

141 FERC ¶ 61,262
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

Gulf South Pipeline Company LP

Docket No. RP13-294-000

ORDER ACCEPTING TARIFF RECORDS SUBJECT TO CONDITIONS

(Issued December 28, 2012)

1. On November 16, 2012, Gulf South Pipeline Company LP (Gulf South) submitted revised tariff records¹ proposing a new Enhanced Nominations Service (ENS) that provides eight additional nominations cycles to firm transportation customers. As discussed below, the Commission accepts the proposed tariff records effective January 1, 2013, subject to the conditions described below.

I. Details of Filing

A. Proposed ENS Service

2. Currently, Gulf South permits firm transportation service customers to nominate gas under one of the four standard nomination cycles established by the North American Energy Standards Board (NAESB):

Cycle	Nomination Time (Central Clock Time)	Confirmation By Connected Parties	Scheduling Received by Shipper	Nomination Effective	Bumping IT
Timely	11:30 a.m. (DA) ²	3:30 p.m. (DA)	4:30 p.m. (DA)	9 a.m. (DO)	N/A
Evening	6 p.m. (DA)	9 p.m. (DA)	10 p.m. (DA)	9 a.m. (DO)	Yes
Intra-Day 1	10 a.m. (DO)	1 p.m. (DO)	2 p.m. (DO)	5 p.m. (DO)	Yes
Intra-Day 2	5 p.m. (DO)	8 p.m. (DO)	9 p.m. (DO)	9 p.m. (DO)	No

¹ See Appendix.

² “DA” means the day-ahead of gas flows. “DO” means the day-of gas flows. All times are based on Central Clock Time.

3. Gulf South proposes to establish Rate Schedule ENS as a new service with eight additional nomination cycles on the day of gas flow. Gulf South states that ENS service can be added as a supplement to service pursuant to Rate Schedules FT, STF, NNS, NNL, SGT, SGL, SNS, or WNS. Gulf South states that its proposal is consistent with the Commission policy encouraging pipelines to “offer special services or increased nomination opportunities that will better fit the profile of gas fired generation.”³ Gulf South states that its proposal is similar to the proposal that the Commission recently accepted in *Texas Gas Transmission, LLC*.⁴

4. Gulf South states that the additional cycles for ENS shippers begin at 6:00 a.m. Central Time and occur approximately every three hours across the span of a single gas day. Gulf South states that the confirmation deadline will be two hours after the nomination deadline and the effective flow time will be three hours after the nomination deadline. For example, under Gulf South’s proposed ENS Cycle No. 1, nominations are made at 6:00 a.m., confirmed at 8:00 a.m., and flow at 9:00 a.m.

5. Gulf South states that if the interconnecting party at the receipt point does not effectuate confirmed gas flows within one hour of the scheduled flow time, Gulf South will reduce the ENS nomination through the scheduling process to its previously scheduled levels. However, Gulf South states that ENS nominations associated with no-notice service will be deemed to be delivered from the un-nominated portion of the customer’s capacity.

6. Gulf South states that ENS will be limited to a firm customer’s primary delivery points and eligible receipt points. Gulf South states that a receipt point will be considered eligible where (i) the point operator has personnel available twenty-four hours a day to provide confirmations and effectuate physical flow changes; and (ii) there is electronic measurement and flow control operated by Gulf South. Gulf South states it may add or delete physical receipts from time to time due to operational changes. In its filing, Gulf South has provided a list of currently eligible points, and Gulf South explains that it will also maintain a posting of such eligible physical receipt points on its website.

7. Gulf South emphasizes that an ENS customer will not be able to bump another firm customer’s scheduled and flowing gas, nor will an ENS customer be able to bump an interruptible customer’s scheduled and flowing gas quantities during or after the NAESB Intraday 2 nomination cycle. Gulf South elaborates that if bumping occurs, the

³ See *Standards for Business Practices for Interstate Natural Gas Pipelines*, Order No. 587-U, FERC Stats. & Regs., Regulations Preambles ¶ 31,307, at P 27 (2010).

