

141 FERC ¶ 61,098
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 5, 2012

In Reply Refer To:
Southern Natural Gas Company, L.L.C.
Docket Nos. RP12-148-000,
RP12-182-000
(not consolidated)

Southern Natural Gas Company, L.L.C.
P. O. Box 2563
Birmingham, AL 35202-2563

Attention: Glenn A. Sheffield
Director - Rates

Reference: Annual Report on Operational Transactions and
Annual Report on Storage Cost Reconciliation Mechanism

Dear Mr. Sheffield:

1. On November 14, 2011, in Docket No. RP12-148-000, Southern Natural Gas Company, L.L.C. (Southern) filed its first annual report on operational transactions for the 12-month period ending September 30, 2011 (Operational Report). Southern states that, pursuant to section 14.1(i) of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, it is required to make an annual filing indicating: (1) the source of the operational transactions; (2) the date of the transactions; (3) the volumes; (4) the purchase or sale price; (5) the costs and revenues from the operational transaction; (6) the disposition of the associated costs and revenues; and (7) an explanation of the purpose of the operational transactions.

2. On November 29, 2011, in Docket No. RP12-182-000, Southern filed its annual Storage Cost Reconciliation Mechanism (SCRM) report for the 12-month period ending October 31, 2011 (Storage Report). Southern states that, pursuant to section 14.2(a) of the GT&C of its FERC Gas Tariff, it is required to provide an annual reconciliation of Southern's storage gas costs to reflect the differences between the cost to Southern of its storage gas inventory and the amount it receives for such gas arising out of the purchase and sale of such gas to (1) resolve shipper imbalance; and (2) maintain an appropriate level of inventory for system management purposes. Section 14.2(c) provides that if, at

the end of each annual period, the reconciliation shows a net balance of over \$500,000, Southern must refund or surcharge that balance. Southern asserts that the instant report shows a balance to be recovered of negative \$101,506.00, which it will carry forward to the next reporting period. Finally, Southern avers that its currently-effective surcharge for its SCRM is \$0.00/Dth and that it is not proposing to change this amount.

3. On November 30, 2010, the Commission directed Southern to file an annual Operational Report with the detail required by *Northern Border*.¹ Specifically, the Commission required that the pipeline provide for each operational purchase or sale: (1) the source of the operational gas purchased or sold; (2) the date of such purchase or sale; (3) the volume, purchase or sale price; (4) the costs and revenues; and (5) an explanation of the purpose of any operational transaction.² On December 20, 2010, Southern proposed GT&C section 14.1(i) in order to comply with the November 30 Order. Section 14.1(i) requires annual reports for each 12-month period ending September 30 on all Southern's operational purchases and sales of natural gas. On April 21, 2011, the Commission accepted this compliance filing.³ Southern's November 14, 2011 filing in Docket No. RP12-148-000 is its first annual Operational Report pursuant to GT&C section 14.1(i).

4. Public notice of the Operational Report filed in Docket No. RP12-148-000 was issued on November 14, 2011. Public notice of Southern's Storage Report in Docket No. RP12-182-000 was issued on November 30, 2011. Interventions and protests were due in the above dockets as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2012)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2012)), all timely filed motions to intervene and any unopposed motion 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.

5. On November 28, 2011, as supplemented on December 12, 2011, the Alabama Municipal Distributors Group, the Austell Gas System, the Municipal Gas Authority of Georgia, and the Southeast Alabama Gas District (Municipals) filed protests of the Operational Report in Docket No. RP12-148-000 and the Storage Report in Docket No. RP12-182-000. The Municipals contend that Southern should be required to provide

¹ See *Southern Natural Gas Co.*, 133 FERC ¶ 61,183, at PP 18-19 (2010) (November 30 Order) (citing *Northern Border Pipeline Co.*, 128 FERC ¶ 61,230, at P 7 (2009) (*Northern Border*)).

² *Id.*

³ *Southern Natural Gas Co.*, 135 FERC ¶ 61,056 (2011).

sufficient information in both reports to ensure that all interested parties can certify the accuracy of Southern's calculations.

6. On December 15, 2011, Southern filed an answer to the protest on the Operational Report. On December 21, 2011, Southern filed an answer to the Municipals' protest of its Storage Report in Docket No. RP12-182-000. On December 22, 2011, the Municipals filed an answer to Southern's answers.

7. The Commission's Rules of Practice and Procedure do not permit answers to protests unless otherwise ordered by the decisional authority. 18 C.F.R. § 385.213(a)(2) (2012). However, the Commission finds good cause exists and will accept the answers because they will not delay the proceeding, may assist the Commission in understanding the issues raised, and will ensure a complete record.

