

145 FERC ¶ 61,139
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony Clark.

Gulf South Pipeline Company, LP
Petal Gas Storage, L.L.C.

Docket No. CP13-96-000

ORDER ISSUING CERTIFICATES AND
GRANTING ABANDONMENT AUTHORITY

(Issued November 18, 2013)

1. On March 8, 2013, Gulf South Pipeline Company, LP (Gulf South) and Petal Gas Storage, L.L.C. (Petal) (collectively, the Applicants) filed a joint application under sections 7(b) and 7(c) of the Natural Gas Act (NGA) for authorization for Gulf South to construct and operate the Southeast Market Expansion Project, for Petal to abandon firm capacity, pursuant to two separate leases, and for Gulf South to acquire that capacity by lease. For the reasons set forth below, we will grant the requested authorizations, subject to certain conditions.

I. Background

2. Gulf South is a limited partnership organized and existing under the laws of the State of Delaware. Gulf South is a natural gas company within the meaning of the NGA. Gulf South's pipeline facilities extend from south and east Texas through Louisiana, Mississippi, southern Alabama, and western Florida.

3. Petal is organized and existing under the laws of the State of Delaware. Petal is a natural gas company within the meaning of the NGA and is engaged in the business of storing and transporting natural gas in interstate commerce. Petal owns storage facilities and transmission pipelines within the State of Mississippi.

A. Open Season

4. In its initial open season, Gulf South offered to construct pipeline facilities capable of transporting gas supplies from Carthage, Texas and the Perryville, Louisiana

area to southeast markets. A supplemental open season was later held for an additional 100,000 dekatherms (Dth) per day of transportation service. As a result of these open seasons, Gulf South signed binding precedent agreements with customers interested in receiving 510,500 Dth per day of firm transportation service to various delivery points, exclusive of fuel and lost and unaccounted for gas.

B. Proposed Facilities

5. Gulf South proposes to construct, operate, and maintain 42 miles of 30-inch diameter and 28 miles of 24-inch diameter pipeline, extending from its proposed Forrest Compressor Station in Forrest County, Mississippi to an interconnect with Gulf South's Index 311 near the Whistler Junction in Mobile County, Alabama. Gulf South also proposes to construct, operate, and maintain a total of 34,215 horsepower (hp) of compression: 15,900 hp at a new Jasper Compressor Station in Jasper County, Mississippi; 15,900 hp at a new Forrest Compressor Station in Forrest County, Mississippi; and 2415 hp at a new Moss Point Compressor Station in Jackson County, Mississippi.¹ Additionally, Gulf South seeks to lease from Petal transportation capacity on its pipeline system from the Jasper Compressor Station to the Forrest Compressor Station. Gulf South also proposes to construct, operate, and maintain appurtenances as well as a new pipeline interconnect with Florida Gas Transmission Company, LLC (FGT). Gulf South estimates the cost of the proposed facilities to be \$283,846,000.

¹ Upon completion of the proposed project, both the Jasper Compressor Station and the Forrest Compressor Station will each have more than 15,000 hp of compression. Gulf South states that it has considered the potential for recovery of waste heat energy at these stations as discussed in the Interstate Natural Gas Association of America White Paper entitled "*Waste Energy Opportunities for Interstate Natural Gas Pipelines*" (February 2008). However, Gulf South decided not to conduct a feasibility analysis for waste heat recovery for this site at this time. Gulf South states that it will need to accumulate operational data for the Jasper and Forrest Compressor Stations to determine the load factor before it can evaluate the potential for adding waste heat generation to the facilities. We will instruct Gulf South to accumulate data reflecting one full year of operational history for the Jasper and Forrest Compressor Stations and evaluate the potential for adding waste heat generation to the facilities at that time and file a report describing its analysis.

C. Leases

1. Transmission Lease

6. Petal seeks authorization to abandon, and Gulf South seeks authorization to acquire, 510,500 Dth per day of firm transportation capacity, exclusive of fuel and lost and unaccounted for gas, by lease on Petal's transmission facilities (Transmission Lease). The capacity under the Transmission Lease will start at the existing interconnect between Gulf South's Index 818 and Petal's transmission pipeline at Gulf South's proposed Jasper Compressor Station and will extend to a new interconnect between Petal's transmission pipeline and Gulf South at Gulf South's proposed Forrest Compressor Station.

2. Operational Lease

7. Petal also seeks authorization to abandon, and Gulf South seeks authorization to acquire capacity to provide 70,000 Dth per day of firm transportation service, exclusive of fuel and lost and unaccounted for gas, on a limited portion of Petal's storage facilities in Forrest County, Mississippi (Operational Lease). The Applicants aver that, once the Southeast Market Expansion Project is constructed and placed in service, the capacity made available under the Operational Lease will be necessary on occasion to enable Gulf South to continue to serve its firm customers whose gas is currently transported on pipeline Index 311 east to Whistler Junction and points beyond.

8. The Applicants state that the capacity under the Operational Lease will start at the existing interconnect between Gulf South's pipeline Index 301-6-3 and Petal's pipeline facilities in Forrest County, Mississippi, and will extend to an interconnect between Petal's transmission pipeline and at Gulf South's proposed Forrest Compressor Station.

9. The Applicants assert that the capacity to provide 70,000 Dth per day of firm transportation service subject to the Operational Lease will not be used to provide new transportation; rather the capacity will be needed by Gulf South after the proposed facilities are installed in order to maintain service to existing customers under current contracts during periods of maximum load. Gulf South avers that it can effectively utilize the facilities of Petal and its proposed facilities to avoid construction of duplicative facilities that would infrequently be needed. Gulf South further states that it will limit the use of the Operational Lease capacity to its own needs to meet existing customer requirements and the cost of the lease will not be reflected as a separate or additional incremental charge to any shipper.

3. Terms and Conditions of the Leases

10. The two proposed lease agreements (collectively, the Lease Agreements) provide that Gulf South will lease from Petal, and Petal will lease to Gulf South, a specified volume of capacity, exclusive of fuel, for a primary term of 15 years on a firm basis.

11. The Applicants state that, under the Lease Agreements, Gulf South will pay a monthly lease charge consisting of a demand charge of \$0.06 per Dth multiplied by the capacity covered by the lease multiplied by the number of days in the month, and a commodity charge of \$0.00 for gas transported on the Petal facilities. Gulf South anticipates that no fuel or lost and unaccounted for gas will be required for the Transmission Lease. Gulf South states that it will supply any necessary direct fuel and be responsible for indirect fuel under the Operational Lease. Accordingly, Gulf South maintains that none of Petal's customers will be impacted by the proposed Lease Agreements.

