

149 FERC ¶ 61,174
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
and Norman C. Bay.

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

Docket No. CP14-473-000

Gulf South Pipeline Company, LP

Docket Nos. RP14-822-000
RP14-823-000
(not consolidated)

ORDER ISSUING CERTIFICATE, AUTHORIZING ABANDONMENT,
AND ACCEPTING TARIFF RECORDS, SUBJECT TO CONDITIONS

(Issued November 26, 2014)

1. On May 1, 2014, in Docket No. CP14-473-000, Gulf South Pipeline Company, LP (Gulf South) and Petal Gas Storage, L.L.C. (Petal) (Applicants) jointly filed an application, pursuant to sections 7(b) and 7(c) of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations, requesting authorization for: (1) Petal to abandon its jurisdictional storage and transportation facilities to Gulf South, and (2) Gulf South to acquire through an inter-corporate merger the facilities Petal seeks to abandon. Concurrently, Gulf South filed tariff records proposing to revise its tariff to incorporate new services on the merged Petal facilities in Docket No. RP14-822-000,¹ and to incorporate Petal's current contracts as non-conforming agreements in its tariff in Docket No. RP14-823-000.²

¹ See Appendix A.

² Gulf South states that it included only agreements that will be in effect as of the anticipated merger date of January 1, 2015. See Appendix B.

2. Because the proposals are interdependent, we address the three unconsolidated applications in this order. Subject to the conditions discussed below, the Commission grants the requested certificate and abandonment authorizations. The Commission also accepts changes to Gulf South's tariff records listed in Appendix A to implement new services on the merged Petal facilities and accepts Gulf South's non-conforming agreements listed in Appendix B, subject to conditions, as discussed below, to be effective January 1, 2015, as proposed.

I. Background

3. Petal and Gulf South are both interstate natural gas companies, as defined by section 2(6) of the NGA.³ Petal owns and operates storage and pipeline facilities within Mississippi. Gulf South owns and operates storage facilities and over 7,000 miles of pipeline facilities in Texas, Louisiana, Mississippi, Alabama, and Florida. Both Gulf South and Petal are operating subsidiaries of Boardwalk Pipeline Partners, LP (Boardwalk).

4. The Commission recently authorized Gulf South to acquire by lease, storage and transportation capacity on Petal's system. In 2013, the Commission approved Gulf South's request to acquire pursuant to two separate leases, certain capacity on Petal's storage and transmission facilities, as part of Gulf South's Southeast Market Expansion Project.⁴ In 2014, the Commission authorized Gulf South to lease additional storage capacity from Petal to provide an alternative no-notice service, under Rate Schedule NNS-A.⁵

5. Applicants state that Gulf South currently operates Petal, and assert that the proposed merger of the two systems will create increased administrative efficiency by eliminating the multiple leases between Gulf South and Petal, as well as providing greater operational efficiencies. Gulf South claims that its related tariff filings are intended to maintain the status quo for both existing Petal customers and existing Gulf South customers. Gulf South requests that the Commission approve the tariff records associated with this proposal contemporaneously with its approval of the certificate application in Docket No. CP14-473-000. Gulf South states that it plans to close and implement the merger with Petal on or about January 1, 2015.

³ 15 U.S.C. § 717a(6) (2012).

⁴ *Gulf South Pipeline Co., LP*, 145 FERC ¶ 61,139, at PP 6-9 (2013).

⁵ *Gulf South Pipeline Co., LP*, 146 FERC ¶ 61,149 (2014).

II. Procedural Matters

A. Notice, Comments, Protests, and Answers

6. Notice of the filings in Docket Nos. RP14-822-000 and RP14-823-000 was issued on May 5, 2014, and published in the *Federal Register* on May 9, 2014.⁶ The parties listed in Appendix C of this order filed timely, unopposed motions to intervene. Exelon Corporation, Mobile Energy, Santa Rosa Energy Center, and Sequent Energy Management L.P. filed late, unopposed motions to intervene.

7. Notice of the application in Docket No. CP14-473-000 was issued on May 13, 2014, and published in the *Federal Register* on May 21, 2014.⁷ The parties listed in Appendix C of this order filed timely, unopposed motions to intervene. Atlanta Gas Light Company, Florida Power and Light Company, Municipal Electric Authority of Georgia, Sequent Energy Management L.P., and Virginia Natural Gas, Incorporated together with Elizabethtown Gas, filed late, unopposed motions to intervene.

8. Timely, unopposed motions to intervene are granted by operation of Rule 214(c) of the Commission's Rules of Practice and Procedure.⁸ We will also grant the late motions to intervene, finding that the movants have demonstrated an interest in these proceedings and granting intervention at this stage of these proceedings will not cause undue delay or undue burden for the existing parties.⁹

9. The United Municipal Distributors Group¹⁰ (UMDG) filed comments in all three dockets stating that it does not oppose Gulf South's proposal to merge Petal facilities, as long as Gulf South's existing customers will not experience changes to the existing

⁶ 79 Fed. Reg. 26,744 (2014).

⁷ 79 Fed. Reg. 29,176 (2014).

⁸ 18 C.F.R. § 385.214(c) (2014).

⁹ 18 C.F.R. § 385.214(d) (2014).

¹⁰ 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.

services, rates, and terms and conditions, that the merger will not result in a subsidy from existing Gulf South customers, and that proposed rates for services on Petal facilities will not bind future rate design. UMDG raises specific questions regarding the potential degradation of existing rights on Gulf South's system and seeks clarification to ensure that Gulf South's existing customers can access transportation capacity on the Petal system.

10. PSEG Energy Resources & Trade LLC (PSEG ER&T) filed comments in Docket Nos. RP14-822-000 and RP14-823-000 stating that, as a Petal storage customer, it has concerns about maintaining the status quo but does not oppose either filing based upon Gulf South's representations that it will maintain the benefit of the existing bargain for Petal's customers.

11. Southern Company Services, Inc. (Southern Company) filed a protest in all three dockets requesting that the Commission reject the merger and related tariff filings because the tariff revisions do not maintain the status quo for Petal's existing customers. Alternatively, Southern Company requests that the Commission suspend the effective date of the filings for the maximum lawful period, consolidate all three filings, and set the matters for hearing.

12. On June 13, 2014, Applicants filed an answer to the protests and comments.¹¹ On June 20, 2014, Southern Company filed an answer to the answer of Gulf South and Petal. Rule 213(a) of the Commission's Rules of Practice and Procedure does not permit answers to protests or answers to answers unless otherwise ordered by the decisional authority.¹² We will accept the answers identified above because they provide information that has assisted in our decision-making process. Admitting the answers will not cause undue delay or unfairly prejudice other parties.

13. Commission staff issued data requests on June 25 and September 4, 2014, requesting additional information to assist in the analysis of the application. Gulf South submitted responses to the data requests on July 8, 2014, and September 15 and 16, 2014.

B. Request for Hearing and Consolidation

14. The Commission denies Southern Company's request for a hearing in this proceeding. The Commission has broad discretion to structure its proceedings so as to

¹¹ The answer contains a revised market power study, addressing UMDG's comments. *See* UMDG's June 3, 2014 Comments at 6-7.

¹² 18 C.F.R. § 385.213(a) (2014).

resolve a controversy in the way it best sees fit.¹³ An evidentiary, trial-type hearing is necessary only where there are material issues of fact in dispute that cannot be resolved on the basis of the written record.¹⁴ Southern Company has raised no material issue of fact that the Commission cannot resolve on the basis of the written record. Accordingly, the Commission will deny the request for an evidentiary hearing.

15. Additionally, although the separate applications filed by Gulf South in the three proceedings raise similar issues, the existing records in the three dockets are sufficient for us to consider and address all three contemporaneously, as requested. Therefore, consistent with prior orders, we find no need for formal consolidation.¹⁵

III. Merger Proposed in Docket No. CP14-473-000

16. Since Petal's facilities are used to provide interstate natural gas transportation and storage services subject to the jurisdiction of the Commission, Petal's proposed abandonment of the facilities, and Gulf South's proposed acquisition of the facilities, are subject to the requirements of sections 7(b) and 7(c) of the NGA, respectively.¹⁶

17. Petal requests authorization to abandon by inter-corporate transfer to Gulf South its jurisdictional facilities. In turn, Gulf South proposes to acquire the abandoned facilities and to consolidate the facilities into its existing interstate natural gas operations. Applicants state that upon Commission authorization of the merger, Petal will no longer exist. Applicants contend that the merger will provide operational efficiencies, reduce redundancy, and provide more flexibility for Gulf South to create new services to meet market needs, without the necessity of the lease agreements.

18. The Petal facilities that are subject to the merger consist of: (1) eight salt dome storage caverns (Cavern Nos. 1, 3, 3-A, 6, 7, 8, 10, and 12A), with a certificated total storage capacity of 45.518 billion cubic feet (Bcf) and a certificated working gas capacity of 28.609 Bcf; (2) five certificated compressor stations providing 69,082 horsepower (hp)

¹³ See *Stowers Oil and Gas Co.*, 27 FERC ¶ 61,001 (1984) (Commission has discretion to manage its own procedures); *PJM Interconnection, L.L.C.*, 120 FERC ¶ 61,013 (2007).

¹⁴ See, e.g., *Dominion Transmission, Inc.*, 141 FERC ¶ 61,183, at P 15 (2012); *Southern Union Gas Co. v. FERC*, 840 F.2d 964, 970 (D.C. Cir. 1988).

¹⁵ See *Williams Natural Gas Co.*, 67 FERC ¶ 61,252, at 61,826 (1994).

¹⁶ 15 U.S.C. §§ 717f(b) and (c) (2012).

of compression; (3) two 20-inch pipelines totaling 26.5 miles; (4) an 8-inch pipeline of 5.6 miles; (5) an integrated 20-inch, 5.6 mile storage header (together, Petal Storage Field);¹⁷ and (6) a 36-inch natural gas transmission pipeline that extends from the storage header for 64.2 miles north (Petal Storage Pipeline) to interconnections with Transco, Destin Pipeline Company, L.L.C. (Destin), Southern Natural Gas Company (Sonat), and Gulf South.

19. Petal currently provides interstate natural gas storage service at market-based rates pursuant to a series of Commission certificate orders granting expansions of the Petal Storage Field. In addition, Petal currently offers firm and interruptible transportation service on the Storage Pipeline at cost-based rates pursuant to its open access tariff. After the merger, Gulf South proposes to continue to provide market-based storage and cost-based transportation services on the combined facilities. Applicants claim that Gulf South is proposing to maintain the status quo for both the existing Petal and Gulf South customers through implementation of the related tariff filings.

20. Applicants also request authorization for: (1) Petal to abandon its Part 157 and Part 284 blanket certificates associated with the abandoned facilities; (2) Gulf South to abandon certain leased capacity from Petal; and (3) Gulf South to charge market-based rates for storage services for the combined facilities.