8. The Municipals contend that Southern's Operational Report is deficient because it does not: (1) include the specific dates of the sales and purchases or the specific reasons for the transactions; and (2) describe with any specificity the disposition of the costs and revenues associated with the operational sales and purchases. Therefore, the Municipals request that the Commission direct Southern to revise its Operational Report to include a specific and full description of the disposition of costs and revenues associated with each operational sale and purchase.

9. In reply to the Municipals' protest on the Operational Report, Southern states that its report complies with its tariff and is consistent with the provisions in Northern Border's FERC Gas Tariff, which was the benchmark the Commission used in requiring Southern to include language in its tariff for the annual Operational Report. Southern asserts that identifying the month associated with an operational transaction is reasonable given that the vast majority of its operational transactions do not occur on a specific date of the designated month.⁴ Further, Southern argues that, if a specific date is assigned to each transaction, the date would be every day of the month.⁵

10. With respect to the Municipals' concern regarding the lack of detail on the disposition of the costs and revenues associated with each operational transaction, Southern states that each transaction is explained and cross-referenced to the applicable section of its FERC Gas Tariff.⁶ Southern also provides a detailed reconciliation of the differences between its Operational Report and its Storage Report.

⁴ Docket No. RP12-148-000, Southern Answer, at 4-5 (field Dec. 15, 2011).

⁵ *Id.* at 5.

⁶ *Id.* at 5-6.

11. In the protest filed in Docket No. RP12-182-000, the Municipals note numerous inconsistencies between the Operational Report and the Storage Report. The Municipals contend that the Commission should take coordinated action in both proceedings to ensure that Southern provides sufficient information in their reports to ensure that all interested parties can verify the accuracy of Southern's calculations.

12. In its answer to the Municipals' protest in Docket No. RP12-182-000, Southern provides a detailed explanation of the differences between its Operational Report and Storage Report. Southern notes that the two reports cover different, but overlapping, periods of time, because the Operational Report is for the annual period ending September 30, 2011, but the Storage Report is for the annual period ending October 31, 2011. Further, Southern notes that the purchase or sale of gas for the SCRM may not be physically delivered or received in the same month for which the transaction was reflected in the Operational Report. With respect to the discrepancies that the Municipals noted between the Operational Report and the Storage Report, Southern admits that it omitted two storage inventory management purchases from the Operational Report. Southern, therefore, proposes to substitute a corrected page for its Operational Report. Finally, Southern notes that it has used the same format and level of detail for over fifteen years in its annual Storage Report.

13. In their reply to Southern's answer, the Municipals contend that interested parties must have an opportunity to verify the accuracy of Southern's calculations. Indeed, the Municipals note that the type of information contained in Southern's detailed reconciliation of the Operational Report and the Storage Report is the type of information they are requesting be filed each year. Further, they note that Southern's need to correct its Operational Report underscores why Southern should provide more details in these annual reports.

14. The Commission concurs with the Municipals that the information contained in Southern's November 14, 2011 filing of its Operational Report in Docket No. RP12-148-000 did not provide the level of detail necessary for the Commission and interested parties to verify the accuracy of the information. The Commission finds that, contrary to Southern's contention, its Operational Report does not comply with the requirements of section 14.1(i) of the GT&C of its FERC Gas Tariff. That section states:

[Southern] shall file an annual report indicating the source of the Operational Transaction pursuant to this Section 14.1(i), the date of the transaction, the volume, the purchase or sale price, the costs and revenues from the Operational Transaction, the disposition of the associated costs and revenues, and an explanation of the purpose of the Operational Transaction.

Southern's Operational Report includes the date, the volume, the purchase or sale price, the costs and revenues, and the disposition of the associated costs and revenues, as required. However, Southern's Operational Report does not provide the source of the transaction (i.e., the counterparty to the purchase or sale) nor an explanation of the purpose of each operational transaction. Within 15 days of the date of this order, Southern is directed to file a revised Operational Report which fully complies with its tariff.

15. The Commission finds that Southern's Storage Report satisfactorily complies with section 14.2(a) of Southern's FERC Gas Tariff. The Storage Report is accepted for filing.

16. Finally, in a notice issued in Docket No. RM01-5-000 on November 17, 2011, the Commission stated that it "may not issue an order on reports." Therefore, Southern is advised that future Operational Reports, if not protested, will be treated as informational and the Commission may not issue an order on those reports. Similarly, future unopposed Storage Reports which do not entail any change in the SCRM surcharge will be treated as informational and the Commission may not issue an order on those reports.

By direction of the Commission.

Kimberly D. Bose,
Secretary.