

124 FERC ¶ 61,164
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 15, 2008

In Reply Refer To:
Gulf South Pipeline Company, LP
Docket No. RP08-198-001

Gulf South Pipeline Company, LP
9 Greenway Plaza, Suite 2800
Houston, TX 77046

Attention: Michael E. McMahon, Sr. Vice President and General Counsel

Reference: Compliance Filing Providing Additional Information Detailing Gas Quality
Specifications for Expansion Facilities

Ladies and Gentlemen:

1. On April 14, 2008, Gulf South Pipeline Company, LP (Gulf South) submitted additional information (Compliance Filing) to comply with the Commission's order issued March 14, 2008.¹ Gulf South's Compliance Filing answers the concerns raised by the Commission's request for additional information.
2. On February 15, 2008, Gulf South filed tariff sheets and supporting work papers, proposing separate gas quality specifications applicable only to its Expansion Facilities.² Among other revisions, Gulf South sought to: (1) create a 0.21 mole percent maximum limit for C6+ hydrocarbons, with the ability to post a lower limit from time to time down to a 0.07 mole percent Safe Harbor; (2) lower its heating content maximum from 1,175 Btu to 1,110 Btu; (3) apply the same 3 percent by volume maximum limit for carbon

¹ *Gulf South Pipeline Co., LP*, 122 FERC ¶ 61,228 (2008) (March 14 Order).

² Gulf South uses the definition of "Expansion Facilities" recently approved by the Commission in Docket No. RP07-561-000. *Gulf South Pipeline Co.*, 122 FERC ¶ 61,074 (2008) (*Gulf South*); *see also* March 14 Order at P 1 n.1. These facilities extend from the Carthage, Texas area to Transco Station 85 in Choctaw County, Alabama, but exclude Gulf South's historical system interconnections and associated facilities, such as Gulf South Index Nos. 130 (Kosci Line) and 330 (Middle 30).

dioxide as applies to the rest of its system but have the authority to post lower limits down to a 2 percent by volume Safe Harbor; and (4) establish a 4 percent limit on total inerts. Gulf South stated that these proposed standards would ensure that the gas transported on the Expansion Facilities would be accepted for delivery by the various interstate pipelines with which the Expansion Facilities interconnect. Gulf South also asserted that its proposed separate standards for the Expansion Facilities are consistent with the *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs (Policy Statement)*³ and other relevant guidelines, because those facilities are functionally separate from Gulf South's historical system.

3. The Indicated Shippers⁴ filed a protest and request for clarification. Indicated Shippers asserted, *inter alia*, that the Expansion Facilities are an integrated part of the Gulf South system, and therefore, the proposal should apply to the entire system. Indicated Shippers further challenged Gulf South's argument for establishing a new heating content maximum. Indicated Shippers also made several requests for additional information and clarification inquiring into both Gulf South's justification for its request and Gulf South's manner of application for the revised tariff.

4. The Commission's March 14 Order accepted and suspended Gulf South's proposed tariff sheets, effective the earlier of a date set by a subsequent Commission order or August 17, 2008, but subject to Gulf South providing, within 30 days of the March 14 Order, additional information to support and explain its proposal.⁵ Recognizing the concerns of Indicated Shippers, the Commission directed Gulf South to further explain how the Expansion Facilities are operationally distinct from the existing system. In particular, Gulf South was to provide the location of each receipt and delivery point attached to the Expansion Facilities, and to identify each receipt point where gas may enter the Expansion Facilities from the existing system. The Commission also directed Gulf South to include additional information and work papers to address Indicated Shippers' concerns and provide additional clarification in response to Indicated Shippers' various requests for clarification.

5. In the instant Compliance Filing, Gulf South states that it has provided additional information which responds to the Commission's March 14 Order and fully answers and

³ *Policy Statement*, 115 FERC ¶ 61,325 (2006).

⁴ Indicated Shippers consist of BP America Production Company, BP Energy Company, Chevron U.S.A. Inc., and Shell NA LNG LLC.

⁵ *Policy Statement*, 115 FERC ¶ 61,325 at P 14.

addresses the contentions in Indicated Shippers' protest by demonstrating that: (1) applying its proposed gas quality specification only to the Expansion Facilities is just and reasonable; (2) the Expansion Facilities are operationally distinct from the historical Gulf South system and should be viewed as a new pipeline system, rather than an operationally integrated mainline expansion of Gulf South's historical system; and (3) its proposal will provide benefits to customers on the historical system. In addition, Gulf South states that as required by the March 14 Order, its Compliance Filing identifies the location of each receipt and delivery point attached to the Expansion Facilities,⁶ including each receipt point where gas may enter the Expansion Facilities from the historical system,⁷ and provides other information demonstrating that the Expansion Facilities are operationally distinct from the historical system.⁸ Gulf South also clarifies and provides the additional information requested by Indicated Shippers in their protest. In addition, Gulf South proposes to revise its gas quality provisions in its tariff to address Indicated Shippers' concerns.

