

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

Gulf South Pipeline Company, LP

Docket Nos. CP04-366-003
CP04-425-001

ORDER AMENDING CERTIFICATE AND VACATING CERTIFICATE

(Issued June 22, 2006)

1. On March 23, 2006, Gulf South Pipeline Company, LP (Gulf South) filed an application requesting that the Commission amend, clarify, and make permanent the limited-term certificate issued on November 9, 2004, in Docket No. CP04-425-000 (limited-term certificate).¹ The limited-term certificate authorized Gulf South to temporarily increase the overall storage capacity at its Jackson Gas Storage Facility (Jackson) by 2.4 Bcf in order to offset the *force majeure* loss of capacity at its Magnolia Gas Storage Facility (Magnolia) and meet requirements for the 2004-2005 winter heating season. Contingent upon the order granting this amendment, Gulf South also requests that the Commission vacate as unnecessary the certificate issued on March 24, 2005, in Docket No. CP04-366-000² (permanent certificate) which authorized Gulf South to construct, own, and operate facilities necessary to permanently increase the storage capacity of Jackson.

2. For the reasons discussed below, we find that the proposal serves the public convenience and necessity and grant the requested authorizations.

Background and Proposal

3. Gulf South, a wholly owned subsidiary of Boardwalk Pipelines, LLC, is a limited partnership organized and existing under the laws of the State of Delaware. Gulf South's principal offices are located at 20 East Greenway Plaza, Suite 900, Houston, Texas 77046.

¹ *Gulf South Pipeline, LP*, 109 FERC ¶ 62,080 (2004).

² *Gulf South Pipeline, LP*, 110 FERC ¶ 61,338 (2005), *order issuing clarification*, 111 FERC ¶ 61,116 (2005), *order denying reh'g*, 112 FERC ¶ 61,106 (2006).

4. Gulf South owns and operates approximately 8,000 miles of pipeline facilities that extend from south Texas through Louisiana, Mississippi, southern Alabama, and western Florida. Gulf South provides open-access transportation and storage services pursuant to section 284 of the Commission's regulations. In addition, Gulf South owns and operates two underground storage facilities, the Bistineau Storage Facility in northern Louisiana and Jackson in central Mississippi, and leases the Magnolia facility in southern Louisiana. Magnolia has been subject to force majeure conditions since December 2003, causing Gulf South to lose the operational capacity of this facility.

5. To partially mitigate the loss of the use of the Magnolia facility and to improve the overall operational flexibility of the east side of its system, Gulf South filed the application for the permanent certificate requesting authority to construct, own, and operate up to three new injection and withdrawal storage wells, approximately 2.36 miles of storage pipeline, and associated facilities at its Jackson facility to increase the overall storage capacity by approximately 2.4 Bcf by accessing previously undeveloped areas of the reservoir. On March 24, 2005, the Commission issued the requested permanent certificate.

6. While this application was pending, Gulf South filed the application for the limited-term certificate for the period between November 15, 2004 and October 31, 2005, requesting the authority to inject, store, and withdraw an additional 2.4 Bcf of operational gas at the Jackson facility using existing storage wells and pipeline facilities while also maintaining the current daily injection and withdrawal capacity. Gulf South explained that, due to the loss of the Magnolia facility, the additional capacity was necessary to meet the requirements of the 2004-2005 winter heating season. The limited term certificate was issued November 9, 2004.

7. Gulf South states that it was possible to add the additional 2.4 Bcf of gas using existing facilities due to the unique characteristics of the Jackson facility's water-driven reservoir where the gas-water contact varies vertically in the strata based on the amount of gas in the reservoir. The additional injections would lower the gas-water contact by approximately 10 feet to create 2.4 Bcf of new storage capacity.

8. After the Commission issued Gulf South's requested limited-term certificate, Gulf South states that it was able to inject and completely withdraw the additional 2.4 Bcf of injected gas. Gulf South asserts that this demonstrated a high degree of horizontal permeability between the northern part of the field and the southerly extension area. Gulf South requested and received an extension of time for its limited-term certificate to verify that it could operate the Jackson Facility on a permanent basis with the additional 2.4 Bcf of capacity without the need to construct the facilities authorized under the permanent certificate.

