

132 FERC ¶ 61,076  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Southern LNG Company, L.L.C.

Docket No. RP10-829-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEET  
AND ESTABLISHING TECHNICAL CONFERENCE

(Issued July 28, 2010)

1. On June 7, 2010, Southern LNG Company, L.L.C. (Southern LNG) filed a revised tariff sheet<sup>1</sup> pursuant to section 4 of the Natural Gas Act (NGA) to revise its tariff with respect to gas quality and interchangeability. Southern LNG proposes an effective date of August 1, 2010. As discussed below, the Commission will accept and suspend the proposed tariff sheet, to be effective January 1, 2011, or an earlier date set by subsequent Commission order, subject to conditions and the outcome of a technical conference.

**Details of the Filing**

2. Southern LNG filed a revised tariff sheet setting forth revisions to its Quality provision in section 3.1 of the General Terms and Conditions (GT&C) of its tariff. Southern LNG states that it submits the filing to add interchangeability indices and align Southern LNG's Quality provision with industry standards for gas quality and interchangeability while promoting supply diversity. Southern LNG asserts that these proposed changes are also designed to meet the needs of the market served by Southern LNG while remaining consistent with the Commission's Policy Statement on gas quality.<sup>2</sup> Southern LNG states that the proposed tariff changes are based on discussions between Southern LNG and each of its customers at the Elba Island Terminal,<sup>3</sup> who

---

<sup>1</sup> Southern LNG Company, L.L.C., FERC Gas Tariff, Original Volume No. 1, First Revised Sheet No. 42.

<sup>2</sup> *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325 (2006) (Policy Statement).

<sup>3</sup> The Elba Island Terminal is a liquefied natural gas (LNG) import terminal located at Elba Island, Georgia. Southern LNG commenced operations at the Elba Island

support the proposed changes set forth herein. In addition, Southern LNG states that it has discussed its proposal on gas quality changes with other interested stakeholders and that its proposal accommodates interchangeability concerns of these stakeholders while accommodating the receipt of additional available LNG supplies.<sup>4</sup>

3. Southern LNG's tariff currently provides that LNG received by Southern LNG shall have a minimum gross heating value (GHV) of 1,000 Btu and a maximum GHV of 1,075 Btu. Southern LNG's current tariff does not include any Wobbe Index interchangeability standard. Southern LNG proposes to revise its tariff to provide that LNG received by Southern LNG shall have in its gaseous state a Wobbe Index with an upper limit of 1,396 and/or a GHV of not less than 1,000 Btu and not more than 1,100 Btu after considering the effects of any nitrogen that is injected. Southern LNG asserts that the proposed increase in maximum GHV is consistent with its historical data as shown in Appendix B to the filing.

4. Southern LNG contends that, as discussed in the NGC+ Interchangeability White Paper,<sup>5</sup> the Wobbe Index is a more robust interchangeability index for LNG rather than application of the GHV alone. Southern LNG states that the proposed Wobbe Index falls within the acceptable operating range calculated using the average historical Wobbe Index plus or minus 4 percent with a maximum of 1,400, as set forth in the Interim Guidelines contained in the NGC+ Interchangeability White Paper.<sup>6</sup> Southern LNG

---

Terminal in 1978. In a series of orders issued from 1999-2008, the Commission authorized a number of expansions of the Elba Island facility. *See Southern LNG, Inc.*, 89 FERC ¶ 61,314 (1999), *reh'g denied*, 90 FERC ¶ 61,257 (2000); *Southern LNG, Inc.*, 94 FERC ¶ 61,188 (2001); *Southern LNG, Inc.*, 96 FERC ¶ 61,083 (2001) ("Elba I" expansion); *see also Southern LNG, Inc.*, 101 FERC ¶ 61,187 (2002), *order on reh'g*, 103 FERC ¶ 61,029 (2003) ("Elba II" expansion); *see also Southern LNG, Inc.*, 120 FERC ¶ 61,258 (2007), *order on reh'g*, 122 FERC ¶ 61,137 (2008) ("Elba III" expansion).

<sup>4</sup> Southern LNG states that Appendix D to the filing shows how the proposed modifications will increase the opportunity for available LNG supply to be delivered to the Elba Island Terminal.

<sup>5</sup> *White Paper on Natural Gas Interchangeability and Non-Combustion End Use*, NGC+ Interchangeability Work Group (Feb. 28, 2005) (NGC+ Interchangeability Whitepaper).

<sup>6</sup> Southern LNG states that as shown in Appendix A to the filing, Southern LNG's average historical Wobbe Index since reactivation in 2001 is approximately 1,380. Southern LNG uses this historical average as a mid-point and a plus or minus 4 percent variation with a maximum of 1,400 to yield a suggested reasonable Wobbe Index range

asserts that it is not necessary for its tariff to specify a minimum Wobbe Index, since a minimum Wobbe Index floor will naturally occur because of the inherent composition of LNG, tariff limits for non-hydrocarbon constituents within a regasified LNG mixture, and tariff specification of a minimum GHV of 1,000. Southern LNG states that these constraints produce a theoretical minimum Wobbe Index of approximately 1,329, which occurs when a regasified LNG mixture is comprised of approximately 99 percent methane, 1 percent carbon dioxide, and 0.4 percent nitrogen.

