

142 FERC ¶ 61,227
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 27, 2013

In Reply Refer To:
Gulf Shore Energy Partners, LP
Docket No. RP13-556-000

Gulf Shore Energy Partners, LP
333 Clay Street, Suite 4500
Houston, Texas 77002

Attention: Mark W. Fuqua, President

Reference: Baseline Tariff and Compliance Filing

Dear Mr. Fuqua:

1. On February 11, 2013, Gulf Shore Energy Partners, LP (Gulf Shore) filed tariff records reflecting its baseline tariff and primary initial recourse rates to comply with the Commission's December 12, 2012 order granting certificate authorization.¹ Gulf Shore also proposes alternate initial recourse rates, not reflected on actual tariff records, that reflect the changes required by the Certificate Order as well as additional expenses Gulf Shore describes in an abbreviated certificate application it filed contemporaneously with the instant filing in Docket No. CP13-78-000. Gulf Shore requests that the Commission accept its alternate rate proposal and tariff records to be effective March 13, 2013 or upon the commencement of service for the project, whichever is later.

2. The Commission accepts the tariff records listed in Appendix A to be effective March 13, 2013, or the date when Gulf Shore commences service, whichever is later, subject to conditions as discussed below. The Commission also accepts the alternate rate proposal set forth by Gulf Shore and directs Gulf Shore to file an actual tariff record that reflects these alternative rates within 30 days of the date this order issues. The Commission rejects the tariff record reflecting the primary initial recourse rates listed in Appendix B.

¹ *Dominion South Pipeline Co., and Gulf Shore Energy Partners, LP*, 141 FERC ¶ 62,183 (2012) (Certificate Order).

3. On September 10, 2012, Dominion South Pipeline Company, LP (Dominion South) in Docket No. CP12-519-000 and Gulf Shore in Docket No. CP12-520-000 filed a joint application requesting that the Commission authorize Dominion South to abandon its entire interstate natural gas pipeline system by sale to Gulf Shore. In addition, these parties requested that Gulf Shore be authorized to acquire and operate Dominion South's facilities which consist of approximately five feet of pipeline,² and that Gulf South be granted authorization to install and operate compression facilities on the pipeline facilities to be acquired from Dominion South. The Certificate Order approved the joint application subject to certain requirements.

4. On February 11, 2013, Gulf Shore filed an abbreviated application in Docket No. CP13-78-000 to amend the certificate issued to Gulf Shore by the Certificate Order. In its abbreviated application, Gulf Shore proposed to amend the initial rates approved by the Commission in the Certificate Order. As amended, Gulf Shore proposed that the initial rates would reflect increased initial costs and other additional costs incurred as a result of the conditions imposed in the Certificate Order relating to design, construction and operation of its electric compressor unit. Contemporaneously with the issuance of the instant order, the Commission has issued an order granting Gulf Shore's request to amend its certificate application in Docket No. CP12-520-000, *et al.* to reflect revised initial rates.

5. Public notice of the instant filing was issued on February 12, 2013. Protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2012)). No protests or adverse comments were filed.

6. In the Certificate Order Gulf Shore requested and the Commission granted waivers of various business practice standards as promulgated by the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant. However, the Commission denied Gulf Shore's requested waiver of certain NAESB Version 2.0 standards relating to Operating Capacity and Unsubscribed Capacity, Nominations, Flowing Gas, Invoicing, and Capacity Release.³

² The five feet of pipeline constituting Dominion South's interstate pipeline system consists of a 12-inch diameter pipeline in Matagorda County, Texas, connecting the interstate pipeline systems of Transcontinental Gas Pipe Line Company, LLC (Transco) and Florida Gas Transmission Company, LLC (Florida Gas).

³ Certificate Order, 141 FERC ¶ 62,183 at PP 11-14.

