

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

Southern Natural Gas Company

Docket No. RP04-79-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS SUBJECT TO
REFUNDS AND CONDITIONS

(Issued December 31, 2003)

1. On November 26, 2003, Southern Natural Gas Company (Southern) filed revised tariff sheets¹ to reduce its Storage Cost Reconciliation Mechanism (SCRM) Surcharge from \$.003/Dth to \$.001/Dth effective January 1, 2004. As discussed below, the Commission will accept and suspend the tariff sheets to become effective January 1, 2004, subject to refund and conditions and the outcome of the proceedings in Docket No. RP03-123-000, *et al.* This decision benefits the public because it will allow the Commission to investigate issues raised by parties concerning the operation of the cashout mechanism and the fairness of the associated surcharge.

Background

2. The Commission, in its December 30, 2002 Order in Docket No. RP03-123-000, considered Southern's previous SCRM Surcharge filing.² The Commission found that that proceeding, not Southern's Order No. 637 compliance proceeding, was the appropriate forum to address the issue whether Southern's current cashout mechanism and SCRM in Section 14 of its General Terms and Conditions (GT&C) contain flaws which result in gaming of the system that imposes unnecessary costs on shippers. A technical conference was established in order to address that issue. The Commission accepted and suspended the proposed tariff sheets to become effective January 1, 2003, subject to refund and the outcome of the technical

¹ Sixtieth Revised Sheet No. 14, Eighty-first Revised Sheet No. 15, Sixtieth Revised Sheet No. 16, Eighty-first Revised Sheet No. 17, and Forty-fourth Revised Sheet No. 18, to its FERC Gas Tariff, Seventh Revised Volume No. 1.

² Southern Natural Gas Co., 101 FERC ¶ 61,397 (2002).

conference. On April 3, 2003, a technical conference was held in that proceeding, and comments were filed. Action on the technical conference is pending.

Details of the Instant Filing

3. In the November 26, 2003 filing, Southern proposes to reduce its SCRM Surcharge from \$.003/Dth to \$.001/Dth to be effective January 1, 2004. Southern states that Section 14.2(a) of its GT&C provides for an annual reconciliation of Southern's storage costs to reflect differences between the cost to Southern of its storage gas inventory and the amount Southern receives for such gas arising out of (i) the purchase and sale of such gas in order to resolve shipper imbalances; and (ii) the purchase and sale of gas as necessary to maintain an appropriate level of storage gas inventory for system management purposes. Southern further states that under Section 14.2(c), at the end of each twelve-month period after initiating service under Order No. 636, Southern must determine whether the balance in the Deferred Account is in excess of \$500,000 and, if so, Southern is required to provide a refund or surcharge as appropriate. Southern states that the refund or surcharge, applicable during the next twelve-month period, is to be determined by dividing the fixed and the realized gain or loss it has incurred from the purchase and sale of its storage gas inventory by the total throughput under Rate Schedules FT, FT-NN, and IT. Southern maintains that the balance to be recovered in the instant filing is \$939,841 compared to the \$2,183,730 in the November 27, 2002 filing in Docket No. RP03-123-000.

Notice, Interventions, and Protests

4. Notice of the instant filing was issued on December 2, 2003, providing for the filing of interventions and protests in accordance with Section 154.210 of the Commission's regulations. Pursuant to Rule 214, all timely filed motions to intervene are granted and any motions to intervene out-of-time filed before the issuance of this order are granted. Granting late intervention at this stage of the proceedings will not disrupt the proceedings or place undue additional burdens on existing parties. A protest was filed by Alabama Municipal Distributors Group, the Austell Gas System, the Municipal Gas Authority of Georgia, and the Southeast Alabama Gas District. Alabama Gas Corporation (Alabama Gas) filed a protest and motion to consolidate.

5. The protestors generally request that the Commission take appropriate action based upon the record in the proceedings in Docket No. RP03-123-000, et al., regarding the unfairness of the cashout pricing mechanism and the SCRM in Section 14 of Southern's GT&C. Alabama Gas requests that the Commission consolidate this proceeding with Docket No. RP03-123-000 or make this proceeding dependent on the outcome of Docket No. RP03-123-000.

Discussion

6. The issues raised by the protestors are currently being considered in the proceedings in Docket No. RP03-123-000, et al. Therefore, the Commission will accept and suspend Southern's filing, subject to refund and conditions and subject to the outcome of the proceedings in Docket No. RP03-123-000, et al. Accordingly, Alabama Gas' request to consolidate this proceeding with the proceedings in Docket No. RP03-123-000, et al., is denied.

Suspension

7. Based upon a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing and suspend their effectiveness for the period set forth below, subject to refund and the conditions set forth in this order and the outcome of the proceedings in Docket No. RP03-123-000, et al.

8. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. See Great Lakes Gas Transmission Co., 12 FERC ¶ 61,293 (1980) (five-month suspension). It recognizes, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. See Valley Gas Transmission, Inc., 12 FERC ¶ 61,197 (1980) (one-day suspension). Such circumstances exist here where the Commission is reviewing a storage cost reconciliation mechanism proposal filed pursuant to Section 14 of Southern's currently effective tariff. Therefore, the Commission will exercise its discretion to suspend the proposal and permit its effectiveness on January 1, 2004, subject to refund and the conditions set forth in the body of this order and the ordering paragraph below and the outcome of the proceedings in Docket No. RP03-123-000, et al.

The Commission orders:

The revised tariff sheets listed in footnote no. 1 of this order are accepted and suspended to become effective January 1, 2004, subject to refund and the conditions set forth in the body of this order and the outcome of the proceedings in Docket No. RP03-123-000, et al.

By the Commission.

(S E A L)

Magalie R. Salas
Secretary