

134 FERC ¶ 61,249
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

March 30, 2011

In Reply Refer To:
Southern Natural Gas Company
Docket No. RP11-1809-000

Southern Natural Gas Company
Post Office Box 2563
Birmingham, AL 35202-2563

Attention: Glenn A. Sheffield
Director - Rates

Reference: Annual Fuel Retention Rate Filing

Dear Mr. Sheffield:

1. On February 28, 2011, Southern Natural Gas Company (SNG) filed revised tariff records¹ to reflect updated fuel retention rates in accordance with section 35 of the General Terms and Conditions (GT&C) of its tariff and the Stipulation and Agreement in Docket No. RP09-427-000 (Stipulation and Agreement), which was approved by the Commission on January 5, 2010.² The Commission accepts the proposed tariff records to become effective April 1, 2011, as requested.

2. In its filing, SNG states that, in accordance with section 35 of the GT&C of its tariff, the updated fuel retention rates are based upon the actual data for the twelve months ending December 31, 2010. SNG states that, while the over-recovery or under-recovery amount included in the calculations would normally be based upon a corresponding twelve-month period, this is SNG's initial filing under the Stipulation and Agreement. Accordingly, the over-recovery or under-recovery is based upon the sixteen-month period September 1, 2009, through December 31, 2010, in accordance with the

¹ See Appendix for a list of proposed tariff records.

² See *Southern Natural Gas Co.*, 130 FERC ¶ 61,004 (2010).

Stipulation and Agreement and sections 35.3 and 35.4 of the GT&C of SNG's tariff.³ SNG states that during that sixteen-month period it experienced an under-recovery of 3,190,402 Dth relating to transportation services. SNG asserts that the major reasons for this under-recovery are:

1. During the sixteen-month period from September 2009 through December 2010, SNG experienced sustained extreme cold and hot weather. The current fuel rates established in the Stipulation and Agreement were based on a twelve-month period ending October 2008 (i.e., the base period in SNG's last rate case) during which the weather was less extreme. The extreme temperatures during this period required SNG to use more of its compression, including the use of less efficient compression in less efficient configurations, in order to maintain service to its temperature sensitive markets. SNG asserts that, while it is not able to quantify the exact amount of under-recovery related to the extreme weather, it estimates that the weather contributed significantly to the under-recovery.
2. Under the Stipulation and Agreement, the electric component of the fuel rates was not reflected in the fuel retention rates charged to SNG's customers until March 1, 2010, when the fuel retention rates were increased to include the electric component. Thus, from September 1, 2009 through February 28, 2010, there was a one-time, built in under-recovery that the Stipulation and Agreement and section 35 of the GT&C provided to be recovered in this initial filing. SNG estimates that this factor contributed to approximately one million of the 3.190 million Dth under-recovery.
3. When the electric compression component of the current fuel rates began to be reflected in the fuel retention rates collected starting March 1, 2010, a \$6.00 gas price was used as the divisor in calculating the equivalent Dth to include as part of the fuel retention rates. The \$6.00 conversion price was an estimate based on existing NYMEX long-term future gas prices. Over the sixteen-month under-recovery period, the resulting weighted average index gas price used to derive the electric compression component in the fuel calculation was actually \$4.39 per Dth. This lower gas price has

³ Sections 34.3 ("Calculation For Transportation Fuel Retention Rates") and 35.4 ("Calculation For Storage Fuel Retention Rates") each contain the following statement: "As set forth in the COMPANY's Stipulation and Agreement in Docket No. RP09-427-000, the initial [fuel retention rate] filing will be effective April 1, 2011 and the over-recovery or under-recovery amount will be based on the period from September 1, 2009 through December 31, 2010."

resulted in a higher equivalent Dth amount to cover the actual cost of electricity than if gas process had stayed in the \$6.00 Dth range. SNG estimates that the change in gas prices has contributed approximately 1.5 million Dth to the total under-recovery.

3. In addition, SNG states that it experienced an under-recovery of 169,411 Dth relating to storage services over the sixteen-month period September 1, 2009 through December 31, 2010. SNG asserts that the main reason for this under-recovery is due to the sixteen-month period covering two fall seasons (i.e. September 2009 – October 2009 and September 2010 – October 2010). SNG claims that, during the fall as the storage fields typically get close to being filled to capacity, the pressures in the storage fields increase and therefore more storage related compressor fuel is consumed to inject gas than during other periods. SNG contends that the resulting storage under-recovery during the sixteen-month period is the main reason for the proposed increase to the storage fuel retention rate. Moreover, SNG asserts that the resulting under-recovery amount related to transportation services is reduced by a fuel sharing credit of 290,146 Dth in accordance with Article IX of the Stipulation and Agreement. SNG states that Article IX requires that any amounts owed by customers to SNG will be netted against any fuel sharing refunds owed to customers by SNG for the period March 1, 2009 though August 31, 2009. SNG provided explanations and workpapers to support its proposed fuel retention rates.