A. Certificate Policy Statement

21. The Certificate Policy Statement provides guidance as to how the Commission evaluates proposals for certificating pipelines by establishing criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest.¹⁸ A proposal to acquire capacity with no related construction of facilities, such as the proposal in this proceeding, eliminates the Certificate Policy Statement's concerns with overbuilding, disruptions of the environment, and the exercise of eminent domain. However, the threshold requirement under the Certificate Policy Statement, that a pipeline must be prepared to financially support the project without

¹⁷ There are eight pipeline interconnections on the Petal Storage Field connecting to the storage headers: Tennessee Gas Pipeline Company, LLC; Southeast Supply Header, L.L.C.; Transcontinental Gas Pipe Line Company, LLC (Transco); Gulf South at two locations; Southcross Energy–Mississippi, an intrastate pipeline; and Willmut Gas Company, a local distribution company, at two locations.

¹⁸ *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).

relying on subsidization from its existing customers, is equally applicable to merger applications. Similarly, whether the applicant has made efforts to eliminate or minimize any adverse effects the proposed merger might have on the applicant's existing customers and existing pipelines in the market and their captive customers is also relevant to our evaluation of the proposal.

22. Gulf South's acquisition of the Petal facilities does not rely on subsidization from existing Gulf South customers. Under the merger proposal, Gulf South is not proposing to change any existing tariff rates and customers will continue to receive service under their existing contracts.

23. We also find that there is no indication that Applicants' proposal will adversely affect the quality of Gulf South's existing services. While Gulf South has proposed tariff changes in order to incorporate new service on the Petal facilities in its tariff, it has not proposed material changes to its existing services. Moreover, approval of Applicants' proposals will have no adverse impact on existing pipelines in the market or their customers. The merger will consolidate the operations of the two existing pipelines and does not involve any new construction.

24. Accordingly, the Commission finds that Applicants' proposal to merge the facilities and operations currently owned by Petal into Gulf South, and for Gulf South to operate the facilities as a single, jurisdictional interstate natural gas storage and transportation system is consistent with the Certificate Policy Statement and is required by the public convenience and necessity.

B. Petal's Abandonment

25. Section 7(b) allows an interstate pipeline company to abandon jurisdictional facilities or services only if the abandonment is permitted by the "present or future public convenience or necessity."¹⁹ In reviewing an interstate pipeline's request to abandon facilities currently being used to provide jurisdictional services by selling the facilities to another pipeline company, the Commission has considered all relevant factors, including the needs of the two natural gas systems and the public markets they serve, the economic effect on the pipelines and their customers, and the level of assurance of continued service to customers dependent on the subject facilities.²⁰ However, the Commission has

¹⁹ 15 U.S.C. § 717f(b) (2012).

²⁰ *Trunkline Gas Co.*, 139 FERC ¶ 61,239, at P 26 (2012), *Northern Natural Gas Co.*, 123 FERC ¶ 61,325, at P 12 (2008). *See also Transcontinental Gas Pipe Line Corp. v. FPC*, 488 F.2d 1325, 1330 (D.C. Cir. 1973).

stated that continuity and stability of existing service are the primary considerations in assessing the public convenience or necessity of a permanent cessation of service under section 7(b) of the NGA.²¹

26. Under the subject proposal, the facilities and services abandoned by Petal will be acquired by Gulf South and operated by Gulf South as part of its jurisdictional interstate natural gas storage and transportation system. As such, the rates and terms and condition of service on the combined facilities will continue to be subject to the Commission's open-access requirements and rate policies.

27. In the following section, we address Gulf South's proposal to incorporate new services on the Petal facilities in its tariff. We have reviewed each of Southern Company's concerns that the status quo will not be maintained by Gulf South's tariff filing and have required revisions where appropriate. We find that any impact on Petal's existing service is minimal and is required to conform Gulf South's tariff to our open-access policies. Moreover, we are accepting all of Petal's current contracts as non-conforming agreements under Gulf South's tariff, thus preserving the rate agreements between Petal and its current customers. Under these circumstances, we find that Gulf South's proposal will ensure the continuity and stability of existing service to Petal's customers. Thus, we will approve Petal's request to abandon its facilities to Gulf South.

C. Petal's Blanket Certificates and FERC Gas Tariff

28. Petal requests that the Commission authorize it to abandon its Part 157 and Part 284 blanket certificates.²² Since Petal will no longer be a jurisdictional interstate pipeline company after the merger, we will terminate its Part 157 and Part 284 blanket certificates on the effective date of the merger. Petal is required to make a filing to cancel its tariff, including its Tariff ID number, to be effective on the effective date of the merger.²³

²¹ See *Southern Natural Gas Co.*, 126 FERC ¶ 61,246, at P 27 (2009); *Gulf Oil v. FERC*, 575 F.2d 67, 69-70 (3d Cir. 1978); *Farmland Industries, Inc. v. Kansas-Nebraska Natural Gas Co.*, 349 F. Supp. 670, 680-81 (D.C. Neb. 1972), *aff'd*, 486 F.2d 315 (3d Cir. 1973).

²² Petal was issued a Part 157 subpart F blanket certificate in Docket No. CP95-14-000. *Petal Gas Storage Co.*, 70 FERC ¶ 62,046 (1995). Petal was issued a Part 284 subpart G blanket certificate in Docket No. CP93-69-000. *Petal Gas Storage Co.*, 64 FERC ¶ 61,190 (1993), *amended by* 67 FERC ¶ 61,135 (1994).

²³ Petal's cancellation filing should use the Type of Filing Code 720.

D. Gulf South/Petal Leases

29. Applicants request that the Commission authorize Gulf South to abandon to Petal the leased capacity as authorized in Docket Nos. CP13-96-000²⁴ (for the Southeast Market Expansion Project) and CP13-532-000²⁵ (for NNS-A Service), so that the leased capacity can be transferred as part of the merger. They explain that following the consolidation of the Gulf South and Petal facilities, there will be no need for the lease arrangements.

30. The Commission will approve the abandonment of the leased capacity to Petal, so that the Applicants may mutually terminate the leases upon the effective date of the merger. The Commission directs the Applicants to file notifications of the termination of the leases in the respective dockets in which the leases were authorized, as well as in Docket No. CP14-473-000, within 10 days of the date of effectiveness of the abandonment of the leases.

E. Market-Based Rates

31. Gulf South and Petal are currently authorized to charge market-based rates for storage services. Following its merger with Petal, Gulf South requests authorization to continue providing firm and interruptible storage services at market-based rates on the combined Petal and Gulf South storage facilities.

32. Gulf South submitted an updated market power study in Exhibit Z-1 of its application.²⁶ Gulf South asserts that the updated market power study shows that expansion of its storage facilities through the merger with Petal will not affect the Commission's previous determination that Gulf South lacks significant market power in providing storage services.

²⁴ See *Gulf South Pipeline Co., LP*, 145 FERC ¶ 61,139 (2013).

²⁵ See *Gulf South Pipeline Co., LP*, 146 FERC ¶ 61,149 (2014).

²⁶ In Gulf South's July 8, 2014 Data Response, Gulf South submitted a revised Exhibit Z-1.

33. Generally, the Commission evaluates requests to charge market-based rates for storage under the analytical framework of the Alternative Rate Policy Statement.²⁷ This framework has two principle purposes: (1) to determine whether the applicant can withhold or restrict services and, as a result, increase prices by a significant amount for a significant period of time; and (2) to determine whether the applicant can discriminate unduly in price or terms and conditions of service.²⁸ In order to find that an applicant cannot withhold or restrict services, significantly increase prices over an extended period, or discriminate unduly, the Commission must find that there is a lack of market power.²⁹ The Commission's analysis of whether an applicant has the ability to exercise market power consists of three major steps: 1) review of the applicant's relevant product and geographic markets; 2) measurement of the applicant's market share and concentration; and 3) evaluation of other relevant factors.³⁰

34. Based on the criteria established in the Alternative Rate Policy Statement, Gulf South's updated market power study defines the relevant product and geographic markets, measures market share and concentration, evaluates ease of entry into the market, and addresses other relevant factors. Applicants assert that the data used in their market power analysis was gathered primarily from certificated capacities, the most recently available data from the U.S. Energy Information Administration and companies' public websites.

1. Relevant Market

35. Applicants identify the relevant product market as both interstate and intrastate natural gas storage facilities. They identify the relevant geographic market as the Gulf Coast Production Area, which includes the states of Louisiana and Mississippi, as well as

²⁷ *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines; Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076 (1996), *reh'g denied*, 75 FERC ¶ 61,024 (1996) (*Alternative Rate Policy Statement*). See also *Rate Regulation of Certain Natural Gas Storage Facilities*, Order No. 678, FERC Stats. & Regs. ¶ 31,220, *order on clarification and reh'g*, Order No. 678-A, 117 FERC ¶ 61,190 (2006).

²⁸ *Orbit Gas Storage, Inc.*, 126 FERC ¶ 61,095, at P 19 (2009).

²⁹ The Commission defines "market power" as "the ability of a pipeline to profitably maintain prices above competitive levels for a significant period of time." See *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076 at 61,230.

³⁰ See *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076, at 61,230-35.

the two neighboring states of Alabama and the eastern portion of Texas. Applicants assert that the Gulf Coast Production Area currently contains 63 working underground natural gas storage facilities, including the Gulf South, Petal, and Boardwalk Storage Company storage facilities.³¹ Applicants also assert that consistent with their most recent market study, they continue to use the Gulf Coast Production Area as the relevant geographic market.³²

2. Market Share and Concentration

36. The Commission examines concentration in the relevant market using the Herfindahl-Hirschman Index (HHI). The Alternative Rate Policy Statement states that a low HHI, generally less than 1,800, indicates that sellers cannot exert market power because customers have sufficiently diverse alternatives in the relevant market.³³ If the HHI is above 1,800, the Commission will give the applicant more scrutiny in order to make a determination about a seller's ability to exercise market power because the market is more concentrated. The Commission also considers an applicant's market share.

37. Gulf South's updated market power analysis includes its storage facilities and the merged Petal facilities, as well as those owned by its affiliate Boardwalk Storage, in its calculation of market share. Gulf South's study shows that there are 27 interstate and intrastate pipelines with over 60 storage fields in the Gulf Coast Production Area. Gulf South's analysis calculates HHI levels of 1,053 for working gas and 809 for daily deliverability, and market shares for working gas of 10.7 percent and for deliverability of 13.9 percent.³⁴ It asserts these calculations indicate that Boardwalk lacks the ability to exercise market power in providing storage services.

3. Ease of Entry and Other Factors

38. Gulf South asserts the Gulf Coast Production Area does not have significant barriers to new entrants to the marketplace. Gulf South states that the ease of entry into the storage market in the Gulf Coast Production Area is reflected by the fact that the Commission has approved the construction of 57 storage facilities in the Gulf Coast

³¹ Gulf South's July 8 2014 Data Request Response, response to Question 2.