⁴ 137 ¶ 61,093 (2011) (*Texas Gas I*), order on compliance, *Texas Gas Transmission, LLC*, 138 FERC ¶ 61,176 (*Texas Gas II*) (collectively, *Texas Gas*).

interruptible customer will have the right to nominate the bumped gas quantities during subsequent ENS nomination cycles at any receipt point eligible for ENS service.

8. Gulf South states that in order to contract for ENS service, a customer must hold a firm transportation agreement on Gulf South, also referred to as the “Base Contract.” Gulf South notes that to add ENS service, the customer must enter into an “ENS Addendum” to the Base Contract. Gulf South will require the primary points and quantities designated for service in the ENS Addendum to be the same as those under the Base Contract. Gulf South states that the new ENS service will have no effect on the contractual and tariff rights of Gulf South’s existing firm customers.

9. Gulf South anticipates it will require twelve months to complete the system changes necessary to implement ENS service. Accordingly, Gulf South’s proposed tariff records provide that ENS service will not commence prior to January 1, 2014, unless prior notice is provided on Gulf South’s Internet Web Site.

B. Proposed Rates

10. Gulf South proposes a demand charge and a commodity charge for the Rate Schedule ENS. Gulf South states that these rates will be charged in addition to the customers’ Base Contract rates for FTS, EFT, or NNS service. Gulf South states that the proposed Rate Schedule ENS demand charge is derived from the estimated incremental project costs, and Gulf South explains that the billing determinants are based upon an anticipated total market demand of 56,575,000 Dth per year.

11. Gulf South states that Rate Schedule ENS also includes a commodity charge of \$0.0030 per Dth per day. During both the NAESB nomination cycles and the proposed ENS nomination cycles, Gulf South states that there are time gaps between the effective flow time of a nomination and the actual flow of gas. Gulf South explains that line pack is used to balance the system during the lag periods. With respect to ENS service, Gulf South anticipates that the lag between nominations and flows will require more use of line pack, meaning that ENS service will act much like a short term Parking and Lending Service (PAL). Accordingly, Gulf South proposes a commodity rate for ENS service that is based upon the approved maximum rate for Rate Schedule PAL.

Rate Schedule ENS Proposed Rates	Demand	Commodity	Total
Maximum (per Dth)	\$0.0265	\$0.0030	\$0.0295
Minimum (per Dth)	\$0.0000	\$0.0000	\$0.0000

12. Gulf South states that a commodity charge will apply to all scheduling changes resulting from any of the additional ENS nomination cycles.

C. Waivers

13. Gulf South states that NAESB Standard 1.3.39 provides that bumping that affects transactions on multiple transportation service providers should occur at grid-wide synchronization times only. Gulf South states that if ENS service is approved by the Commission Gulf South will file for a limited waiver of NAESB Standard 1.3.39 applicable to ENS service.

14. Gulf South requests a waiver of the requirement in Section 154.202 (a)(1)(vii) of the Commission's regulations to provide a projection of the estimated effect on revenue and costs over the twelve-month period commencing on the proposed effective date. Gulf South states that it cannot precisely project the revenues it may receive from the proposed ENS service.

II. Notice, Interventions and Protests

15. Public notice of Gulf South's filing was issued on November 19, 2012. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (2012). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2012), all timely-filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Atmos Energy Corporation, Indicated Shippers,⁵ and Devon Gas Services, L.P. (Devon) filed timely protests. Anadarko Energy Services Company (Anadarko) filed a late protest. The Commission accepts Anadarko's late protest given Anadarko's interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

16. On December 6, 2012, Gulf South filed an answer. On December 17, 2012, Indicated Shippers filed an answer to Gulf South's answer. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2)(2012), prohibits an answer to a protest, or an answer to an answer, unless otherwise ordered by the decisional authority. We accept the answers filed by Gulf South and Indicated Shippers because they have provided information that assisted our decision-making process.

⁵ Chevron U.S.A., Inc., ConocoPhillips Company, ExxonMobil Gas & Power Marketing Company (a division of Exxon Mobil Corporation), Shell Energy North America (US) L.P., and Shell Offshore Inc. ("Indicated Shippers").

A. Protests and Comments

17. Atmos objects that interruptible shippers may receive only one hour's notice prior to being bumped by an ENS nomination. Atmos asserts that the intraday market is much less liquid than the "timely cycle" market and that bumping is most likely to occur on days of peak demand. Atmos states that such bumping is likely to have adverse economic effects upon interruptible shippers. Atmos states that bumping should be prohibited after the Intraday 1 nomination cycle.