4. SNG states that the fuel retention rates proposed to be in effect on April 1, 2011 are higher than the current rates due mainly to the large under-recovery incurred over the sixteen-month period as discussed above. SNG asserts that a comparison of the current rates in relation to the proposed rates shows a proposed increase to each of the following:

	<u>Current Settlement Rates</u>	<u>Proposed Rates</u>
Delivery to Zone 0 and Long-haul Delivery to Zone 1	1.47%	1.60%
Long-haul Delivery to Zone 2	1.90%	2.37%
Long-Haul Delivery to Zone 3	2.20%	2.98%
1-1, 2-2, 3-3 Intrazone Delivery	0.50%	0.70%
Backhaul	0.16%	0.16%
Storage Injections/Withdrawals	0.81%	.95%
Liquefiable Transportation	1.47%	1.60%

5. Public notice of the filing in Docket No. RP11-1809-000 was issued on February 28, 2011. Interventions and protests were due on or before March 14, 2011. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2010)), all timely filed motions to intervene and any

unopposed 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 March 14, 2011, the Alabama Municipal Distributors Group, the Austell Gas System, the Municipal Gas Authority of Georgia, and the Southeast Alabama Gas District (collectively Municipals) filed a joint protest. On March 17, 2011, SNG filed an answer addressing the issues raised in the Municipals' protest. The Commission's regulations do not permit the filing of answers to protests unless otherwise ordered.⁴ The Commission will accept SNG's answer because it provides additional information which aids in our decision making process.

6. In their protest, the Municipals contend that SNG did not include any workpapers to support its allocation of fuel gas consumed among the three zones for the purpose of deriving the fuel retention rates. The Municipals state that on Schedule 3 of Appendix C of SNG's proposal, SNG has determined an allocation of gas consumed among the zones on its system and then used that same allocation to determine by zone the fuel used for the 2010 calendar year, the under-recovery from September 2009 through December 2010, and the fuel sharing credit. The Municipals state that in informal conversations with SNG regarding the tariff filing, SNG indicated that the allocation was based upon the actual gas burned by each compressor station in each zone during the calendar year. The Municipals state that they do not object to that allocation method. However, the Municipals request that the Commission require SNG to provide workpapers showing both the allocation method for determining fuel use by zone and also showing the actual gas consumed by compressor station and zone. The Municipals state that this information should be provided for verification purposes.

7. In its answer, SNG describes its allocation methodology in detail and also provides workpapers showing the actual fuel use by compressor station. SNG also agrees to provide workpapers showing actual fuel use by compressor station in each of its future fuel retention filings. SNG contends that the provision of this data in its answer and its pledge to include such information in all future fuel retention filings fully explains the derivation and allocation methodology for its filing and should resolve the Municipals' concerns.

8. The Commission finds that SNG has adequately addressed the Municipals' concerns by explaining its allocation methodology and providing the workpapers showing actual fuel use by compressor station. Further, the Commission finds that SNG has properly calculated its proposed fuel retention rates in accordance with its tariff. Therefore, the Commission accepts SNG's proposed revised tariff records listed in the

⁴ See Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213 (2010).

Appendix to become effective April 1, 2011. The Commission also directs SNG to include workpapers showing actual fuel use by compressor station in each of its future fuel retention rate filings.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Southern Natural Gas Company
SNG FERC Tariff Volume 1
FERC NGA Gas Tariff
Tariff Records to Become Effective April 1, 2011

Statement of Rates, FT, 1.0.0
Statement of Rates, FT Settlement, 2.0.0
Statement of Rates, FT-NN, 1.0.0
Statement of Rates, FT-NN Settlement, 1.0.0
Statement of Rates, IT, 1.0.0
Statement of Rates, IT Settlement, 1.0.0
Statement of Rates, CSS, 1.0.0
Statement of Rates, CSS Settlement, 1.0.0
Statement of Rates, ISS, 1.0.0
Statement of Rates, ISS Settlement, 1.0.0
Statement of Rates, Liquids and Liquefiabiles, 1.0.0
Statement of Rates, Liquids and Liquefiabiles Settlement, 1.0.0