³² *Id.*

³³ *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076 at 61,235.

³⁴ *Id.*

Production Area since the year 2000. Gulf South's market power study also includes an exhibit which shows that 14 additional storage projects have been authorized by the Commission but have not yet been built, demonstrating continued ease of entry into the marketplace.

39. Gulf South claims that its market power study is conservative because it excludes potential competition from non-storage alternatives. Specifically, Gulf South asserts that non-storage competitors such as local natural gas production, liquefied natural gas peaking and import facilities, pipeline capacity, park and loan services and financial market instruments all could have been included in this market power study.

4. Commission Determination

40. Gulf South's use of the Gulf Coast Production Area as its relevant geographic and product market is consistent with the Commission's analysis and findings in prior orders granting Petal and Gulf South market-based rate authority.³⁵ The Commission has found in previous orders that the Gulf Coast Production Area is a highly competitive market where numerous storage facilities and service alternatives exist for potential customers.³⁶

41. The HHI values provided by Gulf South are well below the Commission's threshold number of 1,800, indicating that Gulf South could not exert market power in the relevant market. Gulf South's market power study also shows that there are no significant barriers to entry in the Gulf Coast Production Area.³⁷ In these circumstances, Gulf South's market shares for working gas and deliverability do not raise market power concerns.

42. Therefore, the Commission finds that Gulf South may continue to charge market-based rates for its storage services on the combined Gulf South and Petal storage facilities. However, consistent with the Commission's Rules and Regulations and previous findings addressing applications for market-based rate authority, we will condition this finding on a requirement that Gulf South notify the Commission of future

³⁵ See, e.g., *Petal Gas Storage, L.L.C.*, 118 FERC ¶ 61,253, at P 26 (2007) (identifying the Gulf Coast Production Area as the relevant geographic market in Petal's application for a certificate of public convenience and necessity to convert, operate, and maintain an existing salt-brine production cavern to natural gas storage).

³⁶ *Id.* P 37.

³⁷ See updated market power study, Exhibit Z-1, Exhibit 3.

circumstances that may significantly affect its market power status.³⁸ Thus, the Commission's approval of continued market-based rate authority is subject to re-examination if: (1) Gulf South expands its storage capacity beyond the level authorized in this proceeding; (2) an affiliate increases storage capacity; (3) an affiliate links storage facilities to Gulf South; or (4) Gulf South, or an affiliate, acquires an interest in, or is acquired by, an interstate pipeline connected to Gulf South. Accordingly, Gulf South shall notify the Commission within 10 days of any such change in circumstances that may alter Gulf South's market power status. The notification shall include a detailed description of the new facilities and their relationship to Gulf South's operations.

F. Environmental Analysis

43. Since no facilities are proposed to be constructed or physically abandoned, the Commission concludes that the proposed action creates no environmental impact.³⁹

IV. Tariff Records Proposed in Docket No. RP14-822-000

A. Gulf South's Tariff Proposal, Protest, and Comments

44. In Docket No. RP14-822-000, Gulf South proposed tariff revisions that it claims are necessary in order to merge the Petal facilities into Gulf South while maintaining the status quo for existing Petal and Gulf South customers.⁴⁰ In its filing, Gulf South proposes to create new firm and interruptible services that it states are specifically tailored for the Petal facilities. These include (a) a new Rate Schedule FSS-P, offering firm storage service with an optional transportation service component on the Petal facilities; (b) a new Rate Schedule ISS-P, offering interruptible storage and/or transportation service on the Petal facilities; and (c) new Rate Schedules AVS and PKS, offering storage-based parking and lending services on the Petal facilities.⁴¹ Gulf South

³⁸ See 18 C.F.R. § 284.504(b) (2014); see also *Petal Gas Storage, L.L.C.*, 142 FERC ¶ 61,119, at P 73 (2013); *Petal Gas Storage, L.L.C.*, 124 FERC ¶ 61,066, at P 24 (2008); *Petal Gas Storage, L.L.C.*, 132 FERC ¶ 61,168, at P 32 (2010).

³⁹ See June 6, 2014, Environmental Assessment Report in Docket No. CP14-473-000.

⁴⁰ Gulf South May 1, 2014 Tariff Filing Transmittal in Docket No. RP14-822-000 at 2, 5, 8, 10, 11, 14, 19, and 21 (tariff filing).

⁴¹ *Id.* at 8.

states that customers will only be able to use existing Petal facilities under these new services and Gulf South's existing NNS-A service.

45. Gulf South also proposes changes to the General Terms and Conditions (GT&C) of its Tariff that it states are necessary to accommodate the new services and the integration of the Petal facilities into the Gulf South system. Those changes include modifications to its capacity sales and auction procedures, restructuring of the supplemental rights provisions, and revisions to its scheduling priority section.⁴² Gulf South also submitted proposed new *pro forma* service, discount, and negotiated rate letter agreements, as well as modified *pro forma* agreements to accommodate the new services.⁴³ Finally, Gulf South proposed several miscellaneous tariff changes.⁴⁴

46. In its protest, Southern Company takes issue with Gulf South's claim that the tariff proposal maintains the status quo for existing Petal customers. Southern Company identifies several areas where it asserts Gulf South's proposal would alter Southern Company's existing rights: (1) aggregation of storage and transportation services under Rate Schedule FSS-P; (2) scheduling priorities; (3) storage nomination flexibility; (4) risk of loss; and (5) reservation charge crediting. Southern Company claims that despite Gulf South's representations, the proposed tariff revisions will neither maintain the status quo nor preserve the economic bargain for existing Petal customers, and accordingly will not benefit such customers. Southern Company thus requests that the Commission reject the proposed changes.

47. UMDG states in its comments that it does not oppose the proposed combination of Gulf South's and Petal's facilities but that its position is premised on the explicit representations made by Applicants to preserve the status quo for Petal and Gulf South shippers. UMDG comments specifically on the ratable flow provisions and on the details regarding access to the Southeast Market Expansion capacity by Gulf South customers. PSEG ER&T makes similar comments to the effect that its non-opposition to the proposal is conditioned on the Applicants' statement that there will be no adverse effect on existing customers.

⁴² *Id.* at 17-20.

⁴³ Gulf South states the tariff records upon which this proposal has been based do not include any of the changes from Docket No. RP13-526-000. Gulf South states if tariff records are approved in that docket, and any other pending dockets, Gulf South will make changes necessary to include all approved tariff record modifications.

⁴⁴ Gulf South tariff filing at 20-21.

48. We address the issues raised by Applicants' proposal, and the responsive filings, in detail below.

1. Aggregation of Storage and Transportation Services Under Rate Schedule FSS-P

a. Applicants' Proposal

49. With respect to proposed Rate Schedule FSS-P, Gulf South states that customers will reserve storage capacity at the Petal Storage Field and may optionally reserve transportation capacity on the Petal Storage Pipeline. Gulf South further states that customers must hold Petal Storage Field capacity to be eligible to hold Petal Storage Pipeline capacity. Gulf South asserts this limitation is necessary to ensure that the Petal Storage Pipeline does not become land-locked.

50. According to the filing, customers contracting for firm storage service at the Petal Storage Field under Rate Schedule FSS-P will have a Maximum Storage Quantity (MSQ), Maximum Daily Injection Quantity (MDIQ), and a Maximum Daily Withdrawal Quantity (MDWQ). These injection and withdrawal rights include use of Petal's existing header system, which include interconnections with various interstate pipelines. This service is equivalent to Petal's existing firm storage service under its Rate Schedule FSS.

51. Gulf South proposes that customers contracting for firm service under Rate Schedule FSS-P may also, at their option, contract for firm transportation service on the Petal Storage Pipeline under Rate Schedule FSS-P. Customers who do so will have a Maximum Daily Quantity (MDQ) for that service. Gulf South states that this firm transportation service is equivalent to Petal's existing firm transportation service under its Rate Schedule FTS.

52. As noted above, while Petal does not currently bundle its firm storage and transportation services, Gulf South proposes to prohibit customers who do not contract for firm storage service under Rate Schedule FSS-P from contracting for firm transportation service on the Petal Storage Pipeline. In addition, it proposes to limit the transportation MDQ of Rate Schedule FSS-P customers contracting for transportation service under that rate schedule to their MDWQ for storage withdrawal service.

53. Gulf South further states that customers wishing to use existing Gulf South services will have access to the Petal Storage Pipeline only through transportation capacity created by the Southeast Market Expansion, which Gulf South claims has access to many of the same interconnects as the Petal Storage Pipeline. Gulf South proposes that the expanded pipeline (which it refers to as the Petal 36-inch pipeline), will serve a dual use, with the existing Petal Storage Pipeline capacity dedicated solely to supporting storage services under Rate Schedules FSS-P and ISS-P, and the Southeast Market Expansion capacity providing transportation services under Gulf South's existing

transportation rate schedules. Gulf South asserts that such use is consistent with Commission policy recognizing that the same facilities can be allocated to different uses.⁴⁵ According to Gulf South, the restriction that a customer must contract for Petal Storage Field firm storage capacity to be eligible to contract for capacity on the Petal Storage Pipeline is necessary to preserve the status quo for existing Petal customers and to prevent their storage rights becoming stranded as a result of non-Petal storage customers using the Petal Storage Pipeline. Gulf South claims that:

[b]ecause of the operational differences between Petal and Gulf South, merely applying Gulf South's current rate schedules and terms and conditions of service to the Petal facilities would eliminate many of the unique service features that Petal's customers have relied on for many years. For example, if the Petal Storage Pipeline were made generally available under Gulf South's existing transportation services, this could cause the Petal Storage Pipeline to be contracted for separately, effectively land-locking Petal's storage capacity. Without Petal Storage Pipeline, the capacity in Petal Storage Field has limited access through header interconnects with the interstate grid.⁴⁶

54. Gulf South also claims that its proposal to limit customers' rights to the Petal Storage Pipeline is consistent with Commission policy allowing a pipeline to set aside capacity to prevent underutilization of a connected facility. Gulf South argues its situation is analogous to that of the Cove Point LNG, and the Commission's ruling allowing Cove Point to place limitations on the use of a send-out pipeline connected to Cove Point's LNG import facility.⁴⁷ Gulf South cites *Cove Point*, where the Commission allowed Cove Point to bundle its pipeline take away capacity with LNG import service because requiring Cove Point to unbundle those services could result in underutilization of the LNG facilities inconsistent with the purpose for which the certificate was issued. Likewise, Gulf South argues, the Commission should approve its instant proposal to set aside a portion of the Petal Storage Pipeline to support Petal storage customers' high

⁴⁵ Gulf South tariff filing at 8 (citing *Ouachita River Gas Storage Co., L.L.C.*, 78 FERC ¶ 61,181 (1997); *Amoco Production Co. v. ANR Pipeline Co.*, 76 FERC ¶ 61,081 (1996); *Sabine Pipe Line Co.*, 58 FERC ¶ 61,120 (1992)).