7. Gulf Shore states that the instant filing reflects tariff revisions to incorporate either verbatim or by reference the NAESB standards for which the Commission denied waiver in its Certificate Order. Gulf Shore also states that it has revised sections 11.2(a), 11.2(b), 11.4, and 11.6 of the General Terms and Conditions (GT&C) in its tariff to comply with the findings of the Certificate Order relating to certain capacity release requirements promulgated by Order Nos. 712 and 712-A.⁴

8. The Commission finds Gulf Shore's tariff records generally comply with the requirements set forth in the Certificate Order pertaining to NAESB standards. Gulf Shore did not include NAESB standard 10.2.32 in its list of standards incorporated by reference. Gulf Shore is directed to revise its tariff to correct this oversight. Moreover, Gulf Shore has included NAESB standards 1.3.17, 1.3.18, 5.3.37 – 5.3.42, and 10.3.2 as among NAESB standards for which Gulf Shore claims waiver was granted by the Certificate Order. However, the Commission finds that Gulf Shore did not request waiver of these NAESB standards in its certificate application in Docket No. CP12-520-000 or in the instant compliance filing. Therefore, Gulf Shore is directed to remove these standards from the list of standards for which the Commission has granted waiver.

9. Gulf Shore states that the Certificate Order denied its requested version of a general waiver provision for its tariff.⁵ In the instant filing, Gulf Shore states that it has deleted its proposed general waiver of rights provision in section 18 of its GT&C and replaced it with a provision that includes the criteria that Gulf Shore will use in determining whether to waive a particular provision of the tariff. Gulf Shore states that this type of waiver provision has been accepted by the Commission for use on other pipelines.⁶

10. The Commission finds that Gulf Shore has complied with the Certificate Order by revising its general waiver of tariff provision in a manner consistent with Commission precedent.⁷

⁴ Gulf Shore Transmittal Letter at 6 (citing *Promotion of a More Efficient Capacity Release Market*, Order No. 712, FERC *Stats. & Regs.* ¶ 31,271, *order on reh'g*, Order No. 712-A, *Stats. & Regs.* ¶ 31,284 (2008)).

⁵ Certificate Order, 141 FERC ¶ 62,183 at PP 16-17.

⁶ Gulf Shore Transmittal Letter at 6 (citing *Tennessee Gas Pipeline Co.*, 135 FERC ¶ 61,208, at PP 153-155 (2011) and *Discovery Gas Transmission, L.L.C.*, 111 FERC ¶ 61,377, at P 15 (2005)).

⁷ *Discovery Gas Transmission, L.L.C.*, 111 FERC ¶ 61,377 at P 15. *See also Tennessee Gas Pipeline Co.*, 135 FERC ¶ 61,208 at PP 153-155.

11. The Certificate Order also directed Gulf Shore to revise its proposed rates. The Certificate Order noted that Gulf Shore did not correctly include the negative acquisition adjustment of \$1,089,068 from Account No. 114 in the beginning accumulated depreciation balance on Schedule D of Exhibit P. The Certificate Order found that the correct beginning accumulated depreciation balance on Schedule D of Exhibit P should reflect both the accumulated provision for the depreciation of gas utility plant in the amount of \$679,098 (Account 108) and the negative acquisition adjustment of \$1,089,068 (Account 114), which results in a new total beginning accumulated depreciation balance of \$1,768,166, as opposed to the beginning balance of \$679,098 proposed by Gulf Shore. The Certificate Order directed Gulf Shore to revise its proposed rates to reflect the negative acquisition adjustment of \$1,089,068.⁸

12. In the instant filing, Gulf Shore includes the negative acquisition adjustment of \$1,089,068 from Account No. 114 in the beginning accumulated depreciation balance on Schedule D of Revised Exhibit P to its application. The correct beginning accumulated depreciation balance on Schedule D of Revised Exhibit P reflects both the accumulated provision for the depreciation of gas utility plant in the amount of \$679,098 (Account 108) and the negative acquisition adjustment of \$1,089,068 (Account 114), which results in a new total beginning accumulated depreciation balance of \$1,768,166.

13. The Certificate Order noted that Commission policy requires a pipeline to either allocate costs to interruptible service or credit revenues from such service to ensure that the rates established for firm service do not recover more than the costs properly allocated to firm service.⁹ The Certificate Order found that Gulf Shore's interruptible rate was derived based on the 100 percent load factor rate of the firm transportation rate and that Gulf Shore has neither allocated costs to interruptible service nor provided for crediting of interruptible revenues to both firm and interruptible shippers. Therefore the Certificate Order required Gulf Shore to revise its rates to reflect an allocation of costs to interruptible service or add a provision to its GT&C for the crediting of interruptible revenues to both firm and interruptible shippers.

⁸ Certificate Order, 141 FERC ¶ 62,183 at P 9.