D. Gulf South's Proposed Rates

12. Gulf South proposes two initial rates, depending on which part of the project a shipper uses. As more fully described below, Gulf South proposes to charge its existing system-wide recourse rates for transportation service on the 70 miles of new 24- and 30-inch diameter pipeline. Further, Gulf South requests a predetermination that it may roll the costs of the facilities associated with that service into its system rates in a future NGA section 4 proceeding. Gulf South also proposes to recover the costs associated with the Transmission Lease from customers with service utilizing that capacity through a separate incremental rate based on a pass-through of the lease charges Gulf South will pay Petal.

II. Notice, Interventions, and Comments

13. Notice of the Applicants' application was published in the *Federal Register* on March 26, 2013 (78 Fed. Reg. 18,329).

14. Thirteen parties filed timely, unopposed motions to intervene.² These parties are identified in Appendix A of this Order. Three additional parties, also identified in Appendix A, filed motions to intervene out of time. These parties have demonstrated interest in this proceeding and shown that their participation will not delay or unfairly prejudice any parties to the proceeding. Accordingly, we will grant the motions to intervene out of time.³

² Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. *See* 18 C.F.R. § 385.214 (2013).

³ 18 C.F.R. § 385.214(d) (2013).

15. Atmos Energy Corporation (Atmos) and Trans Louisiana Gas Pipeline, Inc. (TLGP), jointly, and the United Municipal Distributors Group (UMDG)⁴ filed comments regarding Gulf South's request for a pre-determination of rolled-in rates. These comments will be addressed in the rates section of this order.

III. Discussion

16. Since the proposed facilities will be used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, their construction and operation, as well as the acquisition of capacity by lease, are subject to the requirements of section 7(c) of the NGA. Petal's proposed abandonment of capacity by lease is subject to the requirements of section 7(b) of the NGA.

A. Certificate Policy Statement

17. The Certificate Policy Statement provides guidance for evaluating proposals for certificating new construction.⁵ The Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explained that in deciding whether to authorize the construction of major new pipeline facilities, the Commission balances the public benefits against the potential adverse consequences. The Commission's goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, the subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.

18. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from existing customers. The next step is to determine whether the

⁴ UMDG consists of the following municipal-distributor customers of Gulf South: City of Brewton, Alabama; Town of Century, Florida; Utilities Board of the Town of Citronelle, Alabama; City of Fairhope, Alabama; Utilities Board of the City of Foley, Alabama; North Baldwin Utilities, Alabama; Okaloosa Gas District, Florida; City of Pascagoula, Mississippi; City of Pensacola, Florida; and South Alabama Gas District, Alabama.

⁵ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *clarified*, 90 FERC ¶ 61,128, *further clarified*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to complete the environmental analysis where other interests are considered.

19. As noted, the threshold requirement is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. As conditioned below, Gulf South will recover the costs of the Transmission Lease and related facilities through incremental rates for the new services that require the use of the leased transmission capacity. Further, as conditioned below, Petal's existing customers will not subsidize the costs of leasing capacity to Gulf South.

20. Neither Gulf South's nor Petal's existing customers should experience any degradation of service as a result of the proposed project. The project will have no adverse impact on existing pipelines or their captive customers as the new facilities will be transporting new regional sources of gas ensuring that the project will not replace existing customers' service on existing pipelines. Additionally, no pipeline company is opposed to the construction of the project.

21. Gulf South has taken appropriate steps to minimize adverse impacts on landowners and the environment. The majority of the right-of-way for the project parallels other pipeline right-of-ways or existing utility corridors. Gulf South has worked with landowners and, where possible, accommodated their concerns regarding the locations of the proposed compressor stations.

22. Gulf South's proposed project, as conditioned, will benefit the public since it will develop additional markets on Gulf South's system and will provide access to new onshore sources of natural gas. Additionally, Gulf South has signed binding precedent agreements for the entire proposed capacity. Therefore, consistent with the criteria discussed in the Certificate Policy Statement and section 7(c) of the NGA, we find that the benefits of the project will outweigh any potential adverse effects, and that the proposed project is required by the public convenience and necessity.⁶

⁶ Consistent with our standard practice, we condition our certificate authorization so that construction cannot commence until after Gulf South executes contracts that

(continued...)

B. Rates**1. Leases**

23. Historically, the Commission views lease arrangements differently from transportation services under rate contracts. The Commission views a lease of interstate pipeline capacity as an acquisition of a property interest that the lessee acquires in the capacity of the lessor's pipeline.⁷ To enter into a lease agreement, the lessee generally needs to be a natural gas company under the NGA and needs section 7(c) certificate authorization to acquire the capacity. Once acquired, the lessee in essence owns that capacity and the capacity is subject to the lessee's tariff. The leased capacity is allocated for use by the lessee's customers. The lessor, while it may remain the operator of the pipeline system, no longer has any rights to use the leased capacity.⁸

24. The Commission's practice has been to approve a lease if it finds that: (1) there are benefits for using a lease arrangement; (2) the lease payments are less than, or equal to, the lessor's firm transportation rates for comparable service over the terms of the lease on a net present value basis; and (3) the lease arrangement does not adversely affect existing customers.⁹ The transmission and operational lease agreements between Gulf South and Petal satisfy these requirements.

25. First, the Commission has found that capacity leases in general have several potential public benefits. Leases can promote efficient use of existing facilities, avoid construction of duplicative facilities, reduce the risk of overbuilding, reduce costs, and

reflect the levels and terms of service represented in its precedent agreements. *See, e.g., Tennessee Gas Pipeline Co.*, 101 FERC ¶ 61,360, at n.10 (2002).

⁷ *Texas Eastern Transmission Corp.*, 94 FERC ¶ 61,139, at 61,530 (2001).

⁸ *Texas Gas Transmission, LLC*, 113 FERC ¶ 61,185, at P 10 (2005) (*Texas Gas*).

⁹ *Id.*; *Islander East Pipeline Co., L.L.C.*, 100 FERC ¶ 61,276, at P 69 (2002) (*Islander East*).

minimize environmental impacts.¹⁰ In addition, leases can result in administrative efficiencies for shippers.¹¹ Here, the Transmission Lease arrangement will enable the project shippers to deliver natural gas produced in the various shale plays in Texas, Oklahoma, and Louisiana to markets in the Southeast and Florida by utilizing available unsubscribed transmission capacity on Petal, and thereby reducing the need for new pipeline facilities and compression. The Operational Lease allows Gulf South to have the operational flexibility necessary to ensure that existing customer service on Gulf South's low pressure Index 311 will be unaffected by the addition of the proposed facilities.