⁴⁶ *Id.* at 7.

⁴⁷ Gulf South tariff filing at 11 (citing *Cove Point LNG Limited Partnership*, 97 FERC ¶ 61,043 (2001) (*Cove Point*)).

deliverability demands consistent with the Petal Storage Pipeline certificate's goal of providing natural gas transportation service to and from the Petal Storage Fields.

55. Gulf South further notes that the proposed restriction on the Petal Storage Pipeline does not foreclose non-Petal storage customers from utilizing that pipeline because Gulf South will maintain the status quo by continuing to offer access on the Southeast Market Expansion capacity under Gulf South's existing transportation rate schedules. Gulf South points out that its customers also have access to interruptible capacity on the Petal Storage Pipeline under Rate Schedule ISS-P without any requirement to contract for storage capacity. Gulf South concludes that its proposal is just and reasonable because it preserves the status quo for Petal storage and pipeline customers regarding the use of the Petal Storage Pipeline, while providing opportunities for use of the pipeline by non-storage customers.

b. Protest and Answers

56. In its protest, Southern Company states that currently it contracts for, and receives, storage and transportation services separately under Petal Rate Schedules FSS and FTS. Southern Company notes that Gulf South's proposal would combine these distinct services under one rate schedule, and that such aggregation does not preserve the status quo. Southern Company states that Gulf South has not explained how it will create efficiencies to the benefit of Petal customers. Southern Company further expressed its concern that the proposed aggregation of storage and transportation services may impede the orderly administration of Petal customers' existing separate storage and transportation rights, rights which it asserts are critical to providing reliable electric service to its customers.

57. Specifically, Southern Company states that it is concerned that the proposal will dilute its current primary rights. Southern Company notes that the primary points set forth in its separate storage and transportation agreements with Petal are designed to work in tandem when injecting or withdrawing natural gas from storage but that its primary rights on the Petal Storage Pipeline are designed to work independently so that it may move natural gas between points on the pipeline as a transportation only service. Southern Company states that the proposal undermines Southern Company's ability to depend on Petal's services to provide reliable service because Gulf South does not explain how its existing contracts for separate services will be joined under a single agreement, and the statement that transportation will work within the FSS-P rate schedule is ambiguous at best. Southern Company also protests that Gulf South only proposes to transfer some, but not all, of Petal's Rate Schedule FTS provisions into proposed Rate Schedule FSS-P. According to Southern Company, to maintain the status quo Gulf South must continue the omitted services as part of any consolidation of Petal into Gulf South.

58. In its answer, Gulf South states that it has explained in detail the primary need to offer storage and transportation services under the same rate schedule, namely to limit the amount of transportation capacity that can be contracted based on the level of storage capacity owned to ensure that the storage capacity does not become land-locked. Gulf South claims that customers will not be disadvantaged because it has transferred all the key components of service available under the current Petal tariff for both storage and transportation services. Gulf South states that it has maintained separate storage and transportation service under proposed Rate Schedule FSS-P, which it claims will allow customers to administer their separate rights in an orderly manner. Gulf South also states that it is not requiring existing Petal customers to sign new agreements, and that it has filed the existing agreements, which continue to state each customer's primary receipt and delivery points for storage and transportation service, as non-conforming agreements. Thus, states Gulf South, Southern Company will be able to utilize its existing contracts as it does today under Rate Schedule FSS-P.

59. In its answer to Applicants, Southern Company notes that based on their explanation, it understands the impetus behind the decision to aggregate storage and transportation services, and withdraws its protest on this part of the merger filing.

c. Commission Determination

60. The Commission rejects Gulf South's proposal to aggregate Petal storage and transportation services under a single rate schedule and to limit access to transportation service on the Petal Storage Pipeline to only those customers holding storage capacity in the Petal storage fields. As noted above, the Petal Storage Pipeline is an interstate pipeline subject to the Commission's Part 284 regulations, including those requiring non-discriminatory access to its facilities.⁴⁸ Gulf South's proposal would create an undue preference for access to the Petal Storage Pipeline for those holding contracts for capacity in the Petal Storage Field in contravention of those open access regulations.

61. Commission policy also prohibits pipelines from tying the purchase of storage and transportation services unless there are countervailing considerations, such as that continued bundling is necessary for the pipeline to manage its system.⁴⁹ Gulf South's proposal would impermissibly tie the purchase of transportation access on the Petal Storage Pipeline to the purchase of firm storage service. The primary reasons given by Gulf South to justify this proposed tying are to maintain the value of storage for Petal's current customers and to ensure that storage capacity does not become landlocked. These

⁴⁸ See 18 C.F.R. § 284.7 (2014).

⁴⁹ See, e.g., *Transcontinental Gas Pipe Line Corp.*, 106 FERC ¶ 61,299 (2004).

objectives, however, do not relate to operational considerations regarding Gulf South's ability to manage the pipeline and storage services.

62. Further, the claim that making Petal Storage Pipeline capacity generally available under Gulf South's existing transportation services would effectively land-lock Petal's storage capacity is belied by the facts. Contrary to Gulf South's assertions that without the Petal Storage Pipeline, the capacity in Petal Storage Field has limited access to the interstate grid, Petal's storage facilities interconnect through its header facilities with at least eight natural gas pipelines, including Tennessee, Transco, and Gulf South itself. It thus appears that there are numerous options for Petal firm storage customers to transport gas to markets aside from using the Petal Storage Pipeline. Accordingly, the speculative concern that the firm storage capacity will become landlocked is not a compelling reason to prevent open access to the Petal Storage Pipeline as required by Commission policy. Given these facts, we find that Gulf South had not made a compelling argument for the Commission to contravene its longstanding open access and anti-tying policies.

63. Further, Petal's current firm storage customers that desire transportation capacity on the Petal Storage Pipeline already have firm, long-term contracts with contract renewal rights for service on that pipeline, and therefore Gulf South's proposed bundling of Petal's transportation service with its storage service is unnecessary in order to ensure those customers' storage capacity does not become stranded.⁵⁰ Indeed Southern Company currently has a twenty-year agreement, with renewal rights, for 700,000 MMBtu per day of transportation service on the Petal Storage Pipeline, which was one-hundred percent of the pipeline capacity at the time it was certificated.⁵¹ Thus it does not appear necessary for Petal's storage and transportation services to be bundled to protect transportation capacity to which Southern Company already subscribes.

64. Applicants' attempts to justify their proposal by claiming similarity to orders where the Commission approved the dual use of facilities are unavailing. As noted by Applicants, in *Ouachita* the Commission approved a storage provider's proposal to offer multiple services on its storage header facilities. The Petal Storage Pipeline, however, is not a storage header, nor is it part of Petal's storage or storage header facilities. It is an interstate pipeline subject to the Commission's Part 284 regulations. Further, the "dual functions" that Applicants seek for the Petal Storage pipeline are not actually separate services but merely a proposed division of capacity for transportation services.

⁵⁰ Southern Company, Petal's largest storage customer, states it believes a full preservation of the status quo would include a disaggregation of the services.

⁵¹ See *Petal Gas Storage, L.L.C.*, 92 FERC ¶ 61,220 (2000).

65. The Commission also rejects Applicants' claims that its proposal is analogous to a bundled service approved for Cove Point's LNG facility. In *Cove Point*, the Commission rejected a claim that the proposed LTD-1 and LTD-2 tanker discharging services, under which Cove Point was to unload, store and vaporize LNG, and deliver vaporized LNG to various points on the Cove Point pipeline, should be unbundled and placed for sale as separate components. The Commission found there that in order to operate a viable LNG facility, the terminal operator had to ensure that the customer could unload its tankers of LNG at the facility, store the LNG in the facility's storage tanks, and then have the LNG vaporized and re-delivered to a point on the operator's facilities. Thus, based on the specific nature of LNG service, the Commission found that Cove Point's proposed rate schedules were not inconsistent with the Commission's open access and unbundling requirements,⁵² and noted that the Commission had approved similar service offerings for other LNG terminalling facilities. As we specifically noted in that order, the holdings were based on the specific nature of LNG service, and thus and do not support Applicants' request to bundle storage and transportation services.

66. Accordingly, we direct Gulf South to submit revised tariff records that reflect unbundled and non-discriminatory use of the Petal Storage Pipeline and that permit shippers to contract for firm and interruptible service on the Petal Storage Pipeline without also contracting for storage service in the Petal storage facilities, in a manner consistent with Commission policy and the discussion above.

2. Use of Petal Storage Pipeline by Existing Gulf South Customers

a. Comments

67. In its comments, UMDG raises several questions concerning access by existing Gulf South customers to the transportation capacity that is now part of the Petal system. UMDG notes that in the certificate application Gulf South states customers will have access to the Petal Storage Pipeline transportation capacity using their Gulf South service through the transportation capacity created under the Southeast Market Expansion. UMDG states the rate sheets in the tariff filing in Docket No. RP14-822-000 indicate FTS and NNS customers would pay a monthly incremental rate of \$3.2232 per Dth to use the Southeast Market Expansion capacity (or \$0.0996 per Dth for small customer option customers) plus a 0.14 percent Jasper Fuel charge. UMDG states it is not clear from Gulf South's filings how existing customers would be able to use the transportation capacity added by the Petal merger (e.g., supplemental receipt points for NNS and FTS service and/or supplemental delivery points for FTS service), what priority the non-Southeast Market Expansion shippers would have, and what costs, if any, would be charged to non-

⁵² *Cove Point*, 97 FERC ¶ 61,043 at 61,203.

Southeast Market Expansion FTS or NNS customers who seek to use the Petal transportation capacity being made available by the merger.

68. UMDG also asks whether all Petal Storage Pipeline capacity would be unavailable for use by customers that have not subscribed for the Petal-specific services. UMDG seeks further explanation regarding the availability of capacity (primary and secondary) and the priority for nominations by Southeast Market Expansions shippers and existing (non-expansion) customers to use the Petal transportation capacity that will be part of Gulf South's system after a merger so the availability and rights to use such capacity will be clearly stated and on the record.

b. Answer

69. In its answer, Gulf South states that it is proposing to let existing Gulf South FTS, EFT, and NNS customers access the Petal transportation capacity created as part of the Southeast Market Expansion capacity by nominating to or from points on those facilities. Gulf South states that only FSS-P and ISS-P customers may use the other transportation capacity on the Petal Storage Pipeline. Gulf South states the priority of nominations for non-Southeast Market Expansion shippers would be non-primary firm, in accordance with Gulf South's existing scheduling provisions in Section 6.12 of its tariff and these customers would be subject to the same charges set forth in the Gulf South tariff that apply to all shippers using the Southeast Market Expansion capacity.

