

144 FERC ¶ 61,023
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 12, 2013

In Reply Refer To:
Southern Natural Gas Company, L.L.C.
Docket No. RP13-886-000

Southern Natural Gas Company, L.L.C.
569 Brookwood Village #720
Birmingham, AL 35209

Attention: Patricia S. Francis, Assistant General Counsel

Dear Ms. Francis:

1. On May 2, 2013, Southern Natural Gas Company, L.L.C. (Southern) filed with the Commission a Stipulation and Agreement (Settlement) that would extend and replace Southern's existing rate settlement (2009 Settlement). Southern states that it is submitting the instant Settlement in lieu of the new Natural Gas Act (NGA) section 4 general rate case required by the 2009 Settlement. We approve the uncontested Settlement as fair and reasonable and in the public interest, to become effective on September 1, 2013, as requested.

2. Southern's 2009 Settlement arose out of its most recent general section 4 rate case in Docket No. RP09-427-000. Southern filed an uncontested Settlement resolving the issues in that docket on October 5, 2009, and the Commission approved the 2009 Settlement on January 5, 2010.¹ The 2009 Settlement originally required Southern to file a new general section 4 rate case on or before February 28, 2013. In anticipation of that deadline, Southern and its shippers began negotiations that led to the instant Settlement. In order to have more time to complete these negotiations, Southern petitioned the Commission to postpone the 2009 Settlement's February 28, 2013 deadline to May 31, 2013. The Commission granted the petition to postpone, subject to conditions that protected the rights of Southern's shippers in the event that the parties could not settle all outstanding issues.²

¹ *Southern Natural Gas Co.*, 130 FERC ¶ 61,004 (2010).

² *Southern Natural Gas Co., L.L.C.*, 142 FERC ¶ 61,078 (2013).

3. Southern states that the instant Settlement represents a consensual resolution of various issues, and obviates the need for Southern to file a general NGA Section 4 rate case as provided for in the 2009 Settlement. Southern states that it and its customers, after many months of extensive negotiations, reached a set of carefully-crafted compromises. Most notably, Southern states that the Settlement will significantly reduce rates for all customers. Southern states that transportation rates will decrease by 7 percent effective September 1, 2013, and by a cumulative 11 percent effective November 1, 2015, and that Storage rates will decrease by 17.2 percent effective September 1, 2013. Southern states that the Settlement also resolves a dispute over Southern's fuel tracker mechanism, and establishes a rate moratorium through September 1, 2016. Southern claims that the Settlement is actively supported or not opposed by the vast majority of Southern's shippers, and that it is not aware of any opposing parties. Southern argues that by accepting the Settlement, the Commission will save substantial time and resources for Southern, its customers, and the Commission. Southern accordingly requests that the Commission find the Settlement fair and reasonable and in the public interest and accept the Settlement without modification or condition no later than July 31, 2013, to be effective September 1, 2013.

4. The following is a summary of the major provisions of the Settlement.

5. Article I, titled "Definitions," defines 41 terms used in the Settlement. Notably, the term "Supporting/Non-Opposing Participants" includes, among others, any current or future customer of Southern who does not actively contest the Settlement.

6. Article II, titled "Background," explains the history and procedural posture of the Settlement.

7. Article III, titled "Purpose and Scope of the Settlement," declares that the Settlement serves as compliance with the 2009 Settlement's requirement to file a new rate case. It declares that the Settlement is a delicate compromise that cannot be altered in part, and declares that, if contested, the Settlement can be defended as just and reasonable.

8. Article IV, titled "Contract Extensions," declares that in consideration for entering into the Settlement, several contracts enumerated in Appendix D must be extended so that they terminate no later than August 31, 2016.