⁹ Certificate Order, 141 FERC ¶ 62,183 at P 16 (citing *Liberty Gas Storage, LLC*, 135 FERC ¶ 61,216, at P 15 (2011)). See also, e.g., *Creole Trail LNG, L.P.*, 115 FERC ¶ 61,331, at P 27 (2006); and *Entrega Gas Pipeline Inc.*, 112 FERC ¶ 61,177, at P 51 (2005).

14. In the instant filing, Gulf Shore has allocated 2 percent of its cost of service to interruptible service. This amount of \$19,735 is reflected on Line 8 of Schedule A to Gulf Shore's Revised Exhibit P. The Commission finds Gulf Shore's level of allocation of costs is reasonable and consistent with Commission precedent.¹⁰

15. Gulf Shore's primary initial recourse rates set forth in its tariff are the result of the above rate related changes required by the Certificate Order. The resulting maximum Rate Schedule FT firm transportation rate has decreased from \$0.9554 per Dth approved in the Certificate Order to \$0.8058 per Dth as proposed herein by Gulf Shore. The maximum Rate Schedule IT interruptible rate has also decreased from \$0.0314 per Dth approved in the Certificate Order to \$0.0265 per Dth as proposed herein.

16. The alternate initial recourse rates proposed by Gulf Shore are the result of the rate changes required by the Certificate Order, as well as the same increased and additional expenses proposed in Gulf Shore's abbreviated certificate application in Docket No. CP13-78-000 filed on February 11, 2013.¹¹ The resulting maximum Rate Schedule FT firm transportation rate has decreased from \$0.9554 per Dth approved in the Certificate Order to \$0.8643 per Dth proposed herein. The maximum Rate Schedule IT interruptible rate has also decreased from \$0.0314 per Dth approved in the Certificate Order to \$0.0284 per Dth proposed herein. Gulf Shore requests that the Commission accepts its alternate initial recourse rate proposal.

17. The Commission finds that both the primary and alternate initial recourse rates comply with the Certificate Order. However, given the Commission's contemporaneous action in granting Gulf Shore's February 11, 2013 abbreviated certificate application in Docket No. CP13-78-000, we find that the alternate initial recourse rates proposed by Gulf Shore are more representative of the increased and additional expenses incurred or estimated to be incurred by Gulf Shore as the result of its acquisition of facilities from Dominion South, its electric compressor unit and a noise barrier and noise survey. Accordingly, the Commission rejects the primary tariff record set forth in Appendix B and accepts the alternate initial recourse rate proposal to be effective March 13, 2013 or upon the commencement of service for the project whichever is later. Gulf Shore is

¹⁰ *Fayetteville Express Pipeline LLC*, 129 FERC ¶ 61,235, at P 29 (2009). *See also Midcontinent Express Pipeline LLC*, 124 FERC ¶ 61,089, at P 93 (2008) and *Cameron Interstate Pipeline, LLC*, 117 FERC ¶ 61,297, at P 22 and n.22 (2006).

¹¹ These increased and additional expenses are the result of Gulf Shore's acquisition of facilities from Dominion South and its electric compressor unit to be installed. Moreover, certain of the additional costs incurred are a result of the requirements set forth by the Certificate Order pertaining to a noise barrier system and a noise survey.

directed to file a revised tariff record reflecting the alternate initial recourse rates proposed herein within 30 days of the date this order issues.

18. In its abbreviated certificate application in Docket No. CP12-520-000, Gulf Shore included its precedent agreement with its anchor shipper BP Energy Company (BP). This agreement was a firm transportation agreement for 100,000 Dth per day of firm service, covering the entire available firm capacity of the Gulf Shore facilities at a negotiated rate of \$0.0275 per Dth for a term of seven years. Gulf Shore states that since the Certificate Order was issued, Gulf Shore and BP have amended the precedent agreement to reduce the firm transportation agreement to 80,000 Dth per day for a term of seven years at the same negotiated rate of \$0.0275 per Dth and entered into a second similar firm transportation agreement for 20,000 Dth per day for a term of two years at a higher negotiated rate of \$0.0295 per Dth. Gulf Shore states that the material elements of these negotiated rate firm transportation agreements are proposed herein in its tariff. Gulf Shore states that these agreements contain a contractual right of first refusal consistent with section 7 of Gulf Shore's tariff and do not deviate in any material respect from the *pro forma* Rate Schedule FT service agreement contained in its tariff. The Commission finds the proposed negotiated rate agreements to be consistent with the negotiated rate provisions set forth in section 26.1 of the GT&C of Gulf Shore's tariff and therefore, accepts the agreements. Since Gulf Shore reflects the negotiated rate agreements on the same tariff record as its initial recourse rates, Gulf Shore is directed to file a revised tariff record reflecting the negotiated rate agreements along with its alternate initial recourse rates proposed herein within 30 days of the date this order issues.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix A
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Gulf Shore Energy Partners, LP
FERC NGA Gas Tariff
Gulf Shore Energy Partners, LP GAS TARIFF ORIGINAL VOLUME NO. 1
Tariff Records Effective March 13, 2013
Or the date when Gulf Shore is able to commence service, whichever is later

