

122 FERC 61,228
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Gulf South Pipeline Company, LP

Docket No. RP08-198-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS SUBJECT TO
CONDITIONS AND ESTABLISHING PROCEDURES FOR THE SUBMISSION OF
ADDITIONAL INFORMATION

(Issued March 14, 2008)

1. On February 15, 2008, Gulf South Pipeline Company, LP (Gulf South), pursuant to section 4 of the Natural Gas Act (NGA), submitted the revised tariff sheets, listed in the Appendix, proposing to incorporate gas quality specifications for its Expansion Facilities,¹ into its FERC Gas Tariff. Gulf South proposes an effective date of March 17, 2008, for the revised sheets. As discussed below, the Commission accepts and suspends the tariff sheets, to become effective the earlier of a date set by a subsequent Commission order or August 17, 2008. The Commission directs Gulf South to provide additional information to support and explain its proposal as specified below, and provides an opportunity for interested parties to respond to Gulf South's submission.

Gulf South's Filing

2. In its tariff filing, Gulf South proposes to create, in section 2 of its General Terms and Conditions (GT&C), a new subsection, setting separate gas quality specifications applicable only to its Expansion Facilities. Gulf South states that pursuant to its proposal, the Expansion Facilities will be subject to all of the existing gas quality specifications applicable to Gulf South's historical system, with the following modifications: (1) creation of a Safe Harbor for heavier hydrocarbons; (2) establishment of a different heating content maximum; (3) creation of a Safe Harbor for carbon dioxide;

¹ Gulf South states that it will use the definition of "Expansion Facilities" recently approved by the Commission in Docket No. RP07-561-000. *Gulf South Pipeline Co.*, 122 FERC ¶ 61,074 (2008). These facilities extend from the Carthage, Texas area to Transco Station 85 in Choctaw County, Alabama, but exclude Gulf South's historical system interconnections and associated facilities, such as Gulf South Index Nos. 130 (Kosci Line) and 330 (Middle 30).

and (4) establishment of a limit on total inerts. In addition, Gulf South revises section 1 of its GT&C to define “hydrocarbon dew point” and “safe harbor,” section 10 of its GT&C regarding Operational Flow Orders (OFOs) and section 11 of its GT&C regarding Scheduling and Interconnecting Pipeline Gas Quality.

3. Specifically, with respect to heavier hydrocarbons, Gulf South proposes to retain its current tariff upper limit of 0.20 gallons per thousand cubic feet (GPM), but converts it to the approximate C6+ equivalent of 0.21 mole percent. Gulf South proposes to create a 0.07 C6+ mole percent Safe Harbor, which Gulf South submits is the approximate equivalent of a 15 °F cricondenthem hydrocarbon dewpoint (CHDP). Gulf South also proposes to lower its current tariff maximum heating value limit from 1175 Btu to 1110 Btu. For carbon dioxide, Gulf South proposes to retain its current tariff maximum limit of three percent (3%) by volume, and create a two percent (2%) by volume Safe Harbor. Finally, Gulf South proposes to create a four percent (4%) specification for total inerts, including, without limitation, carbon dioxide, nitrogen and oxygen.

4. Gulf South states that its proposed standards will ensure that the quality of the gas it transports will be accepted for delivery by interconnecting interstate pipelines. Gulf South also states that its proposal will allow it to post limits lower than its maximum tariff specifications when it receives formal notice that an interconnecting pipeline will be imposing stricter gas quality specifications on gas tendered for delivery by the Expansion Facilities. Gulf South avers that it will not post a limit lower than the Safe Harbor without issuing an OFO.

5. Gulf South asserts that its proposal is consistent with the goals of the Commission’s *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs (Policy Statement)*.² Gulf South further asserts that its proposal is also consistent with the interim guidelines set forth in the Natural Gas Council Plus (NGC+) Group White Paper on *Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* and the Interchangeability Work Group’s White Paper on *Natural Gas Interchangeability and Non-Combustion End Use*, as well as with the Commission’s policy goals.

