

147 FERC ¶ 61,061
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 23, 2014

In Reply Refer To:
Southern Star Central Gas Pipeline, Inc.
Docket Nos. RP13-941-000
RP13-941-001
RP13-941-002

Southern Star Central Gas Pipeline, Inc.
4700 Highway 56
Owensboro, KY 42301

Attention: Philip A. Rullman, Vice President and
Chief Commercial Services Officer

Reference: Offer of Settlement

Dear Mr. Rullman:

1. On March 7, 2014, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed an offer of settlement in the form of a Stipulation and Agreement (Settlement) in Docket No. RP13-941-000 to resolve all issues related to its Natural Gas Act (NGA) Section 4 proceeding set for hearing by the Commission.¹ Initial comments to the Settlement were due March 14, 2014. Parties filing comments either support or do not oppose the

¹ *Southern Star Central Gas Pipeline, Inc.*, 144 FERC ¶ 61,009 (2013).

Settlement.² The Administrative Law Judge (ALJ) certified the Settlement to the Commission as uncontested on March 26, 2014.³

2. The following is a summary of the major provisions of the uncontested Settlement:
 - a. Article I provides, as set forth in Appendices A and B, the annual Settlement cost of service for Southern Star of \$238.5 million and the corresponding Settlement Rates. Article I notes that the participants have agreed to a separate, incremental Ozark Trails cost of service of \$2,035,802, with an incremental charge applicable to customers who use the Ozark Trails expansion facilities, and to a separate cost of service of \$4,344,826 for the Elk City Storage market-based facility, all set forth in Appendix A. Article I states that the cost of service shall serve as Southern Star's annual cost of service for the period commencing on December 1, 2013, until the earlier of the effectiveness of Southern Star's next NGA Section 4(e) general rate filing or the effective date of a change in Southern Star's jurisdictional base rates directed by the Commission pursuant to NGA Section 5.
 - b. Article II provides that the Settlement Rates in Appendix B reflect an annual gross amount of \$7,750,000 associated with recovery of pension expense and Post-retirement Benefits Other than Pensions (PBOP) expenses, for which recovery shall be governed by the procedures set forth in Appendix A-1. Article II contains language discussing the prohibition on commingling of established trust funds. The Article also describes how Southern Star will notify the Commission in the event Southern Star (1) becomes aware of proceedings of a governmental body other than the Commission that might reasonably result in an order requiring Southern Star to commingle funds; or (2) is subject to an order of a governmental body other than the Commission requiring the commingling of funds.
 - c. Article III provides that the Settlement Rates, as defined by Article V, reflect the cost classification, cost allocation, and rate design methodologies Southern

² Black Hills Utility Holdings, Inc. d/b/a Black Hills Energy; Southern Star; Atmos Energy Corporation; Kansas Gas Service, A Division of ONE Gas, Inc.; Midwest Energy, Inc.; the Kansas Corporation Commission; Anadarko Energy Services Company; Laclede Gas Company and Missouri Gas Energy, a division of Laclede Gas Company; and Commission Trial Staff.

³ *Southern Star Central Gas Pipeline, Inc.*, 146 FERC ¶ 63,026 (2014).

- Star filed in this proceeding, with the exception of storage reservation capacity rates, which include a \$500,000 credit, and the load factors used to derive the small customer rates, which utilize load factors from Southern Star's last general rate case settlement in Docket Nos. RP04-276 and RP08-350.
- d. Article IV provides that the agreed-to annual Settlement billing determinants are set forth in Appendix A-3.
 - e. Article V provides that Appendix B contains the *pro forma* tariff sheets reflecting the Settlement Rates based upon the Settlement cost of service, the Settlement billing determinants, and the cost classification, cost allocation, and rate design to be effective for the period commencing December 1, 2013. Southern Star states that upon approval of the Settlement in accordance with Article VIII, Southern Star will file actual tariff sheets to become effective consistent with Article VIII.
 - f. Article VI provides that within sixty days of the Settlement becoming effective, Southern Star will refund all payments received, with interest calculated pursuant to Section 154.501(d) of the Commission's regulations⁴ from the date of payment to the date of refund, the total amount, if any, collected since December 1, 2013, in excess of the amounts that would have been collected under the Settlement Rates. The Article also provides that refunds are only due for the months of December 2013 and January 2014 as a result of the Settlement, and Southern Star shall be permitted to offset (net) over-collections and under-collections during the refund period among all rate schedules for each customer to recover all costs under the Settlement Rates allocable to such customers.
 - g. Article VII requires Southern Star to file a general rate case proceeding under NGA Section 4(e) to be effective no later than November 1, 2021.
 - h. Article VIII sets forth when the Settlement becomes effective and binding, as well as the standard of review that will apply to proposed changes, if any, to the Settlement. Article VIII provides that the public interest standard of review will apply, except that with respect to changes proposed by a non-settling third party, or the Commission acting *sua sponte*, the standard of review to be applied by the Commission shall be the ordinary just and reasonable standard.
 - i. Article IX sets out general reservations typical to settlement agreements.

⁴ 18 C.F.R. §154.501(d) (2013).

3. The Commission finds that the Settlement appears to be fair and reasonable and in the public interest. Accordingly, subject to the condition that Southern Star file actual tariff records identical to the *pro forma* tariff sheets contained in Appendix B of the Settlement consistent with the terms of the Settlement within 30 days of the issuance of the instant order, the proposed Settlement is hereby approved pursuant to Rule 602(g) of the Commission's Rules of Practice and Procedure.⁵ The Commission's approval of this Settlement does not constitute approval of, or precedent regarding, any principle or issue in these proceedings.

4. This letter order terminates Docket Nos. RP13-941-000, RP13-941-001, and RP13-941-002.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵ 18 C.F.R. §385.602(g) (2013).