its GT&C as containing that requirement, but that section only requires Southern to make an annual filing with workpapers setting forth its fuel retention rates. Moreover, it does not appear that Southern's operational sales and purchases of gas associated with its fuel use are relevant to the calculation of its fuel retention rates pursuant to the requirements of section 35 of its GT&C, because the fuel retention percentages are based on its actual fuel use and the volumes collected from its customers pursuant to its fuel retention percentages. For the same reason, it does not appear that requiring Southern to report operational purchases and sales associated with fuel use would entail a modification of its the fuel tracking mechanism contrary to Article IV C.1. of the settlement of its Docket No. RP09-427 rate case.

20. Therefore, the Commission requires Southern to propose tariff language ensuring that it annually report all its operational purchases and sales of natural gas with the detail required by *Northern Border*. To the extent Southern can show that other tariff provisions already require it to report particular operational purchases and sales, it need not require such information to be included in the report required by this order. Alternatively, it may propose to combine existing reports into a single report of all such operational purchases and sales.

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<sup>7</sup> *Dominion*, 106 FERC ¶ 61,029, at P 14.

<sup>8</sup> *Northern Border*, 128 FERC ¶ 61,230, at P 7.

### **Definition of Btu**

21. Indicated Shippers object that the proposed revised definition of Btu states that the term “British Thermal Unit” or Btu shall mean the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit at standard conditions of 14.73 psia and 60 degrees Fahrenheit on a dry basis.<sup>9</sup> Indicated Shippers contend that the definition should be clarified to state that Southern will assume that gas that has been dehydrated is dry (i.e., contains no water vapor), rather than the standard that dry gas contains a water vapor content of 7 lbs/mcf. Indicated Shippers assert that this clarification is necessary to ensure that the Btu content of dehydrated gas is measured properly. Indicated Shippers further assert that assuming that there is water vapor in dehydrated gas skews the measurement of Btu in a way that the gas will be deemed to have a lower Btu content than it actually has.

22. In its answer, Southern asserts that it is not true that even dry gas contains no water vapor and dry gas contains *de minimis* amounts of water vapor when Southern receives it in the production area. Southern further asserts that, as stated in its tariff, gas can contain up to 7 lbs/mcf of water vapor and still meet Southern’s specifications, and such gas would still be considered dry with no correction for water vapor under 7 lbs/mcf. Southern contends that, while it is true that not all gas that is considered to be dry contains water vapor as high as 7 lbs/mcf, standard industry practice has established this as the threshold for determining whether a gas is considered dry. The Commission agrees with Southern that Indicated Shippers has not sufficiently supported its request to clarify the definition of Btu and, therefore, that request is denied.

### **Measurement of Volume**

23. Southern proposes various changes to section 4.2 of its GT&C concerning the measurement of volumes. Among other things, Southern proposes in section 4.2(b), concerning the calculation of compressibility, that measurements should be corrected for deviation from Boyle’s Law in according with AGA Report No. 8, Compressibility Factor of Natural Gas and Related Hydrocarbon Gases. Indicated Shippers contend that, under section 4.2(b), Southern should state which method it proposes to use from the AGA Report No. 8, which covers both a “detail method” and a “gross method.” Indicated Shippers assert, based on conversations with technical personnel, that the “detail method” is more accurate and covers a wider range of operating conditions and compositions. Indicated Shippers request that Southern choose the detail method of measurement instead of having the option to choose either the detail or gross method.

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<sup>9</sup> Section 4.1, Definitions, of Southern’s GT&C.

24. Southern, in its answer, asserts that the AGA Report No. 8, which is the industry standard for compressibility calculations, states that it is acceptable for a pipeline to have the choice between the detail method and one of the gross methods for calculation of compressibility. Southern further asserts that the report does not dictate which method should be used in a pipeline's tariff. Southern argues that, while it generally uses the detail method, limiting its option to choose the appropriate calculation method would not be in the best interests of Southern's customers. Southern requests the Commission to permit Southern to keep its current tariff language, which is consistent with the AGA Report No. 8 and industry standards. Based on Southern's explanation, the Commission denies Indicated Shippers' request to require Southern to specify the detail method. However, the Commission directs Southern to file revised tariff sections expressly providing that the determination of which method to use will be made on a not unduly discriminatory basis, within thirty days of the date of this order.