6. Gulf South claims that its Expansion Facilities, in effect, form a new pipeline system, and are not merely an extension of the Gulf South historical system. Gulf South asserts that due to their high operating pressure (between 1200 and 1400 pounds per square inch gauge), the Expansion Facilities will operate independently from the Gulf South’s historical system and will have a limited number of receipt and delivery points. Gulf South argues that since its Expansion Facilities will operate like a new pipeline

² 115 FERC ¶ 61,325 (2006).

system, the Commission should evaluate Gulf South's proposal under the *Policy Statement* requirements for new pipelines.³

Notice and Intervention

7. The Commission noticed Gulf South's filing on February 19, 2008. Interventions and protests were due February 27, 2008, as provided in section 154.210 of the Commission's regulations.⁴ Pursuant to Rule 214,⁵ 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. On February 27, 2008, Indicated Shippers⁶ filed a protest and request for additional information and clarification.

Indicated Shipper's Protest

8. Indicated Shippers state that, subject to one change with regard to the Btu specifications and several clarifications, they do not oppose the gas quality specifications and procedures proposed by Gulf South as long as they are applicable to the entire system. Indicated Shippers object to Gulf South's proposal to treat the Expansion Facilities as new facilities, and cite to several Commission orders holding that the Expansion Facilities are an integrated part of the Gulf South system for purposes of establishing rolled-in rates for the expansion.⁷ Indicated Shippers reiterate that because the Expansion Facilities are part of the integrated system, uniform gas quality specifications and procedures should apply to the entire system.

9. With regard to the Btu limit, Indicated Shippers argue that Gulf South should not establish a new maximum Btu content of 1110 Btu as Gulf South has proposed, but instead should maintain its current maximum Btu of 1175 and adopt a Btu Safe Harbor of 1110 Btu. Indicated Shippers state that by maintaining its current maximum limit with a 1110 Btu Safe Harbor, Gulf South will reflect the blending that occurs on its system

³ Gulf South cites the *Policy Statement* at P 45.

⁴ 18 C.F.R. § 154.210 (2007).

⁵ 18 C.F.R. § 385.214 (2007).

⁶ For purposes of this filing Indicated Shippers consist of BP America Production Company, BP Energy Company, Chevron U.S.A. Inc., and Shell NA LNG LLC.

⁷ Indicated Shippers cite *Gulf South Pipeline Co., LP*, 122 FERC ¶ 61,162, at P 10 (2008); *Gulf South Pipeline Co., LP*, 119 FERC ¶ 61,281, at P 32 (2007).

while maximizing supply entering the pipeline and maintaining Gulf South's flexibility to address any gas quality problems by posting gas quality limits that are subject to a 1110 Btu Safe Harbor.

10. In addition, Indicated Shippers request additional information and clarification regarding certain aspects of Gulf South's proposed gas quality specifications and procedures. Specifically, Indicated Shippers state that under the proposed provisions, it appears that Gulf South is retaining the ability to impose a more restrictive limit than the maximum Btu limit (or a more restrictive limit for total inerts, oxygen, or any other gas quality specification that is not subject to a Safe Harbor) as part of an OFO, which would be subject to the stringent OFO tariff provisions. However, Indicated Shippers state, certain of the proposed tariff provisions, in particular section 2.3(a) of the GT&C, are ambiguous and could be interpreted to allow Gulf South to post a more restrictive maximum Btu limit outside the OFO context. Indicated Shippers request that Gulf South clarify that it will not post gas quality limits that are more restrictive than its tariff maximum gas quality limits, unless the gas quality specification is subject to a Safe Harbor, or is issued as part of an OFO.

11. Further, Indicated Shippers state that Gulf South's OFO provisions should allow Gulf South to post a more restrictive limit only if necessary for Gulf South's own system operational integrity and ask Gulf South to clarify that this is the intent of the tariff provisions. In addition, Indicated Shippers request that Gulf South clarify that its proposed gas quality waiver provisions in section 2.3(a)(i) would result in Gulf South suspending or terminating a waiver, if the waiver would result in Gulf South having to post a more restrictive gas quality limit than would be necessary absent the waiver. Also, Indicated Shippers request that Gulf South clarify that its reference in proposed GT&C section 2.1 to 2.3(b) should be to section 2.4(b).

