

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Gulf South Pipeline Company

Docket No. RP07-149-000

ORDER ON TECHNICAL CONFERENCE

(Issued July 20, 2007)

1. On January 26, 2007, Gulf South Pipeline Company, LP (Gulf South), pursuant to section 4 of the Natural Gas Act (NGA), submitted revised tariff sheets proposing to incorporate certain gas quality specifications into its FERC Gas Tariff. On February 28, 2007, the Commission issued an order accepting and suspending Gulf South's section 4 filing and establishing a technical conference to consider the issues.¹ In this Order the Commission addresses the technical conference comments and rejects as unsupported Gulf South's proposed tariff changes.

Background

2. In its January 26, 2007, filing Gulf South proposed to revise section 2 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff regarding heavier liquefiable hydrocarbons, heating value, total inerts, and carbon dioxide. In addition, Gulf South proposed to establish a safe harbor for heavier liquefiable hydrocarbons, heating value, and carbon dioxide and proposed procedures to enable Gulf South, from time to time, to post a limit lower than the maximum tariff levels, but not below the safe harbor. Gulf South also proposed a corresponding change to permit it to issue an Operational Flow Order (OFO) to address certain types of gas quality issues.

3. Gulf South stated that its proposed tariff changes are not designed to specifically address engineering or operational problems associated with gas quality issues on either its system or the systems of its on-system customers but to provide Gulf South the ability to adjust its gas quality specifications when necessary to ensure reliable delivery of its customers' gas into other interstate pipelines. Gulf South asserted that it needs this type

¹ *Gulf South Pipeline Company*, 118 FERC ¶ 61,161 (2007) (February 28 Order).

of flexible tariff authority to maximize available gas supplies and protect Gulf South's customers from being placed at a competitive disadvantage simply because of differing gas quality specifications on other systems.² Gulf South states that although it has not experienced gas quality concerns on its system, the trend among interconnecting interstate pipelines that deliver to colder climates is to implement more strict gas quality standards. Gulf South claims that this trend could result in interconnecting pipelines refusing to accept gas delivered from the Gulf South system, and could cause supply disruptions and interfere with the seamless transportation of gas across the interstate pipeline grid.³

4. In order to address the issue of liquids dropout potentially caused by pentanes and other heavier liquefiable hydrocarbons in the gas stream, Gulf South proposed specifically to retain its current upper limit of 0.20 gallons per thousand cubic feet (GPM) but to convert it to the approximate C6+ equivalent of 0.21 mole percent, and to create a safe harbor of 0.07 mole percent. Gulf South states that the proposed safe harbor is the approximate equivalent of a 15 degree Fahrenheit cricondenthem hydrocarbon dew point (CHDP), which it contends has been proposed or adopted by a number of interstate pipelines that interconnect with Gulf South.⁴ According to Gulf South, two of its downstream interconnects have a CHDP limit of 15 degrees Fahrenheit or less, three have filed for CHDP limits of 15 degrees Fahrenheit, and one other has indicated at customer meetings that it is considering filing for such a standard.⁵

5. Gulf South also proposed to reduce its maximum Btu limit from 1175 Btu to 1,110 and create a safe harbor of 1,075 Btu, which would allow it to post a maximum Btu limit

² Gulf South's, January 26, 2007, filing (January 26 filing) at 3.

³ Gulf South lists as its interconnect pipelines ANR Pipeline Company (ANR), Texas Gas Transmission (Texas Gas), Destin Pipeline Company (Destin), Gulfstream Natural Gas System (Gulfstream), Natural Gas Pipeline Company of America (NGPL), Tennessee Gas Pipeline Company (Tennessee Gas), Southern Natural Gas (SoNat), Columbia Gulf Transmission Company (Columbia Gulf), Texas Eastern Transmission (Texas Eastern) and Transcontinental Gas Pipe Line Corporation (Transco).

⁴ *Id.* at 10-11.

⁵ *See* Chart on p. 11 of January 26 filing.

below 1,110 Btu but no lower than 1,075 Btu. Gulf South notes that it has historically delivered gas at 1035 Btu, and thus it does not anticipate Btu related delivery issues even if it has to invoke its proposed maximum Btu safe harbor.

6. Gulf South further proposed to create a carbon dioxide safe harbor of two percent; and to create a total inerts specification of four percent. With respect to the carbon dioxide proposal, Gulf South states that three pipelines with which it interconnects have, or have proposed, tariff provisions with a maximum carbon dioxide limit of two percent.⁶ As to its proposal to add a new total inerts section to its tariff, Gulf South again states that based on its historical delivery data, it does not anticipate total inerts related delivery issues. Gulf South avers that its overall proposal allows it to balance the needs of its on-system customers with its ability to satisfy the stricter requirements of its downstream interconnecting pipelines.