18. Indicated Shippers and Anadarko⁶ object that the first ENS Cycle No. 1 will have a nomination deadline of 6:00 a.m., with an effective flow time of 9:00 a.m. Indicated Shippers complain that the time for making nominations under ENS Cycle No. 1 is three hours prior to the start of gas flows on Gas Day. Indicated Shippers emphasize that this is earlier than the additional cycles approved by the Commission in *Texas Gas*.⁷ Indicated Shippers contend it is not just and reasonable to grant ENS shippers the right to schedule gas prior to the commencement of the Gas Day, when, according to Indicated Shippers, no other shippers receive that same right.

19. Further, Indicated Shippers assert that Gulf South's proposal is unclear whether an interruptible customer, which has flowing gas displaced by an ENS nomination, will be subject to imbalance, overrun, and/or unauthorized gas penalties. Indicated Shippers argue that it would be unjust and unreasonable to impose penalties on an interruptible shipper whose scheduled and flowing volumes are bumped by an ENS shipper. Indicated Shippers assert that the proposal does not specify whether a bumped interruptible shipper will also incur an ENS charge in addition to its interruptible service charge if it re-nominates at an ENS-eligible point. Finally, Indicated Shippers state it is unclear if bumping will only occur at ENS-eligible points or if ENS nominations will affect system capacity.

20. Indicated Shippers request that the Commission reject the ENS Filing. In the alternative, Indicated Shippers state that the Commission should require Gulf South (1) to clarify its proposal and (2) to implement the proposed Rate Schedule ENS on an interim basis subject to further analysis.

21. Atmos states that if the Commission approves the proposed ENS service Gulf South should be required to submit actual cost and revenue data one year after the ENS service becomes operational. Similarly, Devon comments that if the Commission

⁶ In its protest, Anadarko adopted the positions advocated by the Indicated Shippers.

⁷ Under Texas Gas' proposed ENS Cycle No. 1, nominations are due at 8:00 a.m., confirmed at 9:00 a.m., and flowing at 10:00 a.m.

requires Gulf South to submit an activity report containing revenues from ENS service, the activity report should be required at a time when the relevant information is available and can be evaluated by the parties.

B. Gulf South's Answer

22. Gulf South asserts that all shippers, including non-ENS shippers, have the right to submit nominations before the start of the Gas Day in both the existing NASEB Timely nomination cycle and the Evening nomination cycle. Gulf South further states the service approved by the Commission in *Texas Gas* also allowed for nominations prior to the start of the Gas day.

23. In response to Atmos' assertion that the proposed ENS service provides bumped interruptible shippers with insufficient notice, Gulf South notes that the Commission already found one-hour notice to be reasonable for a similar nominating service in *Texas Gas*. Gulf South states that Atmos failed to provide any meaningful reason to distinguish *Texas Gas*.

24. In response to Indicated Shippers, Gulf South clarifies that an interruptible shipper will not be charged the ENS rate to re-nominate in an ENS cycle after being bumped. Gulf South also explains that bumping can occur if capacity is not available either at individual delivery and receipt points or on the mainline.

25. Regarding Indicated Shippers' concern about penalties, Gulf South claims that it does not have imbalance or overrun penalties on its system. Gulf South states that although unauthorized gas penalties may occur on Gulf South following a bump notice, such a penalty is not generally associated with the bumping of interruptible transportation. Gulf South states that, in accordance with NAESB Standard 1.3.51, it will provide notice regarding whether daily penalties will apply for the Gas Day in which bumping occurs. Gulf South also explains that when a bump occurs, the bumped shipper's receipt and delivery volumes are reduced. As a result, Gulf South states no penalties should be incurred based on the bump.

26. Gulf South argues that the proposed ENS service should be approved as just and reasonable on a permanent basis, rather than on an interim basis as Indicated Shippers have requested. Finally, Gulf South agrees to file an activity report after one year of service, similar to what was required in *Texas Gas*. However, Gulf South disputes the need for any additional information.