9. Gulf South states that eighteen months of operating experience at Jackson confirms that its customers can be served on a long-term basis under the provisions of the limited-term certificate without the need to construct the facilities authorized in the permanent certificate. Consequently, Gulf South requests that the Commission amend its limited-term certificate to make it a permanent certificate and, contingent upon an order granting this request, vacate the permanent certificate issued in Docket No. CP04-366-000.

10. Gulf South also states that in November of 2004, it installed individual wellhead metering equipment on each of its wells in the Jackson facility and that after more than a year of monitoring the wellhead pressures, it has determined that the wellhead pressures at this facility are between 967 and 980 psig. Gulf South therefore requests that the Commission further amend the limited-term certificate to clarify that the maximum stabilized shut-in well head pressure at Jackson is 978 psig rather than 950 psig as stated in Ordering Paragraph (C) of the limited-term certificate.

Notice and Comments

11. Notice of Gulf South's application was published in the *Federal Register* on April 7, 2006 (71 *Fed. Reg.* 17841). Mobil Gas Service Corporation, Willmut Gas Company, and the City of Vicksburg, Mississippi (collectively Mobil Gas) filed joint comments addressing rate issues which are discussed below. No interventions or protests were filed.

Discussion

12. The limited-term certificate authorized Gulf South to immediately expand the capacity of its Jackson storage facility by 2.4 Bcf to provide needed additional deliverability on its system pending Commission approval of the construction of facilities in the Jackson field in the permanent certificate proceeding in Docket No. CP04-366-000. Since operational experience has demonstrated that Gulf South can serve its customers on a long-term basis from Jackson without constructing the facilities authorized in the permanent certificate proceeding, we will grant Gulf South's request to vacate the permanent certificate. For the same reasons, we find that it is in the public convenience and necessity to make permanent the limited-term certificate issued in Docket No. CP04-425-000 authorizing Gulf South to increase the capacity of Jackson by 2.4 Bcf as approved and conditioned in the November 9, 2004 Order and herein.

13. We note that the proposal does not add new storage or transportation capacity to the marketplace nor does it change Gulf South's storage or transportation rates or services. Additionally, the new storage capacity at Jackson will be used for operational

purposes and no additional gas supplies will be purchased. Gulf South's cost of service will not be affected and it states that it will assume the risk of any unrecoverable operational gas.

14. Since Gulf South has demonstrated that the wellhead pressures at Jackson consistently exceed the 950 psig maximum pressure authorized in the limited-term certificate, we will amend the authorization to reflect the increase in maximum stabilized shut-in wellhead pressure to 978 psig.

15. Mobil Gas is concerned that a Commission ruling in this docket may be cited as a basis to affect rates in the future. Therefore, Mobil Gas requests that the Commission make clear that its authorization of the Jackson storage expansion does not address rate treatment or cost recovery related to these storage facilities that in the future may be used to support transportation services.

16. We affirm that the authorization granted herein shall not be construed as addressing any cost recovery issues in future rate proceedings related to the use of the authorized capacity for other than operational purposes.

17. The Commission on its own motion received and made part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) The limited-term certificate of public convenience and necessity issued to Gulf South on November 9, 2004, in Docket No. CP04-425-000, is amended to grant Gulf South a permanent certificate.

(B) Gulf South shall comply with all applicable Commission regulations under the Natural Gas Act, particularly the conditions set forth in paragraph (a) of section 157.20 and 157.214(c).

(C) The maximum inventory of natural gas stored in the Jackson Storage Field shall not exceed 7,950 MMcf at 14.73 psia and 60 degrees F and the maximum stabilized shut-in well head pressure shall not exceed 978 psig, without prior authorization from the Commission.

(D) The certificate issued in Docket No. CP04-366-000 on March 24, 2005, is vacated for the reasons discussed herein.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.