7. Indicated Shippers⁷ protested Gulf South's filing on the basis that it was not based on, or supported by, technical requirements or operating conditions on Gulf South's system, and requested that the Commission reject the filing.

8. On March 13, 2007, Gulf South filed a request for clarification and/or rehearing of the requirement that a technical conference be established in this proceeding, and requested that the technical conference be limited in scope. Gulf South, alternatively, sought rehearing if the Commission denied its clarification request. On March 20, 2007, the Commission issued a notice scheduling the technical conference and limiting the scope to three topics.⁸

9. On April 10, 2007, a technical conference was held to discuss technical, engineering and operational issues raised by Gulf South's filing.

10. On April 13, 2007, Gulf South filed certain potential solutions to issues raised at the conference. Gulf South agreed: (1) to remove the 1,075 Btu safe harbor and instead include language to allow it to post a Btu limit below the tariff stated maximum but no

⁶ See January 26 filing at 16 & n. 28.

⁷ For the purposes of this proceeding, the Indicated Shippers consist of BP America Production Company, BP Energy Company, Chevron U.S.A. Inc., and Shell NA LNG LLC.

⁸ See March 20, 2007 Notice of Technical Conference.

lower than that required by the downstream interconnecting pipelines' tariffs; (2) alternatively, if Gulf South's 1,075 Btu safe harbor is approved, to commit to amending its tariff in the future to remove that safe harbor if all downstream pipelines raise their maximum Btu limit to 1,110 in a Commission approved filing; and, (3) to retain its 0.2 C5+ gallons per thousand cubic feet (GPM) maximum instead of converting it to a C6+ mole percentage but keep the safe harbor (0.07 C6+ mole percent) the same.

Technical Conference Comments

11. In its initial comments, Gulf South reiterates its position that it is different than most interstate pipelines because it is located in the warm weather region of the Gulf Coast and serves primarily as a gathering type system for other interstate pipelines that serve more northern markets. Gulf South re-asserts that many of those pipelines have implemented or filed for new gas quality specifications, which Gulf South cannot meet with its current tariff provisions.

12. Gulf South offers to include language that would prohibit it from issuing an OFO to post a heating value below the safe harbor limit of 1,075 Btu. It also comments that because the carbon dioxide and total inerts specification revisions were not challenged, the Commission should accept them without modification. Further, while admitting to not having provided any technical data regarding its own system in support of the changes, Gulf South asserts that its gas quality specifications are supported by scientific evidence that the interconnecting downstream pipelines submitted in support of their gas quality standards.

13. Gulf South resists putting its monitoring points in the tariff because of the reticulated nature of its system, but offers to post monitoring information on its internet web site, which will include the gas quality specifications that can be read from currently installed online chromatographs. However, Gulf South comments that it does not intend to install new equipment capable of real time measurement of non-chromatograph specifications.⁹ Gulf South also asserts that contractual pairing is not viable on its system, and because it has not identified anywhere on its system where it could work, it is not willing to offer it at all in its tariff.

14. In its initial comments, Indicated Shippers question whether the gas supply on Gulf South should be restricted by gas quality standards on other pipelines that were

⁹ See, e.g. Gulf South's Initial Comments at 7.

established prior to the Natural Gas Council Plus (NGC+) ¹⁰ analysis, namely that of Destin Pipeline Company (Destin) and Gulfstream Natural Gas System (Gulfstream). Indicated Shippers argue that the NGC+ standards are acceptable for the Florida markets served by those pipelines. Indicated Shippers also comment that the interconnecting pipelines to which Gulf South refers all have, or have proposed, Btu limits that are consistent with the NGC+ interim guideline of 1,110 Btu. Indicated Shippers note that the Commission approved Florida Gas Transmission Company's (FGT) proposed 1,110 Btu limit for its market area in its recent order in *AES Ocean Express LLC v. Florida Gas Transmission Company*. ¹¹ Thus, Indicated Shippers claim that the Commission should not allow the pre-NGC+ Btu limits of 1,075 to control the analysis. Indicated Shippers assert that no evidence exists to support a claim that Gulf South's current commingled stream will cause any problems at the proposed Destin or Gulfstream interconnects, that Destin has a right to waive its Btu limit, and that Gulf South itself admits there are no technical or operational reasons on Gulf South's system requiring the implementation of the proposed lower Btu limit.