70. Consistent with its proposal, Gulf South states transportation capacity in the Petal Storage Pipeline (other than that created by the Southeast Market Expansion) will not be available to customers that have not contracted for service on such facility through Rates Schedules FSS-P or ISS-P, however, any potential customer – including existing Gulf South customers – may obtain FSS-P or ISS-P service, subject to available capacity and the applicable provisions of Gulf South's request for service process under Section 6.8 of its tariff.

c. Commission Determination

71. As discussed above, the Commission herein rejects Gulf South's proposals to bundle storage and transportation services under Rate Schedule FSS-P, and to limit access to the Petal Storage Pipeline to customers holding Petal Storage Field capacity. Given these determinations, Applicants will need to modify their proposed rate schedules and services in their compliance filing, and questions concerning those modified services will best be addressed after Gulf South files its revised proposals.

3. Proposed Revisions to Gulf South's GT&C

a. Storage Service Priorities

i. Applicants' Proposal

72. As noted, in addition to the proposed new rate schedules, Gulf South proposed several modifications to the GT&C of its tariff. Among those is the proposal to make the new Petal rate schedules subject to the scheduling priorities of section 6.12 of Gulf South's tariff.⁵³ Gulf South proposes conforming changes to section 6.12, which it states prioritizes scheduling of storage and transportation services separately. Gulf South states that it is adding provisions for prioritizing supplemental service, which it had not offered previously. Gulf South further states that one exception to using Gulf South's existing priority provisions is with regard to "new versus flowing gas" in the Timely Cycle. Gulf South states that Petal's tariff does not prioritize based on new versus flowing gas in the Timely Cycle, and it is not proposing to impose this priority on the proposed new services.

ii. Protest and Answers

73. In its protest, Southern Company claims that, under Petal's current tariff, primary firm service can bump secondary firm service, even if it is scheduled after the secondary firm service. Southern Company states under Gulf South's tariff, customers holding storage or transportation service rights of lower priority that nominate that service during the Timely or Evening Cycles cannot be displaced by a later nomination by a customer holding firm service and nominating what otherwise would have been a higher priority schedule.⁵⁴ Southern Company states that a key component to maintaining the status quo is a continuation of the firm transportation and storage scheduling priority rights afforded by Petal's tariff. Southern Company argues that these priority rights offered under the applicable Petal tariff rate schedules have not, to Southern Company's knowledge, been proven or alleged to be unjust and unreasonable or contravening Commission policy. Southern Company asserts that the assignment of such priority rights appropriately recognizes the inherent connection between priority of storage injection or withdrawal and the priority of transportation from storage. Southern Company asks the Commission to reject the application absent modification by Gulf South to incorporate into its tariff the scheduling priorities of Petal's tariff.

⁵³ Gulf South tariff filing at 19.

⁵⁴ See Gulf South Tariff, §§ 6.12[4][e][2] & 6.12[4][f][3].

74. In its Answer, Gulf South states it did not include Petal's scheduling priority in its revised tariff because such a proposal is inconsistent with the Commission's long-standing policy that, once scheduled, "all firm is equally firm."⁵⁵ Gulf South states:

[s]ubject to Commission approval, Gulf South is agreeable to preserve the current primary firm service priority rights for Petal's storage and transportation customers. Should the Commission waive its policy and approve this primary firm service priority right for Rate Schedule FSS-P, Gulf South would be willing to make such changes to its tariff.⁵⁶

75. In its answer to Applicants, Southern Company recognizes Gulf South's and Petal's willingness to attempt to preserve the scheduling priority rights in Petal's tariff that would allow bumping of scheduled secondary firm service by a primary firm nomination, and join in Gulf South's and Petal's request for a waiver to allow Gulf South to include such rights in Rate Schedule FSS-P.

76. In its September 15, 2014 response to a data request, however, Gulf South once again acknowledged that Petal's tariff does not currently comply with Commission policy on scheduling priority.⁵⁷ Gulf South also notes in its responses that in practice, "[f]ollowing the Timely Nomination Cycle, including any Late Nominations, Petal does *not* bump scheduled firm volumes in order to schedule primary firm nominations."⁵⁸ "Since Petal has been under its current ownership, Petal has not bumped or curtailed scheduled secondary firm capacity in favor of primary firm nominations."⁵⁹ In addition, Gulf South states, "Petal processes nominations in batches for the NAESB standard nomination cycles and immediately for [Late Nominations] received after a NAESB

⁵⁵ Gulf South June 13, 2014 Answer at 6 and n.11 (citing *Transwestern Pipeline Co.*, 99 FERC ¶ 61,356, at P 12 (2002) ("The Commission's long standing policy on firm service is that once scheduled, whether at primary or alternate points, the service may not be bumped by a nomination by another firm shipper.")).

⁵⁶ *Id.* at 6.

⁵⁷ Gulf South Data Request Response (3).

⁵⁸ Gulf South Data Request Response (2)(a) (emphasis added).

⁵⁹ Gulf South Data Request Response (3).

nomination deadline,” and that “Late Nominations are scheduled and confirmed subject to available capacity.”⁶⁰

iii. Commission Determination

77. The Commission accepts Gulf South’s proposed scheduling priority provisions as filed and rejects the parties’ request for a waiver. As Gulf South acknowledges in its data response, Petal’s existing scheduling priority provisions, which appear to allow primary firm service to bump scheduled secondary service, are contrary to the Commission’s long standing policy on firm service that “once scheduled, whether at primary or alternate points, the service may not be bumped by another firm shipper.”⁶¹ Further, Southern Company does not provide compelling support for a waiver of that policy. Aside from the claims that it is entitled to such rights because it is currently afforded such rights under Petal’s tariff, and that such tariff “appropriately reflects the inherent connection between the priority of storage injection and withdrawal and the priority of transportation from storage,”⁶² Southern Company makes no demonstration that its situation is different than any other firm customer that may prefer to “call on its firm storage and transportation service rights ... without fear that its capacity will be rendered unavailable to it by a party with lower priority of service.”⁶³ Despite Southern Company’s claims of ignorance that such rights to “Southern Company’s knowledge” have not been proven or alleged to be unjust and unreasonable, Petal’s existing rate schedules do “contravene an express Commission policy,”⁶⁴ and we reject the request to transfer those non-compliant rights to Gulf South’s tariff.⁶⁵

⁶⁰ Gulf South Data Request Response (1)(b), (1)(c).

⁶¹ *Transwestern Pipeline Co.*, 99 FERC ¶ 61,356, at P 12 (2002). *See also Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-N, 67 Fed. Reg. 11,906, FERC Stats. & Regs. ¶ 31,125 (2002).

⁶² Southern Company Protest at 9, Southern Company Answer at 4.

⁶³ Southern Company Protest at 9.

⁶⁴ *Id.* at 3. We note that because the Commission’s regulations treat storage service the same as transportation service, the Commission’s regulations are equally applicable to both services. 18 C.F.R. § 284.1(a) (2014).

⁶⁵ We note that the Commission previously rejected Petal’s request for a waiver of the no-bump rule in the order approving the Petal Storage Pipeline, finding “Petal’s new status as a firm and interruptible transportation provider with three new interconnections

(continued ...)

b. Storage Nomination Flexibility

i. Protests and Comments

78. Southern Company also expressed concern that under Applicants' proposal it will lose nomination flexibility with regard to its current ability to nominate in excess of equal hourly rates. Southern Company notes that Petal's tariff provides Petal with the flexibility to provide injections or withdrawals in excess of the hourly contract rate, if it determines that service can be provided without degrading service to any others. Southern Company states by comparison, Gulf South's tariff (as proposed) limits nominations to "Available Quantities."⁶⁶ Southern Company argues that Gulf South thus lacks nomination flexibility that customers of Petal have currently. Southern Company recommends new Tariff language that lifts any non-operational restriction on the ability of Gulf South to provide hourly flexibility for Petal-related services. Southern Company states this is not a change creating new rights in existing Petal customers; rather, it preserves Petal customer's existing rights and ensures Gulf South will continue to allow utilization of the Petal Storage Field and the Petal Storage Pipeline in a manner that promotes its value to the region.

79. UMDG comments that the language proposed in the first sentence of GT&C section 6.7[3], particularly the phrase "unless otherwise provided by the applicable Rate Schedule," suggests that the exception to the uniform hourly flow obligation is found only in exceptions set out in Gulf South's various rate schedules. UMDG states, however, such an interpretation seems inconsistent with the third sentence of section 6.7[3], which states, "Uniform Hourly Rate of Flow does not apply to" NNS except in certain circumstances where NNS has been released. UMDG thus requests that Gulf South clarify its tariff by adding the clause "or these General Terms and Conditions" at the end of the modified first sentence in Section 6.7[3]. This change, UMDG suggests, would make clear that certain Gulf South rate schedules permit flow rates that depart from a uniform hourly rate of flow, as practicable, but also recognize that comparable rights are established for NNS and other services in the GT&C, as well.

significantly changes its role from a storage provider to a transporter now subject to the industry standards applicable to all other natural gas transporters." *Petal Gas Storage, L.L.C.*, 97 FERC ¶ 61,097 at 61,523 (2001).

⁶⁶ See Gulf South Tariff, § 6.2.

ii. Applicants' Answer

80. In response to UMDG, Gulf South states it will modify the proposed language such that it reads, “unless otherwise provided by the applicable Rate Schedule or these General Terms and Conditions,” as requested by UMDG. Gulf South also agrees to make corrections to the typographical errors identified by UMDG in its comments, including: (i) in Section 6.6[3], changing the word “Customer’s” to “Customers”; and (ii) in Section 7.9, filling in the blanks with the correct tariff section cross-references. We thus direct Gulf South to make the agreed revisions in its compliance filing.

81. As to Southern Company’s protest, Gulf South argues that Southern Company misunderstands its rights under Petal’s current tariff. Gulf South states Petal customers are entitled to firm service only for the maximum quantities contracted under their service agreements and Petal customers are also subject to a uniform hourly rate of flow. Gulf South further states that it will continue to allow nominations in excess of uniform hourly rates of flow, and will schedule such nominations to the extent capacity is available. Gulf South states that this flexibility is reflected in Section 9 of proposed Rate Schedule FSS-P, which is substantively identical to the existing provision in the Petal tariff cited by Southern Company at Section 2(c)(ii) of Rate Schedules FTS and FSS.

