

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 6, 2007

In Reply Refer To:
Petal Gas Storage, L.L.C.
Docket No. RP07-167-000

Petal Gas Storage, L.L.C.
1100 Louisiana Street
Houston, TX 77002

Attention: Richard W. Porter, Director
Rates and Regulatory Affairs

Reference: New Tariff Provision Permitting Operational Gas Sales

Ladies and Gentlemen:

1. On February 6, 2007, Petal Gas Storage, L.L.C. (Petal) filed tariff sheets¹ proposing a new section 29 of the General Terms and Conditions (GT&C) of its tariff to authorize sales of operational natural gas under certain specific circumstances. Petal requests a limited waiver of section 284.286(c) of the regulations to permit its transportation employees to execute these gas sale transactions. Petal also proposes the revised tariff sheets become effective March 6, 2007. We grant limited waiver of section 284.286(c), to allow Petal's transportation employees to execute operational gas sales transactions. We also waive the Commission's 30-day notice requirement, and conditionally accept the revised tariff sheets to become effective March 6, 2007, as more fully discussed below.

2. Currently, Petal's tariff authorizes it to make operational sales to the extent that a customer has not withdrawn all quantities from storage as of the expiration of a storage service agreement.² Petal explains that new section 29 of its GT&C establishes the

¹ Original Sheet No. 100A and Second Revised Sheet No. 140 of its FERC Gas Tariff, Original Volume No. 1.

² Fourth Revised Sheet No. 15 and Third Revised Sheet No. 54 of its FERC Gas Tariff, Original Volume No. 1.

conditions for additional operational sales to cover circumstances where gas quantities are in excess of Petal's storage operational requirements. According to Petal, the proposed tariff provisions are consistent with recent Commission decisions approving tariff provisions governing operational sales of gas.³

3. Proposed section 29.1 of its GT&C lists the circumstances where Petal may sell gas which exceeds its operational requirements. Specifically, section 29.1 permits Petal to make such operational sales to the extent necessary to: (1) maintain cavern pressure; (2) balance fuel quantities under storage agreements; (3) manage storage imbalance quantities; and, (4) perform other operational functions in connection with Petal's storage services.

4. Proposed section 29.2 of its GT&C states that operational sales will have the lowest storage priority subject to section 4.1 of its GT&C. Petal also states that section 29.3 requires it to include in its semi-annual storage reports, filed under section 284.13(e), the quantities and the source of the operational gas, the date of the sale and the sales price, and the revenues from such operational sales.⁴

5. Petal requests a limited waiver of section 284.286(c), to permit its transportation employees to make operational sales. Petal states that such a waiver is warranted because it has a small staff and separating the employees engaged in such limited sales would constitute an undue burden on its operations. Petal further states that such sales will be incidental to the primary storage services it provides and the Commission has previously granted a waiver of section 284.286(c) in similar circumstances.⁵

6. Public notice of Petal's filing was issued on February 9, 2007. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. No protests or adverse comments were filed.

7. In its proposed section 29, Petal proposes to purchase and sell gas to protect the operational integrity of its system. Petal claims that its purchases or sales would be limited and incidental to the primary storage services it provides. The Commission has

³ *Alliance Pipeline LP*, 116 FERC ¶ 61,166 (2006) (*Alliance*); *Dominion Cove Point LNG, LP*, 104 FERC ¶ 61,218 (2003).

⁴ We note that Petal's most recently submitted semi-annual report was filed pursuant to section 157.214(c).

⁵ *Supra* at n. 3.

allowed other pipelines to purchase and/or sell gas for operational purposes. Consistent with prior Commission rulings, we will allow Petal to sell gas for operational reasons. To ensure that Petal's operational sales are indeed limited and incidental to its primary services, we are requiring Petal to revise the tariff language in proposed new section 29.3 of its GT&C. Specifically, we direct Petal to add language to section 29.3 that: (1) requires Petal to provide in its semi-annual storage report, filed pursuant to section 284.13(e), the reasons for any operational sales and support that the sales are limited and incidental to the primary storage services it provides; and (2) explains the posting and bidding procedures that would apply to these operational gas sales.⁶

8. Based on Petal's representations, we find that it would be unduly burdensome to require Petal to establish a separate marketing department. Thus, we will waive the requirements in section 284.286(c) so that Petal can make operational sales of gas as described in its application, and conditionally accept the proposed tariff sheets in footnote No. 1, subject to Petal filing revised tariff sheets, as discussed above, within 30 days of the date this order issues. We will also waive the notice requirements of section 154.207 to allow the filed tariff sheets to become effective as of March 6, 2007.

By direction of the Commission.

Philis J. Posey,
Acting Secretary.

⁶ See *Alliance*, 116 FERC ¶ 61,166 at P 2 (explaining that section 43.2 of Alliance's tariff sets forth posting and bidding procedures that would apply to operational sales).