[Section 1, Title Page, 1.0.0](#)

[Section 2, Table of Contents, 1.0.0](#)

[Section 3, Preliminary Statement, 1.0.0](#)

[Section 4, System Map, 1.0.0](#)

[Section 6, Rate Schedules: Firm Transportation \(FT\) Service, 1.0.0](#)

[Section 7, Rate Schedules: Interruptible Transportation \(IT\) Service, 1.0.0](#)

[Section 8, General Terms and Conditions, 1.0.0](#)

[GT&C Section 8.1, Definition of Terms, 1.0.0](#)

[GT&C Section 8.2, Quality, 1.0.0](#)

[GT&C Section 8.3, Measurement, 1.0.0](#)

[GT&C Section 8.4, Measurement Equipment, 1.0.0](#)

[GT&C Section 8.5, Qualification for Service, 1.0.0](#)

[GT&C Section 8.6, Credit Requirements, 1.0.0](#)

[GT&C Section 8.7, Termination of Agreements, 1.0.0](#)

[GT&C Section 8.8, Operational Flow Orders, 1.0.0](#)

[GT&C Section 8.9, Scheduling of Receipts and Deliveries, 1.0.0](#)

[GT&C Section 8.10, Invoicing, Payments, and Penalty Revenue Crediting, 1.0.0](#)

[GT&C Section 8.11, Temporary Release or Permanent Assignment of Rights to Firm, 1.0.0](#)

[GT&C Section 8.12, Possession of Gas, 1.0.0](#)

[GT&C Section 8.13, Warranty of Title to Gas, 1.0.0](#)

[GT&C Section 8.14, Pressures and Availability of Delivery Points, 1.0.0](#)

[GT&C Section 8.15, Excuse of Performance and Remedies, 1.0.0](#)

[GT&C Section 8.16, Notices and Communications, 1.0.0](#)

[GT&C Section 8.17, Modification, 1.0.0](#)

[GT&C Section 8.18, Waivers and Future Default, 1.0.0](#)

[GT&C Section 8.19, Applicable Regulations, 1.0.0](#)

[GT&C Section 8.20, Code Compliance, 1.0.0](#)

[GT&C Section 8.21, Web Site Access and Complaints, 1.0.0](#)

[GT&C Section 8.22, Construction of Facilities, 1.0.0](#)

[GT&C Section 8.23, Incorporation in Rate Schedules and Service Agreements, 1.0.0](#)

[GT&C Section 8.24, Operational Purchases and Sales of Gas, 1.0.0](#)

Appendix A
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Gulf Shore Energy Partners, LP
FERC NGA Gas Tariff
Gulf Shore Energy Partners, LP GAS TARIFF ORIGINAL VOLUME NO. 1
Tariff Records Effective March 13, 2013
Or the date when Gulf Shore is able to commence service, whichever is later

[GT&C Section 8.25, Successors and Assigns, 1.0.0](#)

[GT&C Section 8.26, Negotiated Rates, 1.0.0](#)

[GT&C Section 8.27, Acquired Capacity, 1.0.0](#)

[GT&C Section 8.28, ACA Charge, 1.0.0](#)

[GT&C Section 8.29, North American Industries Standards Board \(NAESB\)
Standards, 1.0.0](#)

[Section 9, Form of Service Agreement: FT and IT Agreement, 1.0.0](#)

Appendix B

Gulf Shore Energy Partners, LP
FERC NGA Gas Tariff
Gulf Shore Energy Partners, LP GAS TARIFF ORIGINAL VOLUME NO. 1
Tariff Record Rejected

[Section 5, Notice of Rates, 1.0.0](#)