26. Second, the payments Gulf South will make to Petal under the Transmission and Operational Leases are close to, but less than, Petal's generally applicable maximum firm transportation rates. Each month Gulf South will pay lease charges consisting of a reservation charge of \$0.06 per Dth per day and a usage charge of \$0.00 per Dth, which is less than Petal's maximum tariff rate of a daily reservation charge of \$0.0664 per Dth and a usage rate of \$0.00 per Dth for Firm Transportation.

27. Third, as conditioned below, the lease arrangements will not adversely affect Gulf South or Petal's existing customers. The proposed Transmission Lease capacity of 510,500 Dth per day will be created by Gulf South's construction of compression facilities, without the need for Gulf South to construct additional pipeline. The proposed Operational Lease capacity will use available unsubscribed capacity on Petal's system. Therefore, the lease arrangements will not result in adverse operational impacts on Gulf South's or Petal's existing customers or on any other pipelines or its customers. Gulf South will recover the Transmission Lease costs from the new incremental services that require the use of the leased transmission capacity.

28. Petal's existing customers will not subsidize the costs of leasing capacity to Gulf South. Gulf South has agreed to lease payments that are close to Petal's maximum recourse rates. Gulf South is responsible for all capital and operating costs of the Jasper Compressor Station, which creates the Transmission Lease capacity on Petal. Moreover, Gulf South is responsible for all the costs associated with the proposed facilities under the Operational Lease and will pay any direct fuel and indirect fuel costs pursuant to Petal's

¹⁰ See, e.g. *Dominion Transmission, Inc.*, 104 FERC ¶ 61,267, at P 21 (2003); *Islander East*, 100 FERC ¶ 61,276 at P 70.

¹¹ *Wyoming Interstate Co., Ltd.*, 84 FERC ¶ 61,007, at 61,027 (1998), *reh'g denied*, 87 FERC ¶ 61,011 (1999).

tariff,¹² thus ensuring Petal customers are not adversely impacted by the leases. To the extent that are any fuel, lost or unaccounted for costs under either the Operational or Transmission Leases, the Commission requires that Petal not pass through those costs to its existing customers. Petal is charging Gulf South less than its system rate for the leases. During the term of these leases with Gulf South, Petal will not be allowed to reflect in its system rates any of the costs (i.e., the fully-allocated cost of service, including actual fuel, lost or unaccounted for costs) associated with the leased capacity.¹³ Therefore, Petal must treat the capacity leases as operating leases for accounting purposes. Consistent with Commission precedent, Petal is directed to record the lease payments from Gulf South in Account 489.2, Revenues from Transportation of Gas of Others Through Transmission Facilities.¹⁴

29. Based on the benefits the proposed leases will provide to the market and the lack of adverse effect on existing customers and other pipelines, we find that the public convenience and necessity requires approval of the proposed lease agreements.

2. Proposed Rates

30. Gulf South proposes two initial rates, depending on which part of the project a shipper uses. Gulf South proposes to charge its existing system-wide recourse rates for transportation service on the 70 miles of new 24- and 30-inch diameter pipeline. For example, the current monthly Rate Schedule FTS maximum monthly reservation charge

¹² Section 6.9 of Petal's FERC NGA Gas Tariff, GT&C-Fuel, Discounting, and Negotiated Rates, provides two general categories of fuel usage: (1) Direct Fuel Usage, consisting of (a) compression fuel, (b) dehydration fuel, and (c) line heating fuel; and (2) Indirect Fuel Usage, which includes lost and unaccounted for volumes. In addition, section 6.9 contains a fuel tracker for collection of actual fuel volumes.

¹³ See *Millennium Pipeline Co., L.P.*, 97 FERC ¶ 61,292 (2001); and *Trunkline Gas Co.*, 80 FERC ¶ 61,356 (1997).

¹⁴ See *Columbia Gas Transmission Corp. and Texas Eastern Transmission Corp.*, 78 FERC ¶ 61,030, at 61,115 (1997); *Gulf South Pipeline Co., L.P.*, 119 FERC ¶ 61,281, at P 42 (2007); *Gulf South Pipeline Co., LP*, 120 FERC ¶ 61,291, at P 42 (2007); *Gulf Crossing Pipeline Co. LLC*, 123 FERC ¶ 61,100, at P 123 (2008).

for deliveries from Zone 5 to Zone 4¹⁵ is \$10.5361 per Dth.¹⁶ Gulf South states that an incremental rate for transportation on the incremental mainline capacity would be below its existing system rates. Gulf South's application shows a proposed mainline incremental cost of service of \$58,189,992 in the first year.¹⁷ This cost of service is based upon Gulf South's last approved rate of return of 10.41 percent, based on its rate case settlement in Docket No. RP97-373, and a depreciation rate of 2.33 percent. Gulf South's calculation of the stand-alone monthly Rate Schedule FTS reservation charge for service between the same zones on the proposed expansion facilities and at design capacity is \$9.4989 per Dth. Thus, Gulf South contends the use of the system rates as the initial rate for service over this segment of the capacity expansion project would be appropriate and consistent with the Certificate Policy Statement. Gulf South also proposes to charge its current system-wide fuel rate of 1.6 percent, stating that existing customers on the Gulf South system will not subsidize or be adversely affected because all customers on the Gulf South system either pay the fixed fuel rate or have negotiated rate contracts with fixed fuel rates.

31. Gulf South proposes to recover the Transmission Lease costs from customers utilizing the leased capacity through a separate incremental rate based on a pass-through of the Transmission Lease charges Gulf South will pay Petal. The incremental rate is the equivalent of a daily reservation rate of \$0.06 per Dth for Rate Schedule FTS services, and a daily reservation rate of \$0.09 per Dth for Rate Schedule EFT services, or monthly reservation rates of \$1.8250 and \$2.7375 per Dth, respectively.¹⁸ Gulf South does not include any direct or indirect fuel attributable to the use of the leased capacity, stating that it does not anticipate any and, accordingly, no reimbursement mechanism is required.

¹⁵ The project facilities are located in Gulf South Rate Zones 4 and 5.

¹⁶ Gulf South's Settlement establishing Rate Zone 5 was approved on October 23, 2009 in Docket No. RP09-1065. *See Gulf South Pipeline Co. LP*, 129 FERC ¶ 61,062 (2009).

¹⁷ Gulf South's year-one cost of service reflects Operating and Maintenance (O&M) expenses of \$3,889,000; depreciation expenses of \$6,613,612; income tax expenses of \$11,848,674; other tax expenses of \$6,787,000; and a return allowance of \$29,051,707.

¹⁸ Gulf South's EFT rates are its FTS rates times 1.5, because of the additional capacity required to provide the greater hourly takes allowed under the EFT Rate Schedules.

32. We accept Gulf South's proposal to apply separate charges to transportation service over the leased capacity and the incremental mainline system capacity. However, as discussed below, the Commission rejects Gulf South's proposed allocation of certain of its project costs.