15. Indicated Shippers also restate their protest that Gulf South should be required to amend its tariff to include objective procedures for implementing gas quality standards, namely, monitoring points, detailed posting procedures, and procedures for processing and contractual pairing where operationally feasible.

¹⁰ The NGC is an organization made up of the following trade associations of the different sectors of the natural gas industry: the Independent Petroleum Association of America (IPAA), representing independent natural gas producers; the Natural Gas Supply Association (NGSA), representing producers and marketers of natural gas; the Interstate Natural Gas Association of America (INGAA), representing interstate pipelines; and the American Gas Association (AGA) representing natural gas utilities/local distribution companies (LDCs). In addition to representatives from the NGC, the NGC+ group, which wrote the papers, included representatives of all affected industry sectors, including appliance and turbine manufacturers, electric utilities, gas process consumers, liquid natural gas developers, municipal utilities and gas processors.

¹¹ *AES Ocean Express LLC v. Florida Gas Transmission Company*, 119 FERC ¶ 61,075, at PP 158, 163 (2007). Indicated Shippers state that in rejecting a 1,075 Btu limit and approving an 1,110 Btu limit, the Commission noted that the support for a 1,075 Btu limit appeared to be based only on the fact that FGT originally proposed (but later abandoned) a 1,075 Btu limit and the indirect relationship between Btu and the Wobbe Index.

16. Indicated Shippers further urge that the Commission reject Gulf South's April 13, 2007, proposed changes. As to the proposed replacement of the 1,075 Btu safe harbor with a safe harbor based on the maximum limit of any interconnecting downstream pipeline, Indicated Shippers claim the proposal still ignores that NGC+ interim guidelines and the Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs (*Policy Statement*)¹² and would implement a "lowest common denominator" standard. Indicated Shippers also state that Gulf South should retain the C6+ specifications, which are consistent with the *White Paper on Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* (Hydrocarbon Dew Point (HDP) White Paper). ExxonMobil Gas & Power Marketing Company (ExxonMobil) agrees.

17. In its initial comments, ExxonMobil also requests that the Commission reject Gulf South's proposed gas quality standards because they do not comply with the *Policy Statement* and unnecessarily restrict access to additional gas supplies without any commensurate system benefits. ExxonMobil states that the *Policy Statement* strongly encourages the "use of the NGC+ interim guidelines as a common scientific reference point for resolving gas quality issues."¹³ ExxonMobil also states that the *Policy Statement* requires that "gas quality and interchangeability [specifications] be based upon sound technical, engineering and scientific considerations."¹⁴

18. ExxonMobil submits that Gulf South's own filing states that the existing gas quality specifications of its tariff enable safe and reliable delivery of natural gas on its system without engineering or operational difficulties related to gas quality.¹⁵ Thus, ExxonMobil asserts that Gulf South has no sound technical, engineering, or scientific reason for its proposed stricter gas quality provisions. Further, ExxonMobil states that Gulf South's operational data demonstrated that its existing supplies may not meet the

¹² *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Tariffs*, 115 FERC ¶ 61,325 (2006)(*Policy Statement*).

¹³ *Policy Statement* at P 32.

¹⁴ *Id.* at P 31.

¹⁵ See Gulf South's January 26, 2007, filing at 4.

proposed safe harbor Gulf South seeks to implement.¹⁶ Thus, ExxonMobil argues that Gulf South's proposed C6+ safe harbor would limit the availability of even its current gas supplies, let alone future supplies.

19. ExxonMobil asserts that Gulf South's rationale for changing its gas quality specifications is speculative and unsupported. ExxonMobil argues that Gulf South speculates that downstream interconnecting pipelines might reject its gas. ExxonMobil points out that the downstream pipelines that interconnect with Gulf South and handle the vast majority of volumes leaving Gulf South's system either have broader gas quality standards than Gulf South has proposed,¹⁷ or have gas quality proposals pending before the Commission. ExxonMobil believes that in these proceedings where downstream interconnecting pipelines have proposals pending, the Commission will likely continue to follow its *Policy Statement*¹⁸ and adopt proposals that use the NGC+ interim guidelines to resolve gas quality and interchangeability issues. ExxonMobil states that in previous orders, the Commission accepted gas quality provisions that are recommended in the NGC+ interim guidelines and that use the guidelines as a scientific reference point.¹⁹ Thus, ExxonMobil believes that there is no reason for the Commission to deviate from these established precedents in other pipeline gas quality proceedings.