25. Southern proposes in section 4.2(c) that the temperature of the gas shall be determined at the points of measurement by means of a properly located and installed temperature transmitter of standard manufacture determined by Southern. Indicated Shippers point out that proposed section 4.2(d) provides that gross heating value, specific gravity, and composition of gas may be determined by gas chromatographic analysis or any other mutually agreed upon method. Indicated Shippers request that, consistent with the mutually agreed upon provision of section 4.2(d), the Commission require that section 4.2(c) be revised to provide that Southern and the shipper/point operator will mutually agree to the proper location for measurement equipment. Southern responds that paragraph 4.2(c) is not inconsistent with paragraph 4.2(d) since the term "determined by Company" in paragraph 4.2(c) refers to the temperature transmitter and not the location of that transmitter. Southern asserts that the location of temperature transmitters used for measurement is specified in the industry standard used for the measurement type (i.e., AGA Report No. 3, AGA Report No. 7, AGA Report No. 9). The Commission agrees with Southern that paragraph 4.2(c) and paragraph 4.2(d) are not inconsistent. As explained by Southern, paragraph 4.2(c) allows it to exercise its reasonable discretion to determine what temperature transmitter of standard manufacture to install. Paragraph 4.2(d) addresses a different issue: what method will be used to determine the heating value, specific gravity, and composition of the gas, and that paragraph provides that those methods include gas chromatographic analysis or any other method mutually agreed upon. Because Southern must install the temperature transmitter, the Commission finds it reasonable for Southern to have the discretion to choose what temperature transmitter it will install, while Southern and its shippers may mutually agree upon the methodology to be used for measuring heating value, specific gravity, and the composition of the gas. Therefore, Indicated Shippers' request is denied.

26. Finally, Indicated Shippers request that, under paragraph 4.2(d), Southern state that all spot sampling, composite sampling, or gas composition sampling should be in accordance with API 14.1, Collecting and Handling of Natural Gas Samples for Custody

Transfer, February 2006, as amended from time to time. Indicated Shippers assert that this methodology is the industry standard. Southern argues that section 4 of its tariff addresses calculations, not installations, and API 14.1 instructs on how to properly take samples, not how to calculate Heating Value and Specific Gravity from them. Based on Southern's explanation, the Commission denies Indicated Shippers' request.

### **Measuring Equipment**

27. Southern has proposed several changes in section 5 of its GT&C concerning measuring equipment used to determine the volumes received and delivered by Southern. The first paragraph of section 5.1 provides that, unless otherwise agreed by the parties, Southern will install, maintain, and operate measuring stations equipped with flow meters and other necessary metering and measuring equipment. The last paragraph of section 5.1, entitled "New Measurement Techniques," provides that if a new method or technique of measuring gas is developed, Southern may substitute that method in its reasonable discretion, provided that the new method reflects generally accepted industry practices.

28. Indicated Shippers contend that the paragraph concerning new measurement techniques should be revised to require that Southern and the Operator/Interconnecting party must mutually agree to any new method or technique. Indicated Shippers assert that this revision is necessary to bring this paragraph into accord with the first paragraph of 5.1, which contemplates that Southern and the Operator/Interconnecting Party may mutually agree that Southern will not install or operate the measuring equipment.

29. Southern contends that the first and last paragraphs of section 5.1 are consistent. Southern asserts that the first paragraph of section 5.1 addresses measuring equipment installation, maintenance, and operation, not the method or technique for gas measurement, which may or may not affect measuring equipment installation, maintenance, and operation. Southern further asserts that new API and AGA Standards for measurement of natural gas are always being developed, and when new standards are developed and accepted by the industry, it is to the customers' advantage for Southern to begin using them as soon as practical. As Southern explains, the first and last paragraphs of section 5.1 are consistent. Therefore, Indicated Shippers' request is denied.