33. Specifically, Gulf South states that the new Jasper Compressor Station facilities will create the additional capacity on Petal which will be leased under the Transmission Lease, enabling Gulf South to provide 510,500 Dth per day of firm transportation service.¹⁹ The Jasper Compressor Station facilities are estimated to cost \$30,091,000.²⁰ Gulf South has included the Jasper Compressor Station costs in the calculation of the incremental cost of service for service utilizing capacity on the 70 miles of new pipeline. However, the application shows that the only customers benefitting from the Jasper Compressor Station will be those utilizing the capacity covered by the Transmission Lease. Consequently, we find that costs associated with the Jasper Compressor Station should not be allocated to the Southeast Market Expansion shippers who only utilize capacity on the 70 miles of new pipeline being constructed by Gulf South.²¹

34. However, as noted above, Gulf South proposes to use its currently effective system-wide rates as initial incremental recourse rates for service on the new 70 miles of pipeline. Removal of the costs associated with the Jasper Compressor Station from the cost of service Gulf South calculated for that service further supports Gulf South's position that use of its existing, higher system-wide rates is appropriate. Therefore, the Commission will approve Gulf South's proposal to use its currently effective system rates as the initial rates for service using capacity on the 70 miles of new 24- and 30-inch diameter pipeline. The Commission also approves Gulf's South's request to charge these customers its existing system-wide fuel rate of 1.6 percent for transportation service on this segment of its capacity expansion.

35. As described above, Gulf South proposes to recover the costs associated with the Transmission Lease from customers utilizing that capacity through an incremental rate based only on a pass-through of the lease charges that Gulf South will pay Petal. However, having determined above that costs associated with the Jasper Compressor Station will accrue solely to the benefit of the Southeast Market Expansion shippers

¹⁹ See Application at p. 10 where it states "the Jasper Compressor Station will provide Gulf South access to the Petal transmission pipeline as well as create 510,500 Dth/day of incremental capacity on the Petal transmission pipeline...."

²⁰ See Application, Exhibit K.

²¹ See Certificate Policy Statement.

utilizing the Transmission Lease capacity, we direct Gulf South to revise its initial recourse rate for this service to include the costs associated with the Jasper Compressor Station, including fuel and lost and unaccounted for gas.

36. We further note that Gulf South does not propose a fuel or lost and unaccounted for gas rate for service on the Transmission or Operating Leases capacity, stating that it does not anticipate that there will be any direct or indirect fuel associated with the use of this capacity. However, Section 4.4 of the Transmission and Operating Leases states that Gulf South shall furnish fuel, lost and unaccounted for gas associated with the capacity, if any.²² Since Gulf South has not proposed a mechanism for the recovery of such costs, to the extent that Gulf South does incur costs associated with the Transmission Lease, these costs should be separately accounted for to ensure that existing customers do not subsidize these costs.

37. Finally, Gulf South does not propose to charge any rates to shippers to recover the costs of using the capacity covered by the Operating Lease. The Commission clarifies that Gulf South is to separately record all costs of associated with the Operating Lease so that those costs are not passed through to existing customers.

3. Predetermination of Rolled-in Rate Treatment

38. Gulf South requests that the Commission grant a predetermination that it may roll the project costs related to the 70 miles of new 24- and 30-inch diameter pipeline into its system-wide rates in a future rate proceeding. Gulf South has entered into negotiated rate precedent agreements with four shippers for the entire 510,500 Dth per day of new firm transportation service. The precedent agreements are for transmission across various zones, and the negotiated rates range from a monthly reservation charge of \$5.93125 to \$9.2467 per Dth, with negotiated usage rates ranging from \$0.0026 to \$0.0066 per Dth.

39. Atmos, TLGP, and UMDG state that it is premature for Gulf South to seek a Commission predetermination of rolled-in rate treatment. UMDG notes that Gulf South's Exhibit N purports to show that the incremental cost of service of the project produces a monthly reservation rate of \$9.4989 per Dth, which is lower than the current monthly reservation rate for FTS service from Zone 5 to Zone 4²³ of \$10.5361 per Dth. UMDG states that at the time Gulf South filed its last rate case,²⁴ the 42-inch diameter expansion

²² See Application, Exhibit U.

²³ The project facilities are all located in Zones 4 and 5.

²⁴ *Koch Gateway Pipeline Co.*, 84 FERC ¶ 61,143 (1998), *reh'g denied*, 85 FERC ¶ 61,426 (1998).

facilities Gulf South installed pursuant to certificate authorization in Docket Nos. CP06-446 (East Texas to Mississippi Expansion) and CP07-32 (Southeast Expansion) had not been constructed, and its existing rates were based on what is referred to as its “legacy system.” UMDG is concerned that the rates for the legacy system may be an inappropriate yardstick for assessing the impacts of the roll in of the project costs. Atmos and TLGP also observe that Gulf South recently filed three separate applications to abandon roughly 25 percent of its entire system facilities by sale to affiliates.²⁵ Atmos and TLGP assert that, in light of these abandonment applications, it cannot be known at this time what would constitute appropriate system-wide rates.

40. In considering a request for a predetermination that a pipeline may roll the costs of a project into its system-wide rates in its next NGA general section 4 rate proceeding, the Commission compares project costs with the revenues that would be generated if all project services under contract were provided at the maximum recourse rate or at a lower discounted or negotiated rate.²⁶

41. Gulf South’s application projects that the firm transportation revenues resulting from the project’s fully subscribed 510,500 Dth per day will equal \$38,874,880 during each of the first three years of service.²⁷ This projected annual revenue is less than the annual cost of service of \$58,189,992 in the first year, \$56,547,189 in the second year and \$54,622,121 in the third year, indicating that a predetermination favoring rolled-in rate treatment in a future rate case would be inappropriate. While we recognize that removing the Jasper Compressor Station costs would reduce the incremental mainline costs of service, it is not clear that the reduction would be sufficient to demonstrate that existing customers would not likely subsidize the mainline expansion. Accordingly, we will deny Gulf South’s request for a predetermination that it may roll the costs of the

²⁵ Gulf South Pipeline Company, LP, Abbreviated Application for Authorization to Abandon Certain Pipeline Facilities in Louisiana, Docket No. CP13-91 (March 1, 2013); in Mississippi, Docket No. CP13-92 (March 1, 2013); and in Texas, Docket No. CP13-93 (March 1, 2013).

²⁶ *Tennessee Gas Pipeline Co., L.L.C.*, 144 FERC ¶ 61,219, at P 22 (2013). Gulf South’s tariff includes a provision permitting it to seek discount-type adjustments for negotiated rates in NGA section 4 proceedings. Gulf South Pipeline Company, LP, FERC NGA Gas Tariff, Tariffs, Seventh Revised Volume No. 1, Section 6.9, General Terms and Conditions, ACA, Discounting, and Negotiated Rates, 3.0.0.