20. In its initial comments, The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery NY; KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery LI; and Boston Gas Company, Colonial Gas Company, EnergyNorth Natural Gas, Inc., and Essex Gas Company (KeySpan Energy Delivery NE), all subsidiaries of Key Span Corporation (collectively KeySpan) supports Gulf South's approach to developing gas quality specifications, including Gulf South's proposal "to modify its tariff to have the authority, when necessary, to impose more stringent gas quality specifications that may be required to ensure that its customers will be able to continue to deliver gas into interconnecting interstate pipelines, even when such standards may not be necessary for the safe

¹⁶ See Gulf South's April 13, 2007, Presentation at 25 (showing that the historical system averages at various delivery points all exceed the 0.07 mole percent safe harbor Gulf South proposed).

¹⁷ See ExxonMobil's Initial Comments at n. 18 comparing Gulf South's proposed gas quality standards showed in the April 13, 2007, Presentation at 6 with examples of broader gas quality tariff provisions of downstream pipelines that interconnect with Gulf South.

¹⁸ *Policy Statement* at PP 32-33.

¹⁹ See ExxonMobil's Initial Comments at p.9.

operation of the Gulf South system.”²⁰ KeySpan also agrees with Gulf South that this approach is consistent with and satisfies the principles set forth in the *Policy Statement*²¹ and the Commission precedent established in *ANR Pipeline Company*.²² Specifically, Gulf South’s proposed tariff modifications “reflect Gulf South’s pipeline configuration, geographic location, and access to and location of processing facilities [cite omitted] as well as maintain Gulf South’s ability to continue to make deliveries to downstream pipelines.”²³ KeySpan further supports Gulf South’s proposed hydrocarbon liquids safe harbor provision because it, too, is specifically designed to ensure that gas from the Gulf South system is accepted by interconnecting pipelines and reliably delivered to downstream customers such as KeySpan.²⁴

21. In its initial comments, Lafayette Utilities System (Lafayette) states that it supports Gulf South’s proposed gas quality standards because they ensure adequate gas supplies and the safe and reliable operation of Lafayette’s generating facilities. However, Lafayette expresses concerns about the limited amount of useful data for gas flowing on the Gulf South system.

22. In its initial comments, United Municipal Distributors Group (UMDG)²⁵ reiterates its February 7, 2007, comments that it generally supports Gulf South’s revised gas quality tariff provisions, specifically Gulf South’s proposed safe harbor limit on heavy

²⁰ Gulf South’s January 26, 2007, filing at 2.

²¹ *Policy Statement*.

²² Gulf South’s January 26, 2007, filing at 6, *citing ANR Pipeline Company*, 116 FERC ¶ 61,002 at PP 2, 56-62 (2006) (the “Commission finds that ANR’s HDP safe harbor may reasonably take into consideration ANR’s ability to make deliveries to downstream interconnects”), *order on reh’g*, 117 FERC ¶ 61,286, at PP 20-24 (2006).

²³ Gulf South’s January 26, 2007, filing at 6, *citing the Policy Statement* at P 35.

²⁴ *See* KeySpan’s Initial Comments at 4, *citing* Gulf South’s April 13, 2007, Presentation at 3, 13-14.

²⁵ UMDG consists of the following municipal-distributor customers of Gulf South: Utilities Board of the City of Atmore, Alabama; City of Brewton, Alabama; Town of Century, Florida; Utilities Board of the Town of Citronelle, Alabama; City of Fairhope, Alabama; Utilities Board of the City of Foley, Alabama; North Baldwin Utilities, Alabama; Okaloosa Gas District, Florida; City of Pensacola, Florida; and South Alabama Gas District, Alabama.

hydrocarbons (C6+) and the related tariff authority allowing Gulf South to impose, pursuant to an OFO, stricter limitations when necessary to protect the operational integrity of Gulf South's system and its on-system distributors from liquids drop-out problems. However, UMDG also reiterates its comments that two inconsistencies in proposed section 2.2 of the GT&C warrant further attention and revision.²⁶

23. In addition, UMDG reiterates that Gulf South should clarify that it will also endeavor when applying its revised gas quality standards to maximize gas supply available to on-system customers when doing so will not compromise its ability to serve those customers. UMDG asserts that to the extent practicable, Gulf South should not sacrifice the on-system customers' access to gas supplies in its pursuit of consistency with the gas quality provisions of downstream pipelines.

24. In its reply comments, Gulf South reiterates that its proposal is meant to balance the needs of its on-system customers with the requirements of downstream interconnecting guidelines, and that it is committed to managing gas quality so that it will not adversely affect any certain class of customers. It emphasizes its economic incentive to maximize throughput in accordance with Commission policy and honor its transportation contracts.