C. Indicated Shippers' Answer

27. Indicated Shippers reiterate objections to the timing of the first nominating cycle under ENS Service, which has a nomination deadline of 6:00 a.m. for flows beginning at 9:00 a.m. Indicated Shippers object that this provides ENS shippers with additional

nomination rights that are not afforded to other shippers with a flow time that was one hour earlier than the 10:00 a.m. flow time approved by the Commission approved for the first nominating cycle of Texas Gas' ENS service.

28. Indicated Shippers also object that Gulf South appears to be reserving the right to impose penalties on interruptible shippers whose scheduled and flowing volumes are bumped by an ENS shipper. Indicated Shippers object that Gulf South has failed to define how imbalance and overrun penalties (or the equivalent) will be applied to an interruptible shipper bumped by an ENS nomination.

III. Discussion

29. The Commission accepts Gulf South's proposed tariff records. The proposed ENS service is consistent with the Commission's policy that pipelines may add additional nominating cycles beyond the four cycles provided by the NAESB standards.⁸ Gulf South's proposed ENS service is similar to the proposal that the Commission accepted in *Texas Gas I* and *Texas Gas II*,⁹ and the protests have not raised issues supporting a different outcome in this proceeding.

30. As we found in the *Texas Gas* orders, Gulf South's proposal provides bumped interruptible shippers with sufficient notice. Section 284.12 of the Commission's regulations provides that:

A pipeline must give scheduling priority to an intra-day nomination submitted by a firm shipper over nominated and scheduled volumes for interruptible shippers. When an interruptible shipper's scheduled volumes are to be reduced as a result of an intra-day nomination by a firm shipper, the interruptible shipper must be provided with advance notice of such reduction and must be notified whether penalties will apply on the day its volumes are reduced.

Gulf South proposes to provide shippers with one-hour notice prior to bumping. In *Texas Gas II*, the Commission determined that a one-hour's notice to bumped interruptible shippers is reasonable in the context of an enhanced nominating service.¹⁰ The Commission explained that given the compressed nature of the ENS nomination cycle a one hour notice provided a reasonable balancing of the interests of the firm and

⁸ Order No. 698, FERC Stats. & Regs. ¶ 31,251 at P 69.

⁹ *Texas Gas I*, 137 FERC ¶ 61,093, *order on compliance*, *Texas Gas II*, 138 FERC ¶ 61,176.

¹⁰ *Texas Gas II*, 138 FERC ¶ 61,176 at PP 18-22.

interruptible shippers. Furthermore, much like the proposal approved by the Commission in *Texas Gas I* and *Texas Gas II*, Gulf South is also providing interruptible shippers with an opportunity to re-nominate bumped volumes either at the standard NAESB nomination times or at any of the subsequent nomination times provided under ENS service. Thus, while Gulf South's proposal provides shorter notice than exists under the four standard NAESB nominating cycles, the proposal also provides interruptible shippers with more, and earlier, opportunities to re-nominate than under the existing NAESB standards.¹¹ Under the circumstances presented by Gulf South's ENS service, one-hour notice to bumped shippers is sufficient.

31. The Indicated Shippers' objections to the timeline for Gulf South's proposed ENS Cycle No. 1 are also not persuasive. Under Gulf South's proposed ENS Cycle No. 1, nominations are made at 6:00 a.m., confirmed at 8:00 a.m., and flow-times begin at 9:00 a.m. The Indicated Shippers object that these volumes are scheduled before the beginning of the 9:00 a.m. gas day. However, both the existing NAESB Timely nomination cycle and the NAESB Evening nomination cycle give all shippers (including non-ENS shippers) the right to submit nominations and to secure scheduled transportation before the gas day. To the extent that shippers paying higher rates for ENS service have an additional opportunity to use available capacity, this is a right provided by the ENS shipper's selection of a higher valued firm service. Although Gulf South's ENS Cycle No. 1 nominations have an effective flow-time of 9:00 a.m. on the gas day as opposed to the 10:00 a.m. flow-time approved for the first nominating cycle in *Texas Gas I*¹² and *Texas Gas II*, Indicated Shippers do not provide a reason for finding that this one hour difference is so significant. In fact, moving the nomination period for ENS earlier will provide interruptible shippers with more time to reschedule bumped volumes at the Intra-Day 1 cycle at 10:00 a.m.