82. In reply, Southern Company states Gulf South’s and Petal’s assurances are belied by the actual tariff language. Southern Company states that despite claims that “Gulf South will continue to allow nominations in excess of uniform hourly rates of flow, and will schedule such nominations to the extent capacity is available,” the proposed Gulf South tariff states:

In no event shall a firm Customer’s total nominated quantities from any combination of physical points, Pooling Points, and/or Virtual Points to a delivery point exceed Available Quantities.... Furthermore, total nominated quantities at physical receipt points by an FTS, EFT, NNS, NNS-A or FSS-P customer shall not exceed the Available Quantities.⁶⁷

Southern Company states with respect to scheduling, Section 6.12 of the proposed tariff provides Gulf South will schedule capacity for Firm Primary Service, Firm Secondary Service, Firm Supplemental Service and Firm In the Path Service on the Petal Storage Pipeline up to Available Quantities. Southern Company argues that, since Available Quantities on an intraday nomination are limited by the remaining hours in the day, then, contrary to their statement, the Gulf South tariff limits nominations and scheduling to the

⁶⁷ Southern Company Answer at 7 (citing Gulf South Tariff, § 6.6[3]).

equivalent remaining hourly rates of flow. Southern Company states Petal's tariff lacks any similar limitation.

iii. Commission Determination

83. The Commission finds that Applicants' proposed section 9 of Rate Schedule FSS-P is just and reasonable.⁶⁸ As Applicants state in their answer, the proposed tariff language will continue to allow customers using Rate Schedule FSS-P to nominate in excess of equal hourly rates, and allow Gulf South to schedule such nominations to the extent capacity exists and operations allow. These rights are substantially similar to those provided under Petal's tariff. Contrary to Southern Company's assertions, Petal's existing customers' nomination and other rights are limited by the maximum quantity provided for in their service agreements. We thus reject Southern Company's requests to further require Gulf South to allow nominations in excess of a customer's contract amount (available quantities), and will not require Gulf South to modify its tariff as proposed by Southern Company.

4. Risk of Loss

84. Southern Company notes in its protest that Gulf South's proposed storage rate schedules require a customer to provide for its own insurance coverage with regards to its gas in storage.⁶⁹ Southern Company states it does not object to this provision in general but requests that Gulf South incorporate into its tariff, similar to that contained in Petal's tariff, an express recognition that Gulf South shall not be insured against its own intentional or grossly negligent acts or omissions with regard to gas being held in the Petal Storage Field. Gulf South states in its answer it is willing to incorporate such an express condition into its tariff. The Commission thus directs Gulf South to make the agreed revision in its compliance filing in this proceeding.

⁶⁸ That section states, "As nearly as possible, Customer shall inject, withdraw, deliver and receive gas in uniform hourly quantities during any day. Subject to Gulf South's operating conditions, during any given day Gulf South, in its sole discretion, may allow Customer to deliver or receive gas at an hourly rate that exceeds 1/24 of Customer's scheduled quantities."

⁶⁹ Southern Company protest at 11 & n.20 (citing Gulf South Tariff, section 5.14[10]).

5. Reservation Charge Credits

85. Southern Company states that the Reservation Charge Credits provision of Petal's tariff⁷⁰ differ significantly from the same provision in Gulf South's Tariff.⁷¹ In particular, Southern Company claims that the Average Use Quantity (average nominated quantity of the prior seven days) utilized in Gulf South's tariff effectively erases the reservation charge crediting provision of an intermittent service such as Petal's FSS and related FTS services. Southern Company argues that while the Commission recently approved the use of the seven-day average, the Commission did not state that Gulf South's method represented the single satisfactory crediting approach under Commission policy. Southern Company suggests that Gulf South's existing method is no longer suitable for a combined storage and transportation service that typically is intermittent and prone to variability. Southern Company argues that Petal's reservation charge crediting provisions are more reflective of the nature of service being provided and thus more reliable and economic for shippers. Southern Company states Gulf South has not demonstrated why it would be administratively burdensome or problematic to utilize Petal's existing reservation charge crediting provisions for the aggregated Rate Schedule FSS-P.

86. Gulf South states Petal's reservation charge crediting provision was implemented prior to the Commission's issuance of its current policies on reservation charge crediting, while Gulf South's existing reservation charge credit language was recently approved by the Commission and is in full compliance with Commission policy.⁷² Gulf South also argues its reservation charge crediting provision is appropriate for Rate Schedule FSS-P, which is sold as an annual service much like Gulf South's other storage services.

87. In *NGSA*,⁷³ the Commission encouraged interstate pipelines to review their tariffs to determine whether their individual tariff is in compliance with the Commission's policy concerning reservation charge credits, and, if not, to make an appropriate filing to bring their tariffs into compliance. As noted above, the Commission has recently reviewed Gulf South's tariff and found that, as modified, Gulf South's reservation crediting provisions are just and reasonable and consistent with the Commission's

⁷⁰ See Petal Tariff, § 6.12[3][d].

⁷¹ See Gulf South Tariff, § 6.25.

⁷² *Gulf South Pipeline Company, LP*, 141 FERC ¶ 61,224 (2012), *order on reh'g and compliance filing*, 144 FERC ¶ 61,215 (2013).

⁷³ *Natural Gas Supply Ass'n, et al.*, 135 FERC ¶ 61,055, at P 2 (2011) (*NGSA*).

reservation charge crediting policy as stated in *NGSA*. These provisions apply to Gulf South's storage services as well as its transportation services. Accordingly we reject the request to require Gulf South to modify those policies for the new services that will replace Petal's current services.

V. Non-Conforming Service Agreement Proposal in RP14-823-000

A. Proposal

88. On May 1, 2014, Gulf South submitted tariff records in Docket No. RP14-823-000 to incorporate Petal's current contracts as non-conforming agreements in its tariff. Gulf South states it included in that filing only agreements that will be in effect as of the anticipated merger date of January 1, 2015. On May 8, 2014, Gulf South filed new contracts that were executed after the submission of the May 1, 2014 filing and will be in effect on January 1, 2015. Additionally, the May 8, 2014 filing includes pre-existing contracts that Petal erroneously left out of its original filing. The May 8, 2014 filing also updated Gulf South's list of non-conforming agreements contained in its tariff. Because the contracts were not written based on Gulf South's *pro forma* agreements, Gulf South provided narratives of the deviations instead of filing redline/strikeout versions of the contracts.

89. In its filing Gulf South states it is not requiring Petal customers to sign new contracts as a result of the merger, in order to reassure existing Petal customers that they will maintain the benefits of their bargains. Thus Gulf South filed existing Petal contracts modified to reflect the change in ownership and applicable tariff to Gulf South. Gulf South provides a section by section narrative explanation of the elements of each contract that it deemed to be non-conforming from the proposed Rate Schedule FSS-P, the rate schedule to which the existing Petal customers are proposed to be transferred. Gulf South asserts that all the contracts permit assignment from Petal to Gulf South and all contain a *Memphis* clause. Gulf South states these contracts will now have primarily non-substantive deviations from the new *pro forma* agreements being proposed in the new services filing in Docket No. RP14-822-000. Gulf South proposes that the current contracts continue unchanged as permissible non-conforming agreements.

90. On September 4, 2014, Commission Staff issued a Data Request to Applicants, noting that some of the filed contracts included language that was not part of the then-applicable Petal *pro forma* contract. Staff requested that Gulf South file redline/strikeout comparisons of those agreements. Staff also noted that some contracts (in particular, Contract Nos. 9381 and 5877) should have been filed with the Commission at the time of execution but were not, and asked Gulf South to either refute this assertion or else seek waiver for Petal's failure to file them previously.

91. Gulf South filed its response on September 15, 2014. Gulf South filed redline/strikeout comparisons and additional details for five contracts, and requested waiver for Petal's failure to file certain agreements.

B. Discussion

1. Matters Applicable to All Filed Contracts

92. Gulf South's non-conforming agreements filing compared its filed revised Petal agreements to the *pro forma* agreements it proposed as part of its tariff filing in Docket No. RP14-822-000. As discussed above, the Commission in this order rejects Applicants' proposal to include firm storage and transportation services under a single rate schedule, Rate Schedule FSS-P. This determination also applies to the Rate Schedule FSS-P *pro forma* agreements submitted by Applicants to accommodate its proposed new services. Accordingly, the non-conforming determinations made herein are subject to additional review to the extent the newly proposed *pro forma* agreements that Applicants will submit with the compliance filing materially deviate from those already filed.

93. In general, when reviewing any provision that differs from a *pro forma* service agreement, the Commission first determines whether it is a material deviation. The Commission has held that a material deviation is any provision which (1) goes beyond filling in the blank spaces in the form of service agreement with appropriate information allowed by the tariff, and (2) affects the substantive rights of the parties. The Commission prohibits negotiated terms and conditions of service that result in a customer receiving a different quality of service than that offered to other customers under the pipeline's generally applicable tariff, or that affect the quality of service received by others.⁷⁴

94. As a general matter, if a contract conformed at the time of execution to the relevant Petal *pro forma* agreement, then it is legally equivalent to signing a contract that conforms to the relevant Gulf South *pro forma* agreement today. Consistent with Petal's existing *pro forma* service agreements, all of Petal's contracts with its customers contain a *Memphis* clause⁷⁵ authorizing Petal, with the Commission's approval, to make changes

⁷⁴ *Monroe Gas Storage Co., LLC*, 130 FERC ¶ 61,113, at P 28 (2010) (*Monroe*).

⁷⁵ See *United Gas Pipe Line Co. v. Memphis Light, Gas and Water Division*, 358 U.S. 103 (1958) (*Memphis*). A *Memphis* clause allows a pipeline to reserve the right to make section 4 filings to propose changes in the rates and terms and conditions of service, which the Commission evaluates under the just and reasonable standard of review.

to its tariff that control and affect the service agreement.⁷⁶ Furthermore, all Petal contracts include a “Transfer and Assignment” provision that allows Petal to assign the contracts, and for Gulf South, as successor in interest, to replace Petal as the service provider under that agreements.⁷⁷

95. Thus, the Commission accepts the deviations in the filed agreements that are purely due to Petal’s nomenclature as immaterial. Further, several contracts contain non-conforming preambles, “amendments,” or appendices that merely restate the circumstances of the contract, or provide for the equivalent of filling in the blanks in a *pro forma* agreement. We also accept such differences as immaterial. We also approve any deviations that convey substantive rights that are offered in the GT&C and Rate Schedules of Gulf South’s tariff. For example, several contracts call for 24-hour nominations, which both proposed Rate Schedule FSS-P section 5.5[7] and GT&C section 6.12 allow.

2. Choice of Law

96. Petal’s current *pro forma* agreements allow customers to choose whether their contract will be interpreted under the law of Mississippi or Texas. For instance, its *pro forma* FSS agreement states:

This Agreement shall be governed by and construed under the laws of the State of [Texas or Mississippi], excluding any provision which would direct the application of the laws of another jurisdiction.⁷⁸

This *pro forma* provision, in turn, is supported in the GT&C of Petal’s tariff, which states in relevant part: “...The validity, construction, interpretation and effect of any Service Agreement covered by this Tariff shall be governed by the substantive laws of the state designated under such Service Agreement...”⁷⁹ Most Petal shippers have elected Mississippi law, or else signed their contract under an earlier version of the tariff, which offered no option other than Mississippi.