²⁷ Exhibit N, Part 1, at 9 of 9.

project into its system-wide recourse rates in its next NGA general section 4 rate proceeding.

42. Additionally, Gulf South has stated that the negotiated rates in the precedent agreements all include the Transmission Lease incremental rate. Therefore, we will require Gulf South to allocate the revenues it derives from such contracts among the rate components applicable to the various transportation services for purposes of its periodic reports with the Commission and its next rate case. Consistent with the Certificate Policy Statement, Gulf South must account for the construction and operating costs and revenues of the project separately in accordance with section 154.309 of the Commission's regulations.²⁸ The information must be provided consistent with Order No. 710.²⁹ Gulf South's books should be maintained with applicable cross-references, as required by section 154.309 of the Commission's regulations. This information must be in sufficient detail so that the data can be identified in Statements G, I, J and other Statements contained in section 154.312 of the Commission's regulations.³⁰ Such measures will assist the Commission and parties to a future rate proceeding to determine the costs of the project and enable them to evaluate whether the rates proposed satisfy the requirement that existing customers not subsidize the project.

4. Negotiated Transportation Agreements

43. Gulf South states that it will provide service to the project shippers under negotiated rate agreements pursuant to negotiated rate authority in its General Terms and Conditions.³¹ Gulf South must file either its negotiated rate agreements or tariff records setting forth the essential terms of the agreements associated with the project, in accordance with the Alternative Rate Policy Statement³² and the Commission's

²⁸ 18 C.F.R. § 154.309 (2013).

²⁹ *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines*, Order No. 710, FERC Stats. & Regs., ¶ 31,267 (2008).

³⁰ 18 C.F.R. § 154.312 (2013).

³¹ Section 6.9.

³² *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines; Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076, clarification granted, 74 FERC ¶ 61,194 (1996).

negotiated rate policies.³³ Gulf South must file the negotiated rate agreements or tariff records at least 30 days, but not more than 60 days, before the proposed effective date for such rates.

C. Environmental Analysis

44. Commission staff began its review of the project following approval for Gulf South to use the pre-filing process on September 17, 2012, in Docket No. PF12-21-000. As part of the pre-filing review, the Commission issued a Notice of Intent to Prepare an Environmental Assessment for the Planned Southeast Market Expansion Project, Request for Comments on Environmental Issues, and Notice of Public Scoping Meetings (NOI) on November 19, 2012. On March 20, 2013, the Commission issued a Supplemental Notice of Intent (supplemental NOI) to ensure that landowners affected by pipeline route changes made during the pre-filing process were notified. The NOI and supplemental NOI were published in the Federal Register and mailed to over 830 interested parties, including federal, state, and local officials; agency representatives; conservation organizations; local libraries and newspapers; Native American groups; and property owners affected by the project facilities including landowners within 0.5 mile of Gulf South's proposed sites for its new compressor stations. Written comments were requested from the public on specific concerns about the project that should be considered during preparation of the environmental assessment (EA).

45. In October 2012, staff participated in two applicant-sponsored public open houses in Lucedale and Petal, Mississippi to explain the Commission's environmental review process to interested stakeholders. In addition, staff held three public scoping meetings on December 4 through 6, 2012, in New Augusta, Laurel, and Lucedale, Mississippi to receive comments on the project.

46. We received written and verbal scoping comments from six individuals, four state and local agencies with permitting/approval authority, as well as the National Park Service, U.S. Senator Thad Cochran, U.S. Senator Roger Wicker, and U.S. Representative Steven Palazzo. The scoping comments related to the purpose of and need for the project, impacts on water resources, invasive plant species, protected species, existing land use (including impacts on 16th Section Lands, which are lands vested in the State of Mississippi, in trust, for the support of public education and comments regarding

³³ *Natural Gas Pipelines Negotiated Rate Policies and Practices; Modification of Negotiated Rate Policy*, 104 FERC ¶ 61,134 (2003), *order on reh'g and clarification*, 114 FERC ¶ 61,042, *reh'g dismissed and clarification denied*, 114 FERC ¶ 61,304 (2006).

the proximity of project facilities to residences), and utilization of alternative pipeline routes.

47. To satisfy the requirements of the National Environmental Policy Act, our staff prepared an EA for Gulf South's proposal. The EA was prepared with the cooperation of the U.S. Fish and Wildlife Service (FWS) and the U.S. Army Corps of Engineers (COE). The analysis in the EA addressed geology and soils; water resources and wetlands; vegetation, fisheries, and wildlife; threatened, endangered and special status species; land use and visual resources; socioeconomics; cultural resources; air quality and noise; reliability and safety; cumulative impacts; and alternatives. All substantive comments received during the scoping period were addressed in the EA as summarized below.

1. Purpose and Need

48. During the pre-filing process, we received comments related to the project's purpose and need. As stated in the EA, Gulf South designed the project in order to expand its capability to transport natural gas supplies to areas of growing demand in the southeast region of the United States, including industrial and power generation markets in Mississippi, Alabama, and Florida, by approximately 510,500 Dth per day. According to Gulf South, the project would also provide an outlet for the growing level of new unconventional gas supplies that can be delivered into Texas and the Perryville, Louisiana area. As previously discussed in this Order, the Commission determines whether interstate natural gas transportation facilities are in the public convenience and necessity and, if so, grants a certificate to construct and operate them. The Commission bases its decisions on technical competence, financing, rates, market demand, gas supply, environmental impact, long-term feasibility, and other issues concerning a proposed project.

2. Water Resources

49. The Mobile Area Water and Sewer System (MAWSS) expressed concerns during scoping about the potential impact of the project on Big Creek Lake and its watershed. As stated in the EA, Gulf South proposes to avoid direct effects on Big Creek Lake by implementing the horizontal directional drill method. The EA recommended that Gulf South file the final design plan and/or agreement with the MAWSS regarding Big Creek Lake and its watershed, and provide any correspondence with the MAWSS related to development of this plan/agreement. We have included this recommendation as Environmental Condition 17 of this Order.

3. Invasive Species

50. During the pre-filing process, we received comments on the potential of the project to spread invasive species such as cogon grass. As stated in the EA, to minimize the spread of exotic and invasive plant species following construction, Gulf South will

implement measures outlined in its *Exotic and Invasive Species Control Plan*, including pressure washing all equipment before entering the construction area for the first time; planting a cover crop in areas of exposed soils to minimize the opportunity for exotic or invasive species to become established; segregating topsoil in wetlands, where practicable, to help minimize the introduction of noxious weeds; and monitoring and eradicating any exotic or invasive plant species encountered during construction and for at least three years following construction.