6. Public notice of Gulf South's April 14, 2008 Compliance Filing was issued on May 1, 2008. Protests were due as provided in section 154.210 of the Commission's regulations.⁹ Neither Indicated Shippers nor any other party filed a protest or adverse comments.

7. Based on the additional information provided by Gulf South, the Commission finds that Gulf South's proposed separate gas quality specifications for its Expansion Facilities are just and reasonable, subject to Gulf South making the changes it proposes in its Compliance Filing. Gulf South demonstrated that the Expansion Facilities are operationally distinct from Gulf South's historical system and that the operational differences between the two provide a just and reasonable basis for establishing separate gas quality specifications for the Expansion Facilities.

⁶ See Compliance Filing at Ex. A.

⁷ *Id.* at Ex. B.

⁸ Gulf South voluntarily responded to, and filed with the Commission on March 7, 2008, responses to Indicated Shippers' Protest.

⁹ Virginia Natural Gas, Inc. and Pivotal Utility Holdings, Inc. (VNG and Pivotal) and Equitable Production Company (Equitable) filed untimely motions to intervene. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214(d) (2008)), the Commission will grant the late interventions by VNG and Pivotal and Equitable. Except as otherwise ordered, a late intervenor must accept the record of the proceeding as the record developed prior to the late intervention.

8. Gulf South cites the following pipeline characteristics to demonstrate those differences: (1) the historical system is reticulated with bi-directional flows,¹⁰ whereas the Expansion Facilities are a long-line with uni-directional flows;¹¹ (2) the historical system is composed of various narrower-sized pipe, whereas the Expansion Facilities are composed of larger pipe, primarily forty-two inches in diameter;¹² (3) the historical system's operating pressures are far lower than the Expansion Facilities';¹³ (4) there are hundreds of receipt and delivery points on the historical system, whereas there are less than 15 total receipt and delivery points on the Expansion Facilities; (5) receipt and delivery points are interspersed throughout the historical system, whereas the majority of receipt points on the Expansion Facilities are located on the western end in the Carthage Junction area and the delivery points are primarily on the eastern end;¹⁴ (6) gas can physically enter the Expansion Facilities from the historical system only on the suction end of the Carthage area interconnect due to the high operating pressure of the Expansion Facilities; (7) more than one-third of the volumes on the historical system are from wellheads, whereas the Expansion Facilities are not directly connected to wellheads; and (8) the historical system delivers to a variety of types of points including end-users, as well as other pipelines, whereas almost all of the delivery interconnects on the Expansion Facilities are with other interstate pipelines. In its initial filing, Gulf South stated that approximately 97 percent of the throughput on the Expansion Facilities will be delivered to other interstate pipelines.

9. Gulf South's proposal is a reasonable means of assuring that downstream interstate pipelines will accept for transportation, gas shipped on the Expansion Facilities. Gulf South explains that the shippers who have contracted for capacity on the Expansion Facilities understand that the gas they ship on the Expansion Facilities must meet the gas quality specifications of the interconnecting pipelines, and they want surety that the gas will consistently flow to the interstate markets. Because the Expansion Facilities constitute in essence, a new operationally distinct pipeline, Gulf South can provide only limited historical data regarding the quality of gas supplies tied to these facilities and its

¹⁰ See *Gulf South Pipeline Company, LP*, 98 FERC ¶ 61,287, at 62,165 n.36 (2002); see also *Koch Gateway Pipeline Co.*, 65 FERC ¶ 61,338, at 62,631 (1993).

¹¹ See *Gulf South*, 122 FERC ¶ 61,074.

¹² See Compliance Filing at Ex. C.

¹³ See *id.* at 4.

¹⁴ *Gulf South*, 122 FERC ¶ 61,074 at P 8.

ability to satisfy the gas quality standards of the downstream pipelines.¹⁵ The new tariff provisions, particularly those allowing Gulf South to post lower maximum limits for C6+ hydrocarbons and carbon dioxide down to its proposed Safe Harbor levels, should give Gulf South the ability to ensure that gas flowing on the Expansion Facilities satisfies the gas quality provisions of downstream pipelines, without imposing unnecessarily restrictive standards. Moreover, Gulf South includes in its proposed tariff language a provision that it will only exercise its authority to post lower limits when necessary to avoid rejection of its gas by a downstream pipeline.