⁷⁶ See *Monroe*, 130 FERC ¶ 61,113 at P 31.

⁷⁷ See Article X of the Petal *pro forma* agreements.

⁷⁸ Section 7.1, Form(s) of Service Agreement - FSS, FSS-1, 1.0.0.

⁷⁹ Section 6.22.10, GT&C - Misc Provisions - Applicable Law of Agmt & Authority, 1.0.0.

97. Gulf South's Choice of Law provision, by contrast, provides that all contracts shall be interpreted under the law of Texas.⁸⁰ As a result, virtually all the Petal contracts deviate from the Gulf South tariff with regard to Choice of Law. Gulf South asserts that in order to preserve the benefit of the bargain for Petal shippers, the Commission should find that the choice of law provision designating Mississippi as the governing law of the contract should be approved as a permissible deviation.

98. We approve the retention in currently existing Petal contracts of Mississippi as the governing law as a permissible material deviation. In *Kern River*, the Commission addressed the situation where the pipeline had sought to unilaterally modify its choice of law provisions when it changed its principal state of business. The Commission approved the pipeline's request, but held that the new choice of law provision must only be applied to new contracts, not existing ones.⁸¹ Accordingly, we accept the application of Mississippi law for pre-existing Petal contracts as a permissible material deviation as it preserves the choice of law provisions Petal shippers agreed to when they executed the agreements.

3. Specific Non-Conforming Contracts

99. As Gulf South notes in its Response to Staff's Data Request, four Petal contracts⁸² were, at the time of their signing, not in conformance with the relevant Petal *pro forma* contract, but have not previously been submitted for Commission review. We address those agreements below.⁸³

⁸⁰ "The validity, construction, interpretation and effect of any Service Agreement covered by this tariff shall be governed by the substantive laws of the State of Texas." Section 6.21.1, GT&C - Misc. Provisions - Applicable Law And Authorities, 1.0.0.

⁸¹ *El Paso Natural Gas Co.*, 114 FERC ¶ 61,305, at P 284 (2006) (citing *Kern River Gas Transmission Co.*, 75 FERC ¶ 61,228, *order on reh'g*, 76 FERC ¶ 61,113 (1996) (*Kern River*)).

⁸² Contract Nos. 5877, 8091, 8480, and 9630.

⁸³ It appears that Gulf South and Petal failed to timely file the subject service agreements in compliance with section 154.1(d) of the Commission's regulations. Applicants are reminded that they must submit required filings on a timely basis, or face possible sanctions by the Commission. See *Southern Star Central Gas Pipeline, Inc.*, 125 FERC ¶ 61,082 (2008).

100. We find that Contract Nos. 8091, 8480, and 9360 do not substantively differ from contracts that followed the relevant Petal *pro forma* contracts, and accept them accordingly. As the redline/strikeout provided in Gulf South's Data Response shows, almost all of the changes fall into the category of "filling in the blanks,"⁸⁴ and thus the differences appear immaterial.

101. Contract No. 5877, however, contains deviations, some of which appear to potentially affect Southern Company's substantive rights. In addition to the immaterial deviations that Contract No. 5877 shares with the Petal agreements discussed above, Contract No. 5877 also includes deviating language concerning the term of agreement as well as transfer and assignment. Further, a June 18, 2002 amendment to the agreement provides Southern Company with four special terms: regarding Contingency for Loss of Market-Based Rate Authority, Insurance, Government Contract Requirements, and Confidentiality. Finally, the contract includes an updated statement of rates.

102. To the extent that Contract No. 5877 conforms to Petal's then-effective relevant *pro forma* agreement, or contains changes similar to the ones included in Contract Nos. 8091, 8480, and 9360, we find the deviations to be immaterial and thus accept the agreement for the same reasons that we accepted Petal's other contracts.

103. As to the other non-conforming provisions of Contract No. 5877, Gulf South claims they are permissible

because they reflect the unique circumstances involved with construction of new infrastructure and appear to have been integral to the economic bargain struck between the parties that was necessary to ensure the viability of the expansion project.... These terms should not be made generally available, as they are associated with the past construction of a specific, major expansion project.⁸⁵

Gulf South asserts that, except for the confidentiality provision discussed below, "all the terms of this contract remain in effect."⁸⁶

⁸⁴ *Columbia Gas*, 97 FERC ¶ 61,221 at 62,003.

⁸⁵ Gulf South Data Request Response (6) (citing *Texas Eastern Transmission, LP*, 139 FERC ¶ 61,138, at P 56 (2012)).

⁸⁶ *Id.*

104. The Commission's policy is to accept non-conforming provisions that were necessary to reflect the unique circumstances involved with constructing new infrastructure, but only if they will not present a risk of undue discrimination, affect the operational conditions of providing service, or result in the customer receiving a different quality of service from that available to other customers.⁸⁷

105. As noted, Contract No. 5877 contains a non-conforming Term of Agreement provision designed to address the fact that the capacity to which the contract applied had not yet been built. We accept this deviation as it was necessary to reflect the unique circumstances involved with constructing new infrastructure, and does not otherwise affect the conditions of service.

106. Contract No. 5877 also contains a Transfer and Assignment clause stating that, without the need for prior consent, Southern Company may assign its service agreement to an "affiliated operating electric utility" or successor-in-interest that has a satisfactory credit rating. The Petal *pro forma* agreement requires the written consent of both parties to assign the agreement. The Commission will allow this material deviation. It is limited to parties who may be expected to use the capacity for the same purpose as Southern Company, and honors the creditworthiness provisions of the Petal tariff. Finally, the provision does not affect the substantive rights of other shippers. We accept it accordingly.⁸⁸

107. The amendment to Contract No. 5877 also includes a Contingency for Loss of Market-Based Rate Authority provision, which is not found in other Petal agreements. This contingency obligates Petal to seek authorization from the Commission to continue charging the agreed-upon rates and, in the event that the Commission does not grant that authorization, states the parties' intent is to engage in good-faith negotiation. Because this provision does not result in a customer receiving a different quality of service than that offered to other customers, we accept it as a permissible deviation.⁸⁹

⁸⁷ *Texas Eastern Transmission, LP*, 139 FERC ¶ 61,138 at P 56 (citing *Gulf South Pipeline Co., LP*, 115 FERC ¶ 61,123 (2006) and *Gulf South Pipeline Co., LP*, 98 FERC ¶ 61,318, at 62,345 (2002)).

⁸⁸ *See Portland Natural Gas Transmission System*, 133 FERC ¶ 61,050, at P 13 (2010).

⁸⁹ *See Monroe*, 130 FERC ¶ 61,113 at P 28.

108. The Contract No. 5877 also contains an Insurance clause, obligating Petal and its subcontractors to “procure and maintain in effect during the term of such Firm Storage Service Agreement, policies of insurance,” for worker’s compensation, commercial general liability, automobile liability, and umbrella coverage. The Insurance clause also declares that Southern Company and its affiliates shall be “Additional Insureds on the policies,” and that “Petal hereby waives all rights of subrogation,” that is, the right to recover the sums paid out by the insurer, “with respect to any subsequent claim or loss.”

109. The Commission is unclear as to purpose and continued need for this provision. The type of insurance required appears to be that that would be necessary for a construction project, such as the 2002 expansion project, which is complete. Thus, in their compliance filing, Applicants must explain the reason and continued need for the non-conforming insurance clause, as well as explain why this provision does not provide Southern Company with a substantive right that Gulf South is not offering to other shippers.

110. Contract No. 5877 also contains a unique Government Contract Requirements provision. Stating by way of explanation that Southern Company “is a government contractor,” the clause obligates Petal to comply with seven specific articles in the Federal Acquisition Regulation.⁹⁰ However, this clause defines its applicability very narrowly:

...but only if Customer has a legal obligation under the Federal Acquisition Regulation to include these clauses in its contract with Petal, and only to the extent that Petal has a legal obligation, independent of this Agreement, to comply therewith...

111. We find that this is a permissible material deviation, because it does not result in Southern Company receiving a different quality of service than that offered to other customers. By its terms, the Government Contract Requirements only applies if “Petal has a legal obligation, independent of this Agreement.” In other words, the Government Contract Requirements is a reminder to Petal of regulatory obligations that would have applied to Petal even if this clause were not included in the contract.

112. Finally, Gulf South states that the Confidentiality clause is void, as the agreement is publicly on file in this docket. Because as Gulf South states the clause is void, we do not need to rule on its materiality here.

⁹⁰ 48 C.F.R. Ch. 1, *et seq.* (2014). *See also* <http://acquisition.gov/far/>.

113. Accordingly, subject to the discussion above on new or extended contracts, and the conditions placed on Contract No. 5877, we accept all of the Petal contracts that have been filed in this proceeding.

The Commission orders:

(A) Petal is granted permission and approval to abandon its jurisdictional facilities, by merger, to Gulf South, as more fully described in the application and this order.

(B) A certificate of public convenience and necessity is issued to Gulf South authorizing it to acquire and operate in interstate commerce the natural gas storage and related pipeline facilities currently owned by Petal, as more fully described in the application and this order.

(C) Gulf South is granted permission and approval to abandon the capacity subject to the lease agreements with Petal, as more fully described in this order and the application.

(D) Petal is permitted to terminate its Part 157 subpart F blanket certificate and its Part 284 subpart G blanket certificate on the effective date of the merger. Petal is required to make a filing to cancel its tariff, including its Tariff ID number, to be effective on the date of the merger.

(E) The authorizations issued in Ordering Paragraphs (A) and (B) are conditioned on the Applicants complying with all applicable Commission regulations under the NGA, particularly Part 154 and paragraphs (a), (d), and (e) of section 157.20 of the Commission's regulations.

(F) Gulf South shall file to notify the Commission of the effectiveness of the merger and abandonment of the capacity leased on Petal within 10 days of the date of its effectiveness.

(G) Gulf South's request to charge market-based rates for storage services on the combined Gulf South and Petal facilities is approved, subject to the conditions discussed in this order.