30. Section 5.3 of the GT&C addresses the correction of metering errors. Section 5.3(a) provides that, in the event of the failure of any measuring equipment, the parties should correct the error by determining the percentage of the error through calibration, special test, or mathematical calculation. If that method is not feasible, section 5.3(b) provides that the error should be corrected by using any check meter or meters to estimate receipts or deliveries through failed measuring equipment. Section 5.3(c) provides that if neither (a) or (b) is feasible, then the parties should estimate the volumes based on actual volumes measured during a preceding period with similar conditions. Indicated Shippers assert that Southern should reverse the order of items (a) and (b),

such that (b) would be used first in the event of the failure of any measuring equipment. They argue that the parties should rely first on functioning equipment that actually measured gas flows before resorting to estimates of gas flows.

31. Southern responds that section 5.3(b) of its GT&C refers to check measurement as a method of measurement when existing measuring equipment fails, and section 5.3(a) refers to calibration, etc. Southern argues that Indicated Shippers' requested change would be contrary to standard industry practice, and the most common situation where section 5.3 is involved occurs when an incorrect plate size is input into a flow computer, and standard industry practice would be to recalculate the volumes with the correct plate size before resorting to check measurement. Southern asserts that while check measurement is an option prior to estimating, if the percentage of error is ascertainable, such as by inputting the proper plate size, then such method is more accurate and expedient than verifying that check measurement has been maintained properly and adjusting for any historical differences between the check meter and the custody meter. Southern further asserts that using check measurement as the primary failure mode risks causing excessive delays in closing measurement data and greatly increases the occurrence of prior period adjustments, which negatively affects both Southern and its shippers' business activities. Based on Southern's explanation, the Commission finds reasonable its proposal to correct errors first by the use of calibration, special test, or mathematical calculation. Indicated Shippers' requested modification of section 5.3 is denied.

32. Proposed section 5.5, Prior Period Adjustments, provides that a shipper/operator must inform Southern of a measurement error within six months following the invoiced month for transportation, storage, or pooling services. Indicated Shippers argue that the six month period should be extended to one year. Indicated Shippers assert that audits on measuring equipment are not always conducted on a semi-annual basis and a measuring equipment error may go unnoticed during the period between audits, resulting in inaccurate invoices. Indicated Shippers further assert that a one-year period for both shipper notice and pipeline prior period adjustments is a reasonable alternative to six months.

33. Southern asserts that NAESB Standard 2.3.14 states that measurement data corrections should be processed within 6 months of the production month with a 3 month rebuttal period, and Southern's tariff complies with this standard. Southern further asserts that all pipelines are required to comply with all NAESB standards and, therefore, the requested revision is not consistent with the Commission's regulations. The Commission agrees with Southern, and, therefore, Indicated Shippers' request is denied.

### **Reservation Charge Credit**

34. Southern's rate schedules for its firm services include provisions for reservation charge credits during periods when it cannot provide service because of force majeure and during periods when it cannot provide service because of circumstances within its control. In this filing, Southern has proposed no changes to these reservation charge credit provisions, except to remove references to the settlement of its Docket No. RP04-523-000 rate case where these provisions were first adopted.

35. Indicated Shippers and the Municipals contend that Southern's reservation charge crediting provisions concerning non-force majeure events are contrary to Commission policy in several respects. For example, they object to the provision that, in a non-force majeure event, a reservation charge credit will be applied to the lesser of a firm shipper's: (a) contract entitlement (i.e., maximum receipt or delivery daily entitlement), (b) the nominated quantities that Southern failed to deliver or schedule [as further defined therein], and (c) "an average of the immediately previous 7 day's daily quantities ... [as further defined therein]." <sup>10</sup> They assert that use of that the average of the last seven day's daily quantities may allow Southern to calculate a curtailed shipper's credit based on a quantity that is significantly below the contract entitlement or volumes nominated for the day that service is not fully provided and, therefore, could understate the amount which was undelivered.

36. Indicated Shippers also assert that Southern should be required to provide reservation charge credits if Southern does not provide secondary firm service where (1) the transaction involves gas flow exclusively on the portion of Southern's pipeline system that is between the shipper's primary receipt point and primary delivery point and (2) the curtailment is due to capacity constraints on the primary flow path, not at the nominated secondary receipt and/or delivery point.