5. Southern LNG also proposes to revise the nitrogen, carbon dioxide, and oxygen maximum limits in section 3.1 of the GT&C of its tariff. Southern LNG proposes to revise its limit of 3 percent by volume of carbon dioxide or nitrogen to 1 percent for carbon dioxide and 2 percent for nitrogen. Southern LNG states that because its source of natural gas is LNG which contains virtually no carbon dioxide, this restriction will not affect domestic natural gas producers whose gas may contain larger amounts of carbon dioxide. Southern LNG also asserts that this specification is consistent with its historical data, is designed to maximize supply while ensuring that end use markets are protected, and is consistent with limitations in effect with certain downstream pipelines, allowing Southern LNG shippers the maximum opportunity to deliver into downstream markets. Southern LNG states that it is permitted to treat cargos of LNG by injecting nitrogen, but its nitrogen injection equipment is currently limited by design to inject nitrogen at a maximum level of approximately 1 percent with an LNG flow rate of 360,000 Mcf/d, which would yield approximately 0.2 percent nitrogen at a maximum flow rate of 1.755 Bcf/d. Southern LNG states that it believes a 2 percent limit for nitrogen is an appropriate level that will accommodate the existing injection equipment, provide a reasonable opportunity for additional injection equipment in the future, and provide sufficient blending capability to allow a wider range of LNG into the terminal.

6. Southern LNG proposes to lower its tariff limit on oxygen from 1 percent to 0.2 percent. Southern LNG expresses concern that LNG peak shaving storage facilities may be sensitive to quantities of nitrogen and oxygen that, when combined, exceed 2.75 percent. Southern LNG states that the American Gas Association recommends a 0.2 percent oxygen maximum in its Report No. 4A<sup>7</sup> and that historical data supports the specification. Southern LNG also states that a limit of 0.2 percent is conservative when

---

of 1,325 to 1,400. However, Southern LNG states that it does not believe that such a wide Wobbe Index range is required at Elba Island and accordingly proposes a Wobbe Index maximum of 1,396, which is 1 percent over the historical average and 0.3 percent above the historical high Wobbe Index value of 1,392 for re-vaporized LNG seen at Southern LNG since the terminal was reactivated in 2001.

<sup>7</sup> Southern LNG Transmittal at 5 (citing American Gas Association, Transmission Measurement Committee, AGA Report No. 4A, Natural Gas Contract Measurement and Quality Clauses, Washington, DC: American Gas Association, 2001).

compared with the requirements of downstream pipelines, as set forth in Appendix C to the filing.

7. Southern LNG contends that its filing is consistent with the five general principles set forth in the Policy Statement for pipelines to observe in revising their gas quality and interchangeability provisions. Southern LNG avers that (1) the filing sets forth the gas quality and interchangeability requirements in Southern LNG's tariff, (2) the proposed requirements are flexible and maximize potential supply while minimizing the economic effects to downstream end-users, (3) the proposed requirements represent input from a collaborative process, (4) the proposed requirements are consistent with the Interim Guidelines from the NGC+ Interchangeability White Paper and the NGC+ Hydrocarbon Dropout White Paper,<sup>8</sup> and (5) the filing is supported by each of its firm customers.

### **Public Notice, Intervention and Comments**

8. Notice of Southern LNG's filing was issued on June 8, 2010. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (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 before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties.

9. South Carolina Electric & Gas Company (SCE&G) filed a protest. On July 9, 2010, Southern LNG filed an answer to SCE&G's protest. On July 19, 2010, SCE&G filed an answer to Southern LNG's answer. Rule 213(a)(2)<sup>9</sup> of the Commission's rules of practice and procedure prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept Southern LNG's and SCE&G's answers because they have provided information that assisted us in our decision-making process.

10. SCE&G requests in its protest that the Commission reject Southern LNG's filing for failure to adequately support its proposal, or in the alternative, that the Commission impose the maximum five-month suspension period and convene a technical conference and if necessary, a hearing, to address the justness and reasonableness of the proposal. If the filing is not rejected outright, SCE&G argues that the Commission should require

---

<sup>8</sup> *White Paper on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure*, NGC+ Liquid Hydrocarbon Drop Out Task Group (Feb. 28, 2005) (NGC+ Hydrocarbon Dropout White Paper).

<sup>9</sup> 18 C.F.R. § 385.213(a)(2) (2010).

Southern LNG to provide additional information about its proposal before the technical conference or hearing is convened, and the Commission should examine the impacts of the proposal on LNG peak-shaving facilities, end-user appliances, and gas-fired generators.

11. SCE&G argues that Southern LNG did not engage in a collaborative pre-filing process with stakeholders and has not provided sufficient analysis or data related to the impact of the proposed changes on SCE&G's facilities. SCE&G argues that the filing falls short of establishing that the proposed specifications are based on sound technical, engineering, and scientific considerations as required by the Policy Statement.