(H) Gulf South's tariff records filed in Docket No. RP14-822-000, listed in Appendix A and in Docket Nos. RP14-823-000 and RP14-823-001, listed in Appendix B, are accepted effective January 1, 2015, subject to conditions discussed in the body of this order and Gulf South making a compliance filing within 30 days of issuance of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix A

Gulf South Pipeline Company, LP FERC NGA Gas Tariff

Tariff Records Accepted Effective January 1, 2015, Subject to Condition

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- [Section 3.1, System Maps - Overall System Map, 5.0.0](#)
- [Section 3.4, System Maps - Zone 3 Map, 2.0.0](#)
- [Section 3.7, System Maps - Allocation Area Pooling Points Map, 4.0.0](#)
- [Section 4.1, Currently Effective Rates - Transportation - FTS Service, 10.0.0](#)
- [Section 4.1.1, Currently Effective Rates - FTS - Haynesville/Perryville Exp, 10.0.0](#)
- [Section 4.2, Currently Effective Rates - FTS - Small Customer Option, 10.0.0](#)
- [Section 4.3, Currently Effective Rates - FTS - Summer Season Option, 8.0.0](#)
- [Section 4.4, Currently Effective Rates - NNS, 6.0.0](#)
- [Section 4.5, Currently Effective Rates - ITS, 8.0.0](#)
- [Section 4.7, Currently Effective Rates - NNS-A, 4.0.0](#)
- [Section 4.11, Currently Effective Rates - Transportation - EFT Service, 5.0.0](#)
- [Section 4.11.1, Currently Effective Rates - EFT - Haynesville/Perryville Exp, 5.0.0](#)
- [Section 4.12, Currently Effective Rates - EFT - Summer Season Option, 5.0.0](#)
- [Section 4.15, Currently Effective Rates - FSS-P, 0.0.0](#)
- [Section 4.16, Currently Effective Rates - ISS-P, 0.0.0](#)
- [Section 4.17, Currently Effective Rates - AVS, 0.0.0](#)
- [Section 4.18, Currently Effective Rates - PKS, 0.0.0](#)
- [Section 5.14, Rate Schedules - FSS-P, 0.0.0](#)
- [Section 5.15, Rate Schedules - ISS-P, 0.0.0](#)
- [Section 5.16, Rate Schedules - AVS, 0.0.0](#)
- [Section 5.17, Rate Schedules - PKS, 0.0.0](#)
- [Section 6.2, GT&C - Definitions, 9.0.0](#)
- [Section 6.5, GT&C - Creditworthiness, 4.0.0](#)
- [Section 6.6, GT&C - Primary, Secondary, Comprehensive, and Pooling Points, 6.0.0](#)
- [Section 6.7, GT&C - Operating Conditions, 5.0.0](#)
- [Section 6.8, GT&C - Requests for Service, 9.0.0](#)
- [Section 6.10, GT&C - Right of First Refusal, 8.0.0](#)
- [Section 6.11, GT&C - Interactive Auction Procedures, 2.0.0](#)
- [Section 6.12, GT&C - Nominations, Confirmations, & Scheduling, 6.0.0](#)
- [Section 6.17, GT&C - Segmentation of Capacity, 4.0.0](#)
- [Section 6.18, GT&C - Operational Plans/Emergency Procedures, 4.0.0](#)
- [Section 6.23, GT&C - Sale of Excess Storage Inventory, 4.0.0](#)
- [Section 7.4, Form\(s\) of Service Agreements - FSS-P, 4.0.0](#)
- [Section 7.4.1, Form\(s\) of Service Agreements - FSS-P - Exhibit A, 0.0.0](#)
- [Section 7.6, Form\(s\) of Service Agreements - ISS-P, 3.0.0](#)

[Section 7.6.1, Form\(s\) of Service Agreements - ISS-P - Exhibit A, 2.0.0](#)
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[Section 7.7.1, Form\(s\) of Service Agreements - PAL/AVS/PKS - Exhibit A, 2.0.0](#)
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[Section 7.8.3, Reserved, 5.0.0](#)
[Section 7.9, NNS/NNS-A/FTS/EFT/ENS/FSS-P Discounted Rate Letter Agmt, 3.0.0](#)
[Section 7.9.1, NNS/NNS-A/FTS/EFT/ENS/FSS-P Disc Rate Letter Agmt- Exhibit A, 3.0.0](#)
[Section 7.9.2, NNS/NNS-A/FTS/EFT/ENS/FSS-P Disc Rate Letter Agmt- Exhibit B, 0.0.0](#)
[Section 7.9.3, NNS/NNS-A/FTS/EFT/ENS/FSS-P Disc Rate Letter Agmt- Exhibit C, 0.0.0](#)
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[Section 7.12.1, Internet Website Customer Agreement - Exhibit A, 0.0.0](#)
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[Section 7.15, Form\(s\) of Service Agmt - Umbrella Firm Transportation, 1.0.0](#)
[Section 7.16, Form\(s\) of Agmt - Addendum to Service Agreement - ENS, 0.0.0](#)
[Section 7.17, Form\(s\) of Agmt - Addendum to Service Agreement - ISS-P, 0.0.0](#)
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Appendix BGulf South Pipeline Company, LP
FERC NGA Gas Tariff*Tariff Records Accepted Effective January 1, 2015, Subject to Condition*[Section 6.26, GT&C - List of Non-Conforming Service Agreements, 2.0.0](#)[Section 1, Table of Contents, 4.0.0](#)[Section 4.12, Non-conforming Agmts-Brooklyn Union 656-1, 0.0.0](#)[Section 4.13, Non-conforming Agmts-Consolidated 658-1, 0.0.0](#)[Section 4.14, Non-conforming Agmts-Consolidated 658-2, 0.0.0](#)[Section 4.15, Non-conforming Agmts-Pivotal 659, 0.0.0](#)[Section 4.16, Non-conforming Agmts-PSEG 661, 0.0.0](#)[Section 4.17, Non-conforming Agmts-Southcross 662, 0.0.0](#)[Section 4.18, Non-conforming Agmts-Calpine 886, 0.0.0](#)[Section 4.19, Non-conforming Agmts-Repsol 1345, 0.0.0](#)[Section 4.20, Non-conforming Agmts-Repsol 1346, 0.0.0](#)[Section 4.21, Non-conforming Agmts-Sequent 1349, 0.0.0](#)[Section 4.22, Non-conforming Agmts-Tenaska 1383, 0.0.0](#)[Section 4.23, Non-conforming Agmts-Enterprise 8063, 0.0.0](#)[Section 4.24, Non-conforming Agmts-Atlanta Gas 8439, 0.0.0](#)[Section 4.25, Non-conforming Agmts-Chevron 8477-1, 0.0.0](#)[Section 4.26, Non-conforming Agmts-United Energy Trading 695, 0.0.0](#)[Section 4.27, Non-conforming Agmts-Municipal Elec Auth of GA 8479, 0.0.0](#)[Section 4.28, Non-conforming Agmts-Oglethorpe 8481, 0.0.0](#)[Section 4.29, Non-conforming Agmts-JP Morgan 8593, 0.0.0](#)[Section 4.30, Non-conforming Agmts-EMC Natural Gas 806, 0.0.0](#)[Section 4.31, Non-conforming Agmts-TVA 9347, 0.0.0](#)[Section 4.32, Non-conforming Agmts-Gazprom 9381, 0.0.0](#)[Section 4.33, Non-conforming Agmts-So MS Elec Power Assn 9389, 0.0.0](#)[Section 4.34, Non-conforming Agmts-Atmos 9399, 0.0.0](#)[Section 4.35, Non-conforming Agmts-N. Am. Power and Gas 1002, 0.0.0](#)[Section 4.36, Non-conforming Agmts-Southern Company Services 5879, 0.0.0](#)[Section 4.37, Non-conforming Agmts-BP Energy 378, 0.0.0](#)[Section 4.38, Non-conforming Agmts-Louis Dreyfus 460, 0.0.0](#)[Section 4.39, Non-conforming Agmts-Texas Gas 664, 0.0.0](#)[Section 4.40, Non-conforming Agmts-Texla 666, 0.0.0](#)[Section 4.41, Non-conforming Agmts-So. MS Elec Power Auth 790, 0.0.0](#)[Section 4.42, Non-conforming Agmts-Sequent 829, 0.0.0](#)[Section 4.43, Non-conforming Agmts-Vitol 898, 0.0.0](#)[Section 4.44, Non-conforming Agmts-Scana 516, 0.0.0](#)[Section 4.45, Non-conforming Agmts-Scana 517, 0.0.0](#)

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[Section 4.62, Non-conforming Agmts-Iberdrola 1343, 0.0.0](#)
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[Section 5.4, NC Agmts with Neg Rate Provs-Comms of Public Works 9359, 0.0.0](#)
[Section 5.5, NC Agmts with Neg Rate Provs - Gazprom 9380, 0.0.0](#)
[Section 5.6, NC Agmts with Neg Rate Provs - Atlanta Gas 8438, 0.0.0](#)
[Section 5.7, NC Agmts with Neg Rate Provs - Chevron 8478-1, 0.0.0](#)
[Section 6.0, Non-conforming Capacity Release Agreements, 0.0.0](#)

Appendix C

Interventions

Docket No. CP14-473-000

- Atlanta Gas Light Company*
- Atmos Energy Corporation
- Atmos Energy Marketing LLC
- Calpine Energy Services
- Centerpoint Energy Resources Corporation
- City of Vicksburg, Mississippi
- Consolidated Edison Company of New York, Inc.
- Exelon Corporation
- Florida Power and Light Company*
- Louisiana Municipal Gas Authority
- Mobile Energy
- Mobile Gas Service Corporation
- Municipal Electric Authority of Georgia*
- NJR Energy Services Company
- Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas*
- PSEG Energy Resources & Trade LLC
- Santa Rosa Energy Center
- Sequent Energy Management L.P.*
- Southern Company Services, Inc.
- Trans Louisiana Gas Pipeline
- United Municipal Distributors Group, on its own and on behalf of its members:
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
- Virginia Natural Gas, Inc.*
- Willmut Gas Company

Docket No. RP14-822-000

- Anadarko Energy Service Company
- Atmos Energy Corporation
- Atmos Energy Marketing LLC
- Calpine Energy Services
- Centerpoint Energy Resources Corporation
- Chevron Natural Gas, division of Chevron U.S.A., Inc.

- City of Vicksburg, Mississippi
- Consolidated Edison Company of New York, Inc.
- Exelon Corporation*
- Mobile Energy*
- Mobile Gas Service Corporation
- NJR Energy Services Company
- Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
- PSEG Energy Resources & Trade LLC
- Santa Rosa Energy Center*
- Sequent Energy Management L.P.*
- Shell Energy North America (U.S.) LP
- Southern Company Services, Inc.
- Tennessee Valley Authority
- Trans Louisiana Gas Pipeline
- United Municipal Distributors Group, on its own and on behalf of its members:
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
- Virginia Natural Gas, Inc.
- Willmut Gas Company

Docket No. RP14-823-000

- Atmos Energy Corporation
- Atmos Energy Marketing LLC
- Centerpoint Energy Resources Corporation
- City of Vicksburg, Mississippi
- Consolidated Edison Company of New York, Inc.
- Exelon Corporation*
- Mobile Gas Service Corporation
- NJR Energy Services Company
- Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas
- PSEG Energy Resources & Trade LLC
- Sequent Energy Management L.P.*
- Southern Company Services, Inc.
- Tennessee Valley Authority
- Trans Louisiana Gas Pipeline
- United Municipal Distributors Group, on its own and on behalf of its members:
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

- Virginia Natural Gas, Inc.
- Willmut Gas Company

* late motion to intervene granted