

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

Southern Star Central Gas Pipeline, Inc Docket No. RP04-276-001

ORDER ON REHEARING

(Issued August 9, 2004)

1. On May 28, 2004, the Commission issued an order in the captioned proceeding accepting and suspending certain proposed changes to Southern Star Central Gas Pipeline, Inc.'s (Southern Star), and accepting without suspension its proposal to reduce its transportation imbalance tolerance bands.¹ Requests for rehearing were filed by Aquila Inc. d.b.a. Aquila Networks, BP America Production Company and BP Energy Company, the Kansas Corporation Commission, Kansas Gas Service, a Division of Oneok, Inc., Midwest Energy, Inc., Midwest Gas Users' Association, the Missouri Public Service Commission, and the Process Gas Consumers Group. The Commission denies rehearing in part and grants rehearing in part.

2. Southern Star filed a general section 4 rate case on April 30, 2004, to substantially increase many of its rates. One exception was a proposed reduction in the rate for storage capacity that is used to support transportation imbalances on Southern Star's system. The reduction of this rate reflected a proposed reduction in imbalance tolerance bands in Southern Star's cash-out mechanism also included in the April 30 filing. Southern Star currently cashes out imbalances of up to 10 percent at 100 percent of the applicable index price. It cashes out imbalances in the remaining tiers using increasing or decreasing percentages of the index price depending upon whether the shipper took too much gas from the system or left too much gas on the system. Southern Star proposed to reduce the initial ten percent tolerance band to five percent. It also proposed to reduce each of the higher tolerance bands by five percent. The Commission approved the reduction in the transportation imbalance tolerances and permitted that proposal to become effective on June 1, 2004. However, the Commission accepted and suspended all changes in the rate levels for five months, and established a hearing before an Administrative Law Judge (ALJ).

¹ *Southern Star Central Gas Pipeline*, 107 FERC ¶ 61,222 (2004).

Discussion

3. The rehearing requests raise four points. Some protest the reduction in the intolerance balances as unjustified and unnecessary. The May 28 Order discusses that issue in detail and explains why the reduction in the transportation intolerance imbalances was consistent with Commission precedent and policy, and was adequately supported by Southern Star' efforts to improve imbalance services to its customers.² Nothing in the rehearing requests provides any grounds for modifying the extensive analysis contained in the May 28 Order.

4. The second point asserts that the Commission erred in permitting the reduced imbalance tolerance bands to take effect on June 1, 2004, while at the same time suspending the related rate decrease for five months. A related third assertion is that the Commission erred in concluding that the reduction in the tolerances had no rate consequences. The Commission agrees in both regards. The proposed rate reduction for storage capacity to support transportation imbalances reflects Southern Star's reduced need for storage to support transportation services that stems from the narrower tolerances. The rehearing parties are correct that these two proposals are integrally related and should take effect at the same time. Southern Star should not implement the reduced tolerance bands until the related rate reduction takes effect. Therefore the Commission grants rehearing on this point.

5. Therefore, the Commission grants rehearing in order to suspend the effective date of the tariff sheets filed April 30, 2004, providing for the reduction in the imbalance tolerance bands, listed in ordering paragraph B below, until November 1, 2004. Since by our action here, we restore the imbalance tolerance bands to their previous level, Southern Star must make appropriate refunds of any amounts assessed since June 1, 2004, that resulted from imbalances that would have been within the previous tolerances.

6. Finally, the MoPSC asserts that the Commission erred by not requiring Southern Star to obtain a revenue ruling regarding the status of Southern Star's accumulated deferred income tax (ADIT) account. As the MoPSC itself notes, this is a technical issue that is more appropriately explored at hearing. Southern Star will have to establish at hearing the appropriateness of any cancellation of the ADIT balance and could act to protect itself by obtaining such a revenue ruling. Therefore rehearing is denied on this point.

² *Id.* P 20-32.

The Commission orders:

(A) Rehearing is denied and granted as stated in the body of this order.

(B) First Revised Sheet Nos. 101, 110, 109, 117, 123, 124, 128, 143, 203, Fifth Revised Sheet No 244, and Third Revised Sheet No. 245 are accepted and suspended, to become effective November 1, 2004. Southern must, within 30 days of the date this order issues, make appropriate refunds of any cash-out amounts that would not have been assessed if the referenced sheets had not become effective on June 1, 2004.

By the Commission.

(S E A L)

Linda Mitry
Acting Secretary