9. Article V, titled "Rate Moratorium and Filing Requirement," prohibits Southern and the Supporting/Non-Opposing Participants from pursuing or supporting any effort to change, condition, modify, contest or challenge any of the Settled Matters, with certain narrow exceptions, that would take effect prior to September 1, 2016. For Southern and Supporting/Non-Opposing Participants, the standard for review for any proposed change to the Settled Matters to be effective during the Rate Moratorium shall be the "public

interest” standard for review. For non-settling parties or the Commission acting *sua sponte*, the standard of review shall be the just and reasonable standard.

10. Article VI, titled “Economic Factors and Incentives,” declares that those customers with the contract extensions enumerated in Appendix D that have discounted rates shall continue to receive that rate for a certain time frame. Article VI also describes the conditions under which shippers who supply an industrial plant may qualify for turn-back capacity. Finally, Southern agrees to provide assistance in funding a cooperative marketing program to promote natural gas usage, in an amount of \$2.025 million per year.

11. Article VII, titled “Capacity to be Rolled-In to Southern Natural’s System Rates,” binds Supporting/Non-Opposing Participants to not oppose any filings by Southern to roll into its rates the costs of certain expansion projects (Phases I, II and III of the South System III Expansion Project and Tranche C Capacity and Tranche D Capacity of the SESH Capacity).

12. Article VIII, titled “Miscellaneous Provisions,” establishes agreements on five details: the Settlement Adjustment Mechanism that was included as part of the 2009 Settlement, the priority of service provided under Rate Schedule ISS, the PSC Out Provision from its Tariff, the amortization of certain offshore assets, and the amortization of costs associated with a specific compressor outage event.

13. Article IX, titled “Depreciation Rates,” along with Appendix E, provides a complete listing of Southern’s depreciation, amortization, and negative salvages rates.

14. Article X, titled “Small Shipper Rates,” obligates Southern to file in its next rate case small shipper rates based upon certain specified imputed load factors. These imputed factors, however, are not deemed a settled practice, and may be protested by Supporting/Non-Opposing Participants.

15. Article XI, titled “Duration of Obligations,” sets forth the timeline for various obligations. Except as specified in this article, the default term of obligation is for the duration of the Rate Moratorium detailed in Article V.

16. Article XII, titled “Contested Settlement Procedures,” advises how the Settlement should apply to Supporting/Non-Opposing Participants and to Contesting Parties in the event that a party contests any part of the Settlement.

17. Article XIII, titled “Reservations,” describes how or whether the Settlement will become effective, depending on whether the Commission approves it in its entirety or with modifications. It also clarifies the indivisible nature of the Settlement, declares that the Settlement’s elements do not establish settled practice, and clarifies how the Settlement should be interpreted.

18. Finally, Southern files five appendices specifying certain details of the Settlement. Appendix A lists all known Supporting/Non-Opposing Participants, as of the date of the filing. Appendix B contains the *pro forma* tariff sheets proposed to take effect on September 1, 2013. Appendix C contains the *pro forma* tariff sheets proposed to take effect on November 1, 2015. Appendix D lists the Firm Transportation and Storage Contracts explicitly affected by the Settlement. Appendix E lists the depreciation and amortization rates used in the Settlement.

19. Numerous parties filed comments in support of the Settlement. The comments note that the Settlement is a carefully balanced resolution to the rate issues facing Southern and its shippers. The parties urge the Commission to accept the Settlement without modification. No parties filed adverse comments.

20. We conclude that the uncontested Settlement is fair and reasonable and in the public interest, and we approve it accordingly, without modification. Approval of the Settlement eliminates the need for the complex and administratively burdensome litigation that a full NGA section 4 rate case could otherwise entail. While this order does not constitute approval of, or precedent regarding, any principle or issue in these proceedings, it does further the Commission's policy of favoring collaborative efforts and settlements between pipelines and their shippers regarding rate and other contested issues.³

21. Accordingly, we direct Southern to file actual tariff records as provided for in the Settlement.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

³ *E.g.*, *Columbia Gas Transmission, LLC*, 142 FERC ¶ 61,062, at P 32 (2013).