12. If the Commission suspends the filing for the maximum five-month period and convenes a technical conference, SCE&G asserts that Southern LNG should be required to file additional technical information, including information on its historic gas supply quality data, information about the sources of LNG that Southern LNG seeks to accommodate and gas quality data for those sources, a description of the supplies that its firm customers control and would be likely to deliver to the Elba Island Terminal on a consistent basis, and any data or analyses that Southern LNG prepared or relied on to develop the standards. SCE&G argues that the proposed standards could have a negative impact on peak-shaving facilities, LNG storage tanks, end-user combustion equipment and appliances, gas-fired generators, and elastomer seals in distribution pipelines, and therefore this possible impact should be examined at the technical conference. SCE&G also states that additional analysis of interchangeability parameters using the Weaver indices is necessary.<sup>10</sup> Finally, SCE&G asserts that the proposed tariff language does not clearly indicate that gas leaving the Elba Island Terminal must conform to both the maximum Wobbe Index and the maximum GHV, and therefore SCE&G proposes alternate tariff language.

13. In its answer to SCE&G's protest, Southern LNG responds that it engaged in an extensive collaborative process with stakeholders and that it has submitted sufficient information for the Commission and interested stakeholders to appropriately assess the impact of the proposal. Southern LNG asserts that it has already provided in the filing the information sought by SCE&G regarding historic gas supply quality data, the sources of LNG that Southern LNG seeks to accommodate and gas quality data for those sources, and the supplies that its firm customers control and are likely to deliver to Elba Island, to the extent such information is ascertainable. Southern LNG asserts that the Commission should reject SCE&G's arguments because the proposed gas quality specifications are within the range advocated in the Interim Guidelines in the NGC+ Interchangeability

---

<sup>10</sup> The Weaver indices are alternative measurements of gas interchangeability and target specific end use effects while the Wobbe Index is a more generic metric. The Weaver indices incorporate the effect of a change in gas composition by compensating for the change in air needed for combustion at stoichiometric conditions.

White Paper. Southern LNG also responds that there is no evidence that the proposed gas quality specifications will have any impact on SCE&G's LNG peak-shaving operations, end users' appliances, gas-fired generation units, and elastomer seals.

14. Southern LNG concedes that the proposed tariff language contains a drafting error, in that the language does not capture its intent for gas transported on its system to conform to both the proposed maximum Wobbe Index and the maximum GHV, and includes in its answer revised tariff language providing that LNG received by Southern LNG shall have in its gaseous state a Wobbe Index with an upper limit of 1,396 and a GHV of not less than 1,000 Btu and not more than 1,100 Btu.

15. In its answer to Southern LNG's answer, SCE&G reiterates that Southern LNG did not engage in a collaborative process with stakeholders. SCE&G also argues that Southern LNG has not presented an adequate basis for its failure to provide more information on its proposal. Finally, SCE&G argues that Southern LNG's answer confuses the record and mischaracterizes certain issues in the proceeding.

### **Discussion**

16. The Commission has reviewed Southern LNG's tariff filing, and finds that Southern LNG's proposed gas quality and interchangeability standards raise a number of technical, engineering, and operational issues that are best addressed at a technical conference. At the technical conference, the Staff and parties will have an opportunity to further discuss Southern LNG's justification and support for its proposed gas quality and interchangeability specifications.

17. Southern LNG should be prepared to address all concerns raised by SCE&G in its protest and to provide additional technical, engineering, and operational support for its proposed gas quality and interchangeability specifications, as appropriate. Consistent with the Commission's Policy Statement, Southern LNG should be prepared to explain how its proposal differs from the Interim Guidelines.<sup>11</sup> In addition, any party proposing alternatives to Southern LNG's proposal should also be prepared to support its position with adequate technical, engineering, and operational information. Further, based upon its analysis of the information provided in this proceeding, the Commission Staff may issue data requests prior to the technical conference, and/or a notice of the technical conference containing questions that need to be addressed by Southern LNG or other parties at the conference. Finally, the Commission Staff is directed to convene a technical conference to address the issues raised by Southern LNG's filing and to report

---

<sup>11</sup> Policy Statement at P 34 and 37.

the results of the conference to the Commission within 120 days of the date this order issues.

### **Suspension**

18. Based on a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing, and suspend their effectiveness for a maximum period to be effective January 1, 2011, or an earlier date set by subsequent Commission order, subject to the conditions in this order.

19. The Commission's policy regarding tariff filing suspensions is that such 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). The Commission finds that such circumstances do not exist here. Therefore, the Commission will exercise its discretion and suspend the proposed tariff sheets for the maximum period and permit them to become effective January 1, 2011, subject to the outcome of the technical conference established herein and further orders of the Commission.

### **The Commission orders:**

(A) First Revised Sheet No. 42 is accepted and suspended, to be effective January 1, 2011, or an earlier date set by subsequent Commission order, subject to the outcome of the technical conference established in this proceeding and further orders of the Commission.

(B) The Commission Staff is directed to convene a technical conference to address the issues raised by Southern LNG's filing and to report the results of the conference to the Commission within 120 days of the date this order issues.

By the Commission. Commissioner LaFleur is not participating.

( S E A L )

Kimberly D. Bose,  
Secretary.