4. Threatened and Endangered Species

51. Potential impacts on gopher tortoises were also one of the concerns identified by the MAWSS during the pre-filing process. As required under section 7 of the Endangered Species Act, Commission staff consulted with the FWS to determine whether federally listed threatened or endangered species or designated critical habitat are found in the vicinity of the project, and to determine the proposed action's potential effects on those species or critical habitats. As described in the EA, a total of 20 species (18 federally listed species and two candidate species) occur or potentially occur in the project area. However, only one species (gopher tortoise) is likely to be adversely affected by the project activities. To avoid, minimize, and mitigate adverse effects of the project construction and operation on the gopher tortoise and its habitat in the project area, Gulf South developed mitigation measures it will implement prior to and during construction. These measures are outlined in the EA, which included our staff's biological assessment which was submitted to the FWS with a request for formal consultation.

52. As recommended in the EA, Environmental Condition 18 included in Appendix B of this Order ensures that Gulf South will not begin construction activities until our staff completes all necessary section 7 formal consultation with the FWS.

5. Land Use

53. We received several comments related to impacts on land use, particularly regarding limitations on future uses within the permanent pipeline right-of-way. As stated in the EA, the project will permanently impact about 3.6 acres of residential property within the permanent pipeline right-of-way. Landowners will be restricted from constructing permanent structures such as pools, decks, and outbuildings, or planting deep rooted trees within the permanent right-of-way. Otherwise, the landowner may generally use the permanent right-of-way as it was used prior to construction. The EA concluded that implementation of Gulf South's construction methods for working in proximity to residences and its site-specific residential construction plans will minimize the impact on residential land use to the extent practicable, and that most impacts on residential land use will be short-term and minor.

54. We received scoping comments on the proximity of the project construction to residences. As stated in the EA, for each of the 11 residences that would be within 50 feet of construction workspaces, Gulf South prepared site-specific plans that show how the project would affect the property, and identify construction requirements to minimize impacts on residences. The EA evaluated these site-specific residential construction plans and found them acceptable to minimize impacts to the extent practicable. Gulf South will also implement the measures outlined in its Residential Construction Implementation Plan to minimize impacts. These measures include notifying landowners no later than two weeks prior to the start of construction; constructing safety fencing along the edge of the workspace for 100 feet on either side of the residence; maintaining traffic flow and emergency vehicle access on residential roadways; conducting cleanup and backfill immediately after the pipeline is installed; leaving trees in place, where possible; and restoring lawns and landscaping to pre-construction conditions.

55. Following the filing of Gulf South's application, we received comments from a landowner expressing concerns about the project pipeline route requiring the removal of a mature large diameter tree in the vicinity of milepost 28.3. As stated in the EA, Gulf South rerouted its proposed alignment to avoid removal of the tree or impacts on its root zone to address the landowner's concern. This reroute was incorporated into Gulf South's proposed route and evaluated as such in the EA.

56. We also received comments on the potential of the project to impact 16th Section Lands, which are lands vested in the State of Mississippi, in trust, for the support of public education. As stated in the EA, the project pipeline will cross three parcels designated as 16th Section Land owned by county school boards (Perry County Board of Education, Greene County Board of Education, and George County Board of Education). Though the State of Mississippi holds the titles to these properties, control over leasing and day-to-day management is under the jurisdiction of the local school boards. Gulf South will acquire leases from the school board in which annual payments are made for the duration of the lease. Additionally, appraisals will be performed to determine necessary compensation for impacts on current land use, including the loss of silviculture revenue due to construction and maintenance of the permanent right-of-way. Approximately 32.5 acres of 16th Section Lands will be affected during construction. Approximately 12.2 acres of this land will be retained for the 50-foot-wide permanent right-of-way and a permanent access road. Gulf South will present all completed agreements and appraisals to the school boards for approval.

6. Alternatives

57. During the pre-filing process, we received comments from stakeholders, including comments forwarded by U.S. Senators Thad Cochran and Roger Wicker and U.S. Representative Steven Palazzo, to evaluate an alternative pipeline route (referred to as

Alternative 2 in the EA). Alternative 2 deviates from the proposed route near milepost 18.6, parallels a 15.1-mile segment of the existing Southeast Supply Header, LLC pipeline right-of-way, and then rejoins the proposed route near milepost 31.7, within Perry and Greene Counties, Mississippi. We also received comments from the MAWSS identifying three variations to the proposed route, running to the north or south of Big Creek Lake, or requiring placement of the pipe on the Highway 98 bridge to the north of the proposed crossing. The EA concluded that all these alternatives would result in greater impacts and would not provide any significant environmental advantage over the corresponding segment of the proposed route.

58. The EA was issued for a 30-day comment period and placed into the public record on August 23, 2013. The Commission received comments on the EA from Norfolk Southern Corporation (Norfolk Southern). The issues raised by Norfolk Southern concerned a statement that no project activities may occur on Norfolk Southern's property (generally within 0.5 mile of the Jasper Compressor Station) until the application process is complete. Based on our review of the application filed by Gulf South, the project construction activities will not take place on any properties owned by Norfolk Southern.

59. Based on the analysis in the EA, we find that if constructed and operated in accordance with Gulf South's application and supplements, and in compliance with the environmental conditions in Appendix B to this Order, our approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

IV. Conclusion

60. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application(s), as supplemented, and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) A certificate of public convenience and necessity is issued to Gulf South pursuant to section 7(c) of the NGA and Part 157 of the Commission's regulations to construct and operate natural gas facilities as described and conditioned herein, and as more fully described in the application.

(B) The certificate authority in Ordering Paragraph (A) shall be conditioned on the following:

- (1) Gulf South's completing the authorized construction of the proposed facilities and making them available for service within two years of the issuance of this order pursuant to paragraph (b) of section 157.20 of the Commission's regulations;
- (2) Gulf South's compliance with all applicable Commission regulations, including paragraphs (a), (c), (e), and (f) of section 157.20;
- (3) Gulf South's compliance with the environmental conditions listed in Appendix B to this Order; and
- (4) Gulf South's executing firm service agreements equal to the level of service represented in its precedent agreements with its customers for service prior to construction.

(C) Authority is granted to Petal to abandon by lease the capacity described in the body of this Order to Gulf South.

(D) A certificate of public convenience and necessity is issued to Gulf South authorizing it to acquire the lease capacity from Petal, as described and conditioned herein.

(E) The motions to intervene out of time are granted.

(F) Gulf South's proposal to establish two sets of incremental recourse rates for project services is approved as described and conditioned above.

(G) Gulf South is required to file a revised Exhibit N reflecting revised cost allocation and revised incremental rates for service utilizing the Transmission Lease as described above within 30 days of the date of this Order.