12. Indicated Shippers also request that Gulf South clarify that any changes to the Btu limits that are "mutually agreed" upon will be deemed to be a waiver and granted only in a manner that is not unduly discriminatory. Further, Indicated Shippers state that Gulf South's proposed definition of HDP is ambiguous and suggest several changes to the definition to clarify it. Indicated Shippers also state that Gulf South should delete from its current tariff the liquids specification that prohibits "hydrocarbons which might condense to free liquids in the pipeline under normal pipeline conditions" because that specification is no longer necessary.

13. Indicated Shippers further request that Gulf South provide additional information with regard to its analysis that equates a 0.07 C6+ mole percent with a 15 °F HDP, as well as additional information regarding the approximate HDP equivalent of the proposed C6+ mole percent maximum limit. Indicated Shippers also ask that Gulf South provide approximate CHDP equivalents of its proposed 0.07 C6+ mole percent Safe Harbor and 0.21 C6+ mole percent limit. Indicated Shippers further ask for information regarding

the underlying temperature and operating pressure assumptions made by Gulf South regarding its determination of the C6+ mole percent gas quality specifications and the approximate HDPs.

Discussion

14. The Commission accepts and suspends Gulf South's filing to become effective the earlier of a date established by a subsequent Commission order or August 17, 2008. The Commission finds that Indicated Shippers raise a number of concerns regarding Gulf South's proposed gas quality specifications and procedures which the Commission cannot resolve without additional information from Gulf South. Therefore, we direct Gulf South to respond to Indicated Shippers' protest within 30 days of the date this order issues. Gulf South's response must address Indicated Shipper's argument that the Expansion Facilities are not a new pipeline system but are an integrated mainline expansion of Gulf South's existing system, including the location of each receipt and delivery point attached to the Expansion Facilities, an identification of each receipt point where gas may enter the Expansion Facilities from the existing system, and any other information relevant to the issue of whether the Expansion Facilities are operationally distinct from the existing system. The response must also include additional information and workpapers to address Indicated Shippers' concerns and provide additional clarification in response to Indicated Shippers' various requests for clarification of Gulf South's proposal.⁸

15. Interested parties may respond to Gulf South's submission within 15 days following of the date of Gulf South's submission.

Suspension

16. The Commission's policy regarding tariff filing suspensions is that 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). Such circumstances do not exist here. Therefore, the Commission will accept and suspend the

⁸ On March 7, 2008, Gulf South filed an answer to Indicated Shipper's protest that contains some of the information the Commission is seeking here. Gulf South's response to this order may contain that same information supplemented as necessary to comply with this order.

proposed tariff sheets until the earlier of a date set by a subsequent Commission order or August 17, 2008.

The Commission orders:

(A) The tariff sheets listed in the Appendix are accepted and suspended to become effective the earlier of a date set by a subsequent Commission order or August 17, 2008.

(B) Gulf South is directed to provide additional information and explanation as discussed above within 30 days of the date this order issues.

(C) Interested parties may respond to Gulf South within 15 days of the date of Gulf South's submission.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

APPENDIX

Gulf South Pipeline Company, LP
FERC Gas Tariff, Sixth Revised Volume No. 1
Tariff Sheets conditionally accepted effective August 17, 2008

Third Revised Sheet No. 805A
Third Revised Sheet No. 810
Second Revised Sheet No. 900
First Revised Sheet No. 901A
First Revised Sheet No. 901B
Original Sheet No. 901C
Third Revised Sheet No. 902
Second Revised Sheet No. 903
First Revised Sheet No. 904
Sheet Nos. 905-999
Third Revised Sheet No. 1705
Substitute Third Revised Sheet No. 1813