FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 17, 2004

In Reply Refer To:
Gulf South Pipeline Company, LP
Docket No. RP05-76-000

Gulf South Pipeline Company, LP
20 E. Greenway Plaza, Suite 900
Houston, TX 77046

Attention: Michael E. McMahon
Senior Vice President of Rates

Reference: Exclusion of Fuel Use Charges for the Lake Charles, Louisiana Area

Dear Mr. McMahon:

1. On November 18, 2004, Gulf South Pipeline Company, LP (Gulf South) filed revised tariff sheets [1] to eliminate the fuel charge for gas transported on its high pressure pipelines in the Lake Charles, Louisiana area. The proposed change affects rate schedules Firm Transportation Service (FTS), Firm Transportation Service Summer Only (FTSSO) and Interruptible Transportation Service (ITS) in that area of its system. Gulf South requests an effective date of December 18, 2004.

2. We accept the referenced tariff sheets to become effective December 18, 2004, as requested. Acceptance of the tariff sheets benefits the public because the changes are consistent with Commission precedent and shippers will be offered additional competitive options.

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[1] Ninth Revised Sheet No. 20, Sixth Revised Sheet No. 21, Sixth Revised Sheet No. 22, and Sixth Revised Sheet No. 23 to its FERC Gas Tariff, Sixth Revised Volume No. 1.

3. Gulf South states that its existing tariff's fuel rate is 1.6 percent, including a .27 percent charge for lost and unaccounted for gas. It asserts that high natural gas commodity rates have affected its ability to serve industrial customers at competitive rates. It states that, for example, if the cost of gas is $2.00, Gulf South’s fuel rate is $.032, but when gas prices are at $5.00, Gulf South’s fuel rate is $.08. Gulf South states that when the fuel rate exceeds $.05, its minimum tariff rate is above the competitive rate for transportation service into certain industrial markets and it is unable to compete with intrastate gas pipelines. Gulf South states that the market price of transportation into the Lake Charles is approximately $.05 to $.07. It states that at $6.00 gas prices, Gulf South’s fuel rate of $.096 is above the market-clearing price. Gulf South states that although it has the capacity to transport over 200,000 Mcf/day into the Lake Charles industrial market, at these prices it is now transporting only approximately 30,000 Mcf/day into this market.

4. Gulf South further asserts that no fuel is used to facilitate the delivery of gas between specific receipt and delivery points in the Lake Charles area. Gulf South’s Lake Charles System consists of Indices (numbers assigned to its high pressure pipes) 192, 193, 194, 195, 196 and 198 and associated laterals. Gulf South states that the system is essentially locked-in with most of the gas delivered in this area also being received in the area. Gulf South states that it receives natural gas from production located on the Lake Charles System and delivers much of that gas to customers located along the same pipelines. Gulf South states that it also receives gas from Natural Gas Pipeline Company of America in the Deep Lake area. These high pressure deliveries, it asserts, enable Gulf South to maintain pressures throughout the Lake Charles System and, accordingly, Gulf South has no compression on the Lake Charles System and does not use compression from other portions of its system to maintain pressure on the Lake Charles System.

5. Gulf South asserts that, since it uses no fuel to deliver gas between any of the receipts and delivery points on its Lake Charles area pipelines, eliminating the fuel charge will not cause Gulf South to charge a rate that is below its variable costs. It states that the pipeline index numbers will be listed in Gulf South’s tariff and no customers using a receipt or delivery point on these pipelines will be assessed a fuel charge. Gulf South further asserts that there is no risk of rate cross subsidization since it does not have a fuel tracker. It states that customers will, however, be charged the system-wide .27 percent assessment for lost and unaccounted for gas.

6. Notice of Gulf South's filing in the instant proceeding was issued on November 24, 2004, allowing for protests to be filed as provided by section 154.210 of the Commission's regulations. Notices of intervention and unopposed timely filed motions to intervene and all motions to intervene out of time filed before the issuance of this order are granted pursuant to Rule 214 of the Commission's Rules of Practice and Procedure (18 CFR § 385.214 (2004)). No protests were filed.

7. Gulf South's tariff revisions appear to be consistent with Commission precedent on fuel reimbursement charges.[2] Pipelines may eliminate assessment of a fuel use charge where no fuel is used to perform transportation service. Although we make no finding here respecting the use of fuel in relation to the Lake Charles pipeline facilities of the Gulf South system, Gulf South has represented that no compressors or consumption of fuel will be used in the transportation of gas on this portion of Gulf South's system. Further, no protests have been filed to its proposal to eliminate the fuel charge for transportation service on that portion of its system. Because Gulf South does not have a fuel tracker, the matter of the proper allocation and recovery of fuel costs can be raised as an issue in Gulf South's next general rate case. Also consistent with Commission precedent, Gulf South is retaining its system-wide charge for lost and unaccounted gas for these transportation services. Accordingly, we will accept its proposed tariff sheets effective as proposed.

8. Lastly, we note that on the hardcopy transmittal letter submitted in Docket No. RP05-76-000, Gulf South has misidentified the tariff sheet pagination. The actual tariff sheets, both hardcopy and electronic, are correctly numbered and no refiling is necessary, but Gulf South should correct its records.

By direction of the Commission.

Magalie R. Salas,
Secretary.

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[2] *See, e.g.*, Reliant Energy Gas Transmission Co., 100 FERC ¶ 61,290 (2002); Mississippi River Transmission Corp., 98 FERC ¶ 61,119 (2002); and ANR Pipeline Co., 83 FERC ¶ 61,088 (1998).