(H) Gulf South is required to file actual tariff records reflecting the revised initial rates at least 30 days prior to, but not more than 60 days, the date the proposed project goes into service.

(I) Gulf South's request for a finding of a presumption for rolled-in rate treatment for the incremental mainline capacity is denied.

(J) Gulf South shall notify the Commission's environmental staff by telephone, e-mail, and/or facsimile of any environmental noncompliance for their respective projects identified by other federal, state, or local agencies on the same day that such agency notifies Gulf South. Gulf South shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

Appendix A

Interventions

The Mayor and Aldermen of the City of Vicksburg, Mississippi
Willmut Gas Company
Mobile Gas Service Corporation
BG Energy Merchants, LLC
Exelon Corporation
Atmos Energy Marketing LLC
NJR Energy Services Company
Chevron U.S.A. Inc.
Consolidated Edison Company of New York, Inc.
UMDG
Florida Power & Light Company
Atmos Energy Corporation and Trans Louisiana Gas Pipeline, Inc.
Florida Gas Transmission Company, LLC

Motions to Intervene Out of Time

Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Southern Power Company
Calpine Energy Services, L.P.
Sequent Energy Management, L.P.

Appendix B

Environmental Conditions

As recommended in the Environmental Assessment (EA), this authorization includes the following conditions:

1. Gulf South shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the EA, unless modified by this Order. Gulf South must:
 - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
 - b. justify each modification relative to site-specific conditions;
 - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
 - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) before using that modification.
2. The Director of OEP has delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during construction and operation of the project. This authority shall allow:
 - a. the modification of conditions of this Order; and
 - b. the design and implementation of any additional measures deemed necessary (including stop-work authority) to assure continued compliance with the intent of the environmental conditions as well as the avoidance or mitigation of adverse environmental impact resulting from project construction and operation.
3. **Prior to any construction**, Gulf South shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors (EIs), and contractor personnel will be informed of the EI's authority and have been or will be trained on the implementation of the environmental mitigation measures appropriate to their jobs before becoming involved with construction and restoration activities.
4. The authorized facility locations shall be as shown in the EA, as supplemented by filed alignment sheets. **As soon as they are available, and before the start of construction**, Gulf South shall file with the Secretary any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 with station positions for all facilities approved by this Order. All requests for modifications of environmental conditions of this Order or site-specific clearances must be written and must reference locations designated on these alignment maps/sheets.

Gulf South's exercise of eminent domain authority granted under the Natural Gas Act (NGA) Section 7(h) in any condemnation proceedings related to this Order must be consistent with these authorized facilities and locations. Gulf South's right of eminent domain granted under NGA Section 7(h) does not authorize it to increase the size of its natural gas pipelines or aboveground facilities to accommodate future needs or to acquire a right-of-way for a pipeline to transport a commodity other than natural gas.

5. Gulf South shall file with the Secretary detailed alignment maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all route alignments or facility relocations, and staging areas, pipe storage yards, new access roads, and other areas that would be used or disturbed and have not been previously identified in filings with the Secretary. Approval for each of these areas must be explicitly requested in writing. For each area, the request must include a description of the existing land use/cover type, documentation of landowner approval, whether any cultural resources or federally listed threatened or endangered species would be affected, and whether any other environmentally sensitive areas are within or abutting the area. All areas shall be clearly identified on the maps/sheets/aerial photographs. Each area must be approved in writing by the Director of OEP **before construction in or near that area.**

This requirement does not apply to extra workspace allowed by the FERC Upland Erosion Control, Revegetation, and Maintenance Plan and/or minor field realignments per landowner needs and requirements which do not affect other landowners or sensitive environmental areas such as wetlands.

Examples of alterations requiring approval include all route realignments and facility location changes resulting from:

- (i) implementation of cultural resources mitigation measures;
 - (ii) implementation of endangered, threatened, or special concern species mitigation measures;
 - (iii) recommendations by state regulatory authorities; and
 - (iv) agreements with individual landowners that affect other landowners or could affect sensitive environmental areas.
6. **Within 60 days of the acceptance of the Certificate and before construction begins**, Gulf South shall file an Implementation Plan with the Secretary for review and written approval by the Director of OEP. Gulf South must file revisions to the plan as schedules change. The plan shall identify:
 - a. how Gulf South will implement the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests), identified in the EA, and required by this Order;

- b. how Gulf South will incorporate these requirements into the contract bid documents, construction contracts (especially penalty clauses and specifications), and construction drawings so that the mitigation required at each site is clear to onsite construction and inspection personnel;
 - c. the number of EIs assigned, and how the company will ensure that sufficient personnel are available to implement the environmental mitigation;
 - d. company personnel, including EIs and contractors, who will receive copies of the appropriate material;
 - e. the location and dates of the environmental compliance training and instructions Gulf South will give to all personnel involved with construction and restoration (initial and refresher training as the project progresses and personnel change) with the opportunity for OEP staff to participate in the training session(s);
 - f. the company personnel and specific portion of Gulf South's organization having responsibility for compliance;
 - g. the procedures (including use of contract penalties) Gulf South will follow if noncompliance occurs; and
 - h. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - (i) the completion of all required surveys and reports;
 - (ii) the environmental compliance training of onsite personnel;
 - (iii) the start of construction; and
 - (iv) the start and completion of restoration.
7. Beginning with the filing of its Implementation Plan, Gulf South shall file updated status reports with the Secretary **on a bi-weekly basis until all construction and restoration activities are complete**. On request, these status reports will also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
- a. an update on Gulf South's efforts to obtain the necessary federal authorizations;
 - b. the construction status of the project, work planned for the following reporting period, and any schedule changes for stream crossings or work in other environmentally sensitive areas;
 - c. a listing of all problems encountered and each instance of noncompliance observed by the EI during the reporting period (both for the conditions imposed by the Commission and any environmental conditions/permit requirements imposed by other federal, state, or local agencies);
 - d. a description of the corrective actions implemented in response to all instances of noncompliance, and their cost;
 - e. the effectiveness of all corrective actions implemented;