10. Because Gulf South's instant proposal only applies to the Expansion Facilities, it will not adversely affect the ability of producers and shippers to ship gas on the historical system. In fact, Gulf South states that gas deliveries from the Expansion Facilities should help the historical system meet the stricter gas quality specifications of downstream interconnecting interstate pipelines and provide greater assurance that customers on the historical system can reliably deliver to off-system consuming markets. Gulf South avers this increased reliability should occur because the Expansion Facilities will deliver approximately 1,050 million cubic feet per day of a lower C6+ gas into the east side of the historical system, lowering the C6+ content of gas on the historical system's east side and improving overall gas quality. Furthermore, continues Gulf South, applying different gas quality specifications to the Expansion Facilities recognizes and accommodates the operational realities of both systems, and will benefit the entire Gulf South system through improved gas quality without the potential detriment to wellhead supply or the customers that historically purchased those supplies.

11. In its Compliance Filing, Gulf South proposed several revisions in response to Indicated Shippers' concerns. Our approval of the instant filing is subject to Gulf South revising its proposed tariff language as it stated it would in its Compliance Filing. First, Gulf South offers to revise proposed section 2.3(a)¹⁶ to address Indicated Shippers' concern that section 2.3(a) could be interpreted to allow Gulf South to post more restrictive limits for gas constituents other than C6+ hydrocarbons and carbon dioxide, which are subject to its proposed safe harbor, without having to issue an operational flow order (OFO). Specifically, Gulf South proposes to add the language "for carbon dioxide or hexanes and heavier hydrocarbons" to sections 2.3(a)(ii) and 2.3(b).¹⁷ Gulf South states that this modification ensures that Gulf South has the authority to post more restrictive gas quality specifications only for those specifications subject to a safe harbor.

¹⁵ See *Policy Statement*, 115 FERC ¶ 61,325 at P 45, stating that new pipelines do not have historic markets upon which to base their analysis of gas quality specifications.

¹⁶ See Compliance Filing at 9.

¹⁷ *Id.*

12. Second, Gulf South is willing to accept Indicated Shippers' suggested definition for "Hydrocarbon Dew Point" and offers to revise its definition of "Hydrocarbon Dew Point" in the following manner:

"shall mean hydrocarbon cricondenthem, the highest temperature at which the vapor-liquid equilibrium may be present. The 'Hydrocarbon Dew Point' (cricondenthem) calculations are performed using the Peng Robinson equation of state."

13. Third, Gulf South offers to delete the phrase "hydrocarbons which might condense to free liquids in the pipeline under normal pipeline conditions" from the definition of "Liquids" to address Indicated Shippers' request. Gulf South agrees with Indicated Shippers that such a phrase is unnecessary in light of the proposed specification dedicated to hydrocarbon liquids.

14. Fourth, Gulf South contends Indicated Shippers' request that it revise its tariff language to clarify that it will suspend or terminate a waiver pursuant to section 2.3(a)(i) only if the waiver would result in Gulf South having to post a more restrictive gas quality limit than necessary absent the waiver, is unnecessary. Gulf South asserts that under section 2.3(a)(i), it will only terminate or suspend waivers in the Affected Area and by definition, waivers in an Affected Area are contributing to the gas quality problem.¹⁸ However, Gulf South notes that section 2.3(a)(i) contains two typographical errors and offers to correct them.¹⁹ Gulf South also recognizes the reference in section 2.1 to section 2.3(b) is a typographical error, and will change it to "Section 2.4(b)."

15. Finally, Gulf South clarifies the intent of its OFO provision as requested by Indicated Shippers. Gulf South states the OFO provision will allow it to issue an OFO to lower any gas quality specification if necessary to protect the operational integrity of the system or when an interconnecting interstate pipeline issues a gas quality related OFO. Gulf South submits certain pipelines interconnected to the Expansion Facilities have, or are seeking, the ability to impose more restrictive gas quality specifications, even below a specified safe harbor, through an OFO. If an interconnected pipeline issues a gas quality-related OFO, Gulf South's ability to reliably operate the Expansion Facilities would be at risk. Gulf South stresses it must have the flexibility to meet the requirement of such an OFO to ensure delivery of gas to interconnected pipelines, and also to place Gulf South's customers on a level competitive playing field by enabling them to continue to transport gas to highly competitive markets in times when downstream pipelines are restricting

¹⁸ Gulf South states that the Expansion Facilities have limited receipt points, so Gulf South can isolate the Affected Area easily.

¹⁹ See Compliance Filing at 10.

supplies into their systems. Gulf South states that its OFO provision would allow it to issue an OFO to ensure the continuous safe and reliable operations of its Expansion Facilities in the event an interconnecting pipeline issues a gas quality related OFO.

16. In addition to agreeing to make the aforementioned clarifications, Gulf South provided other information that addresses Indicated Shippers' various other concerns.

17. Accordingly, the Commission concludes that Gulf South's proposed gas quality standards for its Expansion Facilities are just and reasonable, subject to Gulf South filing revised tariff sheets to be effective August 17, 2008, incorporating its proposed revisions within 15 days of the date this order issues.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.