37. Finally, Indicated Shippers and Municipals object to the provision that Southern will not provide reservation credits if it makes deliveries of at least 98 percent of the volume of gas to which a shipper has firm entitlements. They argue that Commission policy requires that, in non-force majeure situations, a pipeline is required to provide reservation charge credits whenever it fails to provide 100 percent of scheduled firm service. <sup>11</sup> The Municipals state that the reservation charge credit provision provides that Southern need not give a credit when it fails to deliver the requested amount of firm service because Southern is performing seasonal shut-in tests at its storage fields. <sup>12</sup>

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<sup>10</sup> Section 3(a)(i)(A)(1) in Rate Schedules FT and FT-NN.

<sup>11</sup> *Citing Bison Pipeline LLC*, 131 FERC ¶ 61,013, at P 50 (2010) (*Bison Pipeline*).

<sup>12</sup> *Citing* section 3(a)(i)(B) in Rate Schedules FT and FT-NN.

38. In its answer, Southern argues that the Commission should deny the protests of Indicated Shippers and the Municipals as beyond the scope of this limited section 4 proceeding. Southern also contends that, in any event, its reservation charge crediting provisions are carefully balanced provisions negotiated as part of a settlement and are consistent with Commission policy. For example, Southern contends that the provision that credits in a non-force-majeure situation will be based on the lesser of a firm shipper's: (a) contract entitlement, (b) the nominated quantities, or (c) average deliveries over the previous seven days provides a reasonable means of determining the volumes a shipper would have flowed but for the non-force majeure event. Southern points out that scheduled maintenance is announced in advance, and the use of average deliveries prevents shippers from gaming the system by submitting nominations above their actual needs when they know that an outage is planned, while at the same time avoiding the possibility that a shipper would get no credits when it does not nominate at all.

39. The Commission will address the parties' pleadings concerning Southern's reservation charge crediting tariff provisions in a subsequent order.

### **Suspension**

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

41. It is the Commission's policy generally to suspend rate filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.<sup>13</sup> It is also recognized however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results.<sup>14</sup> Such circumstances do exist here where the pipeline is filing to correct its currently effective tariff. Accordingly, the Commission will exercise its discretion to suspend the tariff sections for less than the maximum period and permit the tariff sections to be effective December 1, 2010, subject to refund and the conditions as set forth in the body of this order and in the ordering paragraphs below.

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<sup>13</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>14</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

The Commission orders:

(A) The tariff sections listed in the Appendix to this order are accepted and suspended, to become effective December 1, 2010, subject to refund and conditions and further review, as discussed in this order.

(B) Southern is directed to file revised tariff sections in compliance with the directives found in this order within thirty (30) days of the date of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

## APPENDIX

### **Southern Natural Gas Company SNG FERC Tariff Volume 1 FERC NGA Gas Tariff**

#### **Accepted and Suspended, Effective December 1, 2010 Subject to Refund and Conditions and Further Review:**

Overview, Table of Contents, 2.0.0  
Overview, Preliminary Statement, 2.0.0  
Statement of Rates, Negotiated Rates, 2.0.0  
Rate Schedule, FT, 2.0.0  
Rate Schedule, FT-NN, 2.0.0  
Rate Schedule, IT, 2.0.0  
Rate Schedule, CSS, 2.0.0  
Rate Schedule, ISS, 2.0.0  
Rate Schedule, Reserved, 2.0.0  
Rate Schedule, PAL, 2.0.0  
Section 1, Definitions, 3.0.0  
Section 2, Inquiries and Cond. for Svc., 2.0.0  
Section 4, Measurement, 2.0.0  
Section 5, Measuring Equipment, 2.0.0  
Section 8, Liability of Shipper and Co., 2.0.0  
Section 12, Nominations, 3.0.0  
Section 14, Resolution of Imb. and Adj., 2.0.0  
Section 16, Allocation of Capacity, 2.0.0  
Section 20, Pregranted Abandonment, 2.0.0  
Section 23, Off-System Capacity, 2.0.0  
Section 35, Fuel Mechanism, 2.0.0  
Section 42, Discount Terms, 2.0.0  
Appendix D, Supply Pool Balancing, 2.0.0  
Form of Serv. Agreements, FT and/or FT-NN, 2.0.0  
Form of Serv. Agreements, IT, 2.0.0  
Form of Serv. Agreements, CSS, 2.0.0  
Form of Serv. Agreements, ISS, 2.0.0  
Form of Serv. Agreements, Liquefiabiles, 2.0.0  
Form of Serv. Agreements, PAL, 2.0.0