- f. a description of any landowner/resident complaints which may relate to compliance with the requirements of this Order, and the measures taken to satisfy their concerns; and
 - g. copies of any correspondence received by Gulf South from other federal, state, or local permitting agencies concerning instances of noncompliance, and Gulf South's response.
8. Gulf South shall develop and implement an environmental complaint resolution procedure. The procedure shall provide landowners with clear and simple directions for identifying and resolving their environmental mitigation problems/concerns during construction of the project and restoration of the right-of-way. **Prior to construction**, Gulf South shall mail the environmental complaint resolution procedures to each landowner whose property would be crossed by the project.
- a. In the letter to affected landowners, Gulf South shall:
 - (1) provide a local contact that the landowners should call first with their concerns; the letter should indicate how soon a landowner should expect a response;
 - (2) instruct the landowners that if they are not satisfied with the response, they should call Gulf South's Hotline; the letter shall indicate how soon to expect a response; and
 - (3) instruct the landowners that if they are still not satisfied with the response from Gulf South's Hotline, they should contact the Commission's Dispute Resolution Division Helpline at 877-337-2237 or at ferc.adr@ferc.gov.
 - b. In addition, Gulf South shall include in its weekly status report a copy of a table that contains the following information for each problem/concern:
 - (1) the identity of the caller and the date of the call;
 - (2) the location by milepost and identification number from the authorized alignment sheet(s) of the affected property;
 - (3) a description of the problem/concern; and
 - (4) an explanation of how and when the problem was resolved, will be resolved, or why it has not been resolved.
9. **Prior to receiving written authorization from the Director of OEP to commence construction of any project facilities**, Gulf South shall file with the Secretary documentation that it has received all applicable authorizations required under federal law (or evidence of waiver thereof).

10. Gulf South must receive written authorization from the Director of OEP **before placing the project into service**. Such authorization will only be granted following a determination that rehabilitation and restoration of the right-of-way and other areas affected by the project are proceeding satisfactorily.
11. **Within 30 days of placing the authorized facilities in service**, Gulf South shall file an affirmative statement with the Secretary, certified by a senior company official:
 - a. that the facilities have been constructed in compliance with all applicable conditions, and that continuing activities will be consistent with all applicable conditions; or
 - b. identifying which of the certificate conditions Gulf South has complied with or will comply with. This statement shall also identify any areas affected by the project where compliance measures were not properly implemented, if not previously identified in filed status reports, and the reason for noncompliance.
12. **Prior to construction**, Gulf South shall provide further site-specific justification for, or modify its proposed workspace associated with, the denied modifications outlined in Appendix D of the EA and file updated alignment sheets for review and written approval by the Director of OEP.
13. **Prior to construction**, Gulf South shall file for review and written approval by the Director of OEP a karst mitigation plan that includes the specific measures that would be implemented to mitigate (properly close) karst features encountered during construction. The measures in this plan shall include:
 - a. stopping work in the area until a remedial assessment is carried out;
 - b. notifying the appropriate state agency (i.e., Mississippi Department of Environmental Quality [MDEQ] or Alabama Department of Environmental Management) and FERC staff that karst features have been encountered;
 - c. prohibiting construction equipment, vehicles, hazardous materials, chemicals fuels lubricating oils, and petroleum products from being parked, refueled, stored or serviced within a 100 foot radius of any karst feature;
 - d. installing additional erosion control measures to prevent drainage toward any karst feature; and
 - e. using a qualified geologist to monitor excavation activities at the Jasper Compressor Station or other high probability areas.
14. **Prior to construction**, Gulf South shall file with the Secretary the location by milepost of all private wells within 150 feet of construction activities. Gulf South shall conduct, with the well owner's permission, pre- and post-construction monitoring of well yield and water quality for these wells.

15. **Within 30 days of placing the facilities in service**, Gulf South shall file a report with the Secretary identifying all water supply wells/systems damaged by construction and how they were repaired. The report shall also include a discussion of any other complaints concerning well yield or water quality and how each problem was resolved.
16. **Prior to construction**, Gulf South shall develop a spill prevention, reaction, monitoring, and cleanup plan for construction or operations within a designated wellhead protection area. This plan shall include:
 - a. preventative measures such as restricting refueling and overnight equipment storage;
 - b. specific measures that would be implemented if a spill occurs, including contact information for the MDEQ and Barrontown Water Association or Combined Utilities; and
 - c. procedures for post excavation sampling of soils and groundwater if a spill or leak occurs to ensure that the water supply has not been impacted.

This plan shall be filed with the Director of OEP for review and written approval.

17. **Prior to construction**, Gulf South shall file the final design plan and/or agreement with the Mobile Area Water and Sewer System regarding Big Creek Lake and its watershed. In addition, Gulf South shall provide any correspondence with the Mobile Area Water and Sewer System related to development of this plan/agreement.
18. Gulf South shall not begin construction activities **until**:
 - a. all gopher tortoise surveys have been completed, submitted to the U.S. Fish and Wildlife Service, and filed with the Secretary;
 - b. the FERC staff completes Section 7 consultation with the U.S. Fish and Wildlife Service; and
 - c. Gulf South has received written notification from the Director of OEP that construction or use of mitigation may begin.
19. Gulf South shall defer implementation of any treatment plans/measures; construction of facilities; and use of all staging, storage, or temporary work areas and new or to-be-improved access roads in areas not previously evaluated or where access was denied **until**:
 - a. Gulf South files with the Secretary cultural resources survey and evaluation reports; any necessary treatment plans; and the Mississippi and Alabama State Historic Preservation Office comments on the reports and plans; and
 - b. The Director of OEP reviews and approves all cultural resources survey reports and plans and notifies Gulf South in writing that treatment plans/measures may be implemented and/or construction may proceed.

All material filed with the Secretary containing location, character, and ownership information about cultural resources must have the cover and any relevant pages therein clearly labeled in bold lettering: “CONTAINS PRIVILEGED INFORMATION – DO NOT RELEASE.”

20. **During construction**, Gulf South shall include the results of its noise monitoring and a description of all noise mitigation measures employed for the active horizontal directional drills with each bi-weekly status report.
21. Gulf South shall file a noise survey with the Secretary **no later than 60 days** after placing each of the Forrest, Jasper, and Moss Point Compressor Stations into service. If a full load condition noise survey is not possible, Gulf South shall provide an interim survey at the maximum possible power load and provide the full power load survey **within 6 months**. If the noise attributable to the operation of all of the equipment at any compressor station at interim or full power load conditions exceeds a day-night sound level (Ldn) of 55 decibels on the A-weighted scale (dBA) at any nearby noise-sensitive areas (NSAs), Gulf South shall file a report on what changes are needed and shall install additional noise controls to meet the level **within 1 year** of the in-service date. Gulf South shall confirm compliance with the above requirement by filing a second noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.
22. Gulf South shall file a noise survey for the Florida Gas Transmission Company, LLC Interconnect and the pressure limiting facility **no later than 60 days** after placing each facility into service. If the noise attributable to the operation of either facility under maximum flow conditions exceeds 55 dBA Ldn at any nearby NSAs, Gulf South shall install additional noise controls to meet that level **within 1 year** of the in-service date. Gulf South shall confirm compliance with this requirement by filing a second noise survey **no later than 60 days** after it installs the additional noise controls.