32. With respect to penalties, the pipeline must notify a bumped interruptible shipper whether penalties will apply on the day the shipper's volumes are reduced. The Commission has adopted policies that it will apply in the event of a dispute over penalties

¹¹ Under the NAESB standards, the interruptible shipper bumped during the Intra-Day 1 cycle has only one additional opportunity to re-nominate, which occurs at the Intra-Day 2 cycle at 5:00 p.m. and which flows at 9:00 p.m. Under Gulf South's proposal, the bumped interruptible shipper can re-nominate at any of the standard nomination timelines and at any of ENS nomination opportunities which may occur earlier in the day and take effect more quickly than the NAESB standard.

¹² *Texas Gas I*, 137 FERC ¶ 61,093 at P 46 n.25.

applied to bumped interruptible shippers.¹³ The Commission will consider any specific disputes regarding such penalties if they arise.

33. The Commission grants waiver of NAESB standard 1.3.39 as it pertains to ENS service and will require Gulf South to make a compliance filing prior to the implementation of ENS Service to update its NAESB standards to reflect the waiver. The Commission also grants Gulf South's request for waiver of section 154.202(a)(1)(vii) of the Commission's regulations. The Commission has granted such waivers where there is insufficient data to project the revenues that may result from implementing the ENS service.¹⁴ The Commission will require Gulf South to file an activity report within 45 days after the end of the first year after service commences pursuant to Rate Schedule ENS.¹⁵ The activity report should include (1) the date service was rendered for each transaction; (2) the volume shipped under each transaction; (3) monthly volumes; (4) the name of the shipper for each transaction; (5) the rate charged for each transaction; (6) the revenues received for each transaction; and (7) the monthly revenues for this service. Such information will provide the Commission and interested parties actual information that can be used to monitor Gulf South's activity and revenues for the new ENS service.

The Commission orders:

(A) The tariff records listed in the Appendix of this order are accepted effective January 1, 2013, subject to a compliance filing, as discussed in this order.

(B) Gulf South is directed to file an activity report within 45 days after the end of the first year after service commences for Rate Schedule ENS.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹³ *Standards for Business Practices for Interstate Natural Gas Pipelines*, Order No. 587-G, FERC Stats. & Regs. ¶ 31,062, at 30,672 (1998), *order on reh'g*, *Standards for Business Practices for Interstate Natural Gas Pipelines*, Order No. 587-I, FERC Stats. & Regs. ¶ 31,067, at 30,735 (1998). *See also* NAESB Standard 1.1.14.

¹⁴ *E.g.*, *Millennium Pipeline Co.*, 127 FERC ¶ 61,309, at P 26 (2009); *Texas Gas I*, 137 FERC ¶ 61,093 at P 49.

¹⁵ *Id.*

Appendix

Gulf South Pipeline Company, LP
FERC NGA Gas Tariff
Tariffs

Tariff Records Accepted Subject to Conditions, to be Effective January 1, 2013

[Section 1, Table of Contents, 5.0.2](#)

[Section 4.14, Currently Effective Rates - ENS, 0.0.0](#)

[Section 5.7, Rate Schedules - PAL, 2.0.0](#)

[Section 5.13, Rate Schedules - ENS, 0.0.0](#)

[Section 6.2, GT&C - Definitions, 5.0.1](#)

[Section 6.12, GT&C - Nominations, Confirmations, & Scheduling, 2.0.1](#)

[Section 7.8, Form\(s\) of Agmts-NNS/FTS/EFT/ENS Discounted Rates Ltr Agmt, 4.0.0](#)

[Section 7.8.1, Form\(s\) of Agmts - NNS/FTS/EFT/ENS Discounted Rate-Exhibit A, 3.0.0](#)

[Section 7.8.2, Form\(s\) of Agmts - NNS/FTS/EFT/ENS Discounted Rate-Exhibit B, 3.0.0](#)

[Section 7.8.3, Form\(s\) of Agmts - NNS/FTS/EFT/ENS Discounted Rate-Exhibit C, 3.0.0](#)

[Section 7.15, Form\(s\) of Agmts - Addendum to Service Agreement - ENS, 0.0.0](#)