

124 FERC ¶ 61,282
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 Crossing Pipeline Company LLC

Docket Nos. CP07-398-000
CP07-398-001
CP07-399-000
and CP07-400-000

ORDER ON CLARIFICATION REQUEST

(Issued September 24, 2008)

1. On April 30, 2008, the Commission, under section 7(c) of the NGA, authorized Gulf Crossing Pipeline Company LLC (Gulf Crossing) to construct the proposed Gulf Crossing Project, consisting of: (1) four compressor stations and 353.2 miles of new pipeline, extending from Sherman, Texas to an interconnection with Gulf South Pipeline Company LP (Gulf South) at its Tallulah Compressor Station in Madison Parish, Louisiana.¹ The April 30 Order addressed issues relating to Gulf Crossing's proposed pro forma tariff. Because Gulf Crossing's tariff contained imbalance penalty provisions, the Commission required Gulf Crossing to include tariff provisions for park and loan (PAL) service or other services to assist shippers in managing transportation imbalances.²
2. On May 30, 2008, Gulf Crossing filed a timely petition requesting clarification regarding the April 30 Order's park and loan service requirement. As discussed below, the Commission is denying Gulf Crossing's request for clarification, in part, and requiring Gulf Crossing to file a report on the feasibility of providing a PAL service one year from the date it places its facilities in service.

Request for Clarification

3. Gulf Crossing requests clarification that it may retain the imbalance penalty provisions of its proposed tariff without having to provide PAL service. Gulf Crossing

¹ 123 FERC ¶ 61,100 (2008).

² 123 FERC ¶ 61,100 at P 106.

argues that the imbalance penalty provisions are necessary, that Gulf Crossing's proposed tariff provides shippers with sufficient alternative tools to manage imbalances, and that PAL service may not be operationally practicable on the Gulf Crossing system. In the alternative, if the Commission requires Gulf Crossing to provide PAL service, Gulf Crossing requests that the Commission find that Gulf Crossing need not propose actual tariff provisions until it has gained actual operational experience with the new pipeline.

4. Gulf Crossing asserts that its proposed imbalance provisions are necessary to prevent the impairment of reliable service by checking abusive behavior that could put shippers' services at risk. PAL service is not necessary here, Gulf Crossing contends, because there are already several alternative imbalance resolution provisions in the proposed tariff that are more than adequate to enable shippers to manage their transportation loads and avoid any imbalance penalties. Specifically, Gulf Crossing states that its proposed tariff calculates a shipper's imbalances in an operational impact area on a net daily basis across all of a shipper's contracts, permits shippers to trade imbalances with each other, and provides for a two percent imbalance tolerance before any penalties are assessed. Moreover, Gulf Crossing states that it already has or will have entered into operational balancing agreements at all pipeline interconnect points, which Gulf Crossing avers will enable shippers to balance their transportation contracts. In addition, Gulf Crossing states, the proposed tariff's cash pool accounting mechanism will ensure that Gulf Crossing will not benefit financially from imbalance penalties. Gulf Crossing also asserts that PAL service may not be operationally practicable because Gulf Crossing is a new, high-pressure pipeline with few receipt and delivery points, no storage facilities or contract rights to storage, and potentially limited line pack.

Commission Holding

5. The Commission's regulations provide that a pipeline with imbalance penalty provisions in its tariff must provide, to the extent operationally practicable, parking and lending or other services that facilitate the ability of shippers to manage transportation imbalances, as well as the opportunity to obtain similar imbalance management services from other providers without undue discrimination or preference.³ Because Gulf Crossing's proposed tariff contained imbalance penalty tariff provisions, the Commission found that Gulf Crossing must include tariff provisions for PAL service or other services to assist shippers in managing transportation imbalances.⁴

6. We are not convinced at this point that PAL service on Gulf Crossing's new pipeline facilities would be either unnecessary or impractical. Gulf Crossing's tariff does provide shippers with several options for managing their transportation imbalances;

³ 18 C.F.R. §284.12(b)(2)(iii) (2008).

⁴ 123 FERC ¶ 61,100 at P 106.

however, we cannot project what shippers' imbalances will be in the future, how shippers may wish to respond to cure the imbalances, and whether Gulf Crossing's tariff provisions or proposed services will be sufficient to allow shippers to manage their transportation imbalances. PAL service, moreover, may benefit shippers in the future by providing additional means of managing transportation balances, and the Commission has required PAL service for this reason.⁵

7. In limited circumstances, where the pipeline lacked storage facilities that can be used for imbalance management and where the pipeline had limited ability to use line pack for such purposes, the Commission has not required the pipeline to provide PAL services.⁶ Although, as in those situations, Gulf Crossing will have no storage facilities, and it states that PAL service may be impractical because of "potentially" limited line pack, the circumstances of those proceedings are not directly apposite to the situation before us here. Gulf Crossing's facilities, which will consist of 353 miles of new 42-inch pipeline and over 100,000 horsepower of new compression, are much more extensive than the pipeline systems where the Commission has not required the pipeline to provide PAL service. In fact, Gulf Crossing's facility arrangement is similar to other pipelines without storage that do offer park and loan services.⁷

8. Gulf Crossing states that, in any event, it would need operational experience before it could design a PAL service appropriate to its facilities. In *Empire State Pipeline (Empire)*,⁸ the Commission took a middle approach and deferred ruling on the PAL service issue until the pipeline had acquired experience in operating its new facilities. No party has raised a question in this proceeding regarding any immediate need for PAL service. We will adopt the approach the Commission took in the *Empire* proceeding, and will defer ruling on the issue of whether a PAL service is operationally feasible. As in *Empire*, Gulf Crossing must file a report on the feasibility of providing a PAL service one year from the date it places its proposed facilities in service. After Gulf Crossing files its report, we will revisit the issue to determine whether a PAL service is feasible or necessary.

⁵ See *Elba Express Company, L.L.C.*, 119 FERC ¶ 61,015, at P 34 (2007) (*Elba Express*).

⁶ See, e.g., *Horizon Pipeline Company, L.L.C.*, 101 FERC ¶ 61,195 (2002); *Overthrust Pipeline Co.*, 100 FERC ¶ 61,204 (2002).

⁷ See, e.g., *Elba Express*; *Great Lakes Gas Transmission Limited P'ship*, 83 FERC ¶ 61,064 (1998); and *Midwestern Gas Transmission Co.*, 97 FERC ¶ 61,386 (2001).

⁸ *Empire State Pipeline*, 116 FERC ¶ 61,074 (2006).

The Commission orders:

For the reasons set forth in the body of this order, Gulf Crossing's request for clarification is denied, in part. Gulf Crossing must file a report on the feasibility of providing a PAL service one year from the date it places the Gulf Crossing Project facilities in service.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.