25. In response to Indicated Shippers, Gulf South states that it will measure both the hydrocarbon maximum limit and safe harbor by a C6+ mole percentage. Also, in response to ExxonMobil, Gulf South asserts that its proposal is not at odds with the *Policy Statement*, because the *Policy Statement* contemplates taking each pipeline's particular circumstances into account when establishing gas quality specifications, and Gulf South has adequately described its distinctive features in its filings. Gulf South repeats that while it filed no technical data for its own system, its proposal is supported by the technical data of the downstream interconnects.

26. With regard to its post technical conference solutions filed in its April 13, 2007, transmittal letter and technical conference presentation, Gulf South asserts that despite their rejection by Indicated Shippers and ExxonMobil, those proposals are reasonable and necessary to ensure that Gulf South can make its deliveries into the Florida market. Gulf

²⁶ Gulf South notes that it is willing accept UMDG's suggested changes to the proposed tariff language. Namely, revisions to section 2.2(a)(ii) to indicate that Gulf South "will" post more restrictive specifications when the conditions precedent have been established and section 2.2(a)(ii) and 2.2(b) to clarify that the prohibition on posting specifications lower than the applicable Safe Harbors is subject to the Operational Flow Order exception pursuant to section 2.2(d).

South argues that despite the fact that Gulfstream's and Destin's 1,075 Btu limits may be pre-NGC+, they are the current tariff standards and are enforceable by the pipelines. Gulf South states that the fact the Commission approved an 1,110 Btu standard for FGT is irrelevant. Gulf South rejects Indicated Shippers' and ExxonMobil's claims that the 1,075 Btu limit will become the systems' default standard, stating that it has already committed that it will only impose limits when necessary to meet downstream restrictions and that its system wide Btu average is 1,035 Btu. Even if it has to implement a 1,075 limit, it will only do so on that part of the system necessary to meet the interconnecting standard.

27. Gulf South comments that Indicated Shippers' request for contractual pairing and proof of processing is fatally flawed because it would require the introduction of incremental gas supplies, which is impractical given the lack of available capacity for incremental supply in key locations. Gulf South also asserts that Lafayette's request that the pipeline post monitoring point data on a real-time basis is impractical because by the time the information is generated and posted the gas will have already flowed. In any event, Lafayette's delivery point chromatograph data is more indicative of what is actually flowing on its system and that data is produced at less than fifteen minute intervals. Gulf South also states that its proposals for monitoring points and implementation procedures are reasonable and provide the needed flexibility to efficiently manage its system in a non-discriminatory manner.

28. ExxonMobil filed its reply comments one day out-of-time due to an administrative oversight resulting in a "Notice of Rejection" by the FERC Electronic Filing Program.

29. Indicated Shippers' reply comments essentially mimic their initial comments. Indicated Shippers claim that there is no technical or scientific support for Gulf South's 1,075 Btu proposal, and that to adopt such a proposal would adopt a lowest common denominator standard which would prevent natural gas supplies, especially liquefied natural gas (LNG), from reaching the grid. Indicated Shippers re-assert the position that monitoring points should be listed in the tariff. If the Commission decides that Gulf South may post the monitoring points on its web site, then procedures for changing monitoring points and details about what data will be posted should be specified in the tariff. Indicated Shippers also agree with Lafayette that Gulf South should provide actual gas quality component data for the monitoring points as close to real time as possible. Indicated Shippers would also require Gulf South to include the gas quality tariff procedure proposed in its initial comments in order to avoid unnecessary gas quality limits. In addition, Indicated Shippers reiterate that Gulf South should be required to substantiate its claim that contractual pairing is not operationally feasible at any points on its system. Also, Indicated Shippers state that because Gulf South has not demonstrated,

thus far, that contractual pairing or processing is not viable at any point on its system, Gulf South should be required to allow contractual pairing or processing upon a shipper's request when such options are feasible, as reasonably determined by Gulf South.

The Policy Statement on Natural Gas Quality and Interchangeability

30. On June 15, 2006, the Commission issued the *Policy Statement*. Gas quality, as discussed in the *Policy Statement*, is concerned with the impact of non-methane hydrocarbons on the safe and efficient operation of pipelines, distribution facilities, and end-user equipment. As used by the gas industry historically, "interchangeability" means the extent to which a substitute gas can safely and efficiently replace gas normally used by an end-use customer in a combustion application.

31. The Commission's policy embodies five principles: (1) only natural gas quality and interchangeability specifications contained in a Commission-approved gas tariff can be enforced; (2) pipeline tariff provisions on gas quality and interchangeability need to be flexible to allow pipelines to balance safety and reliability concerns with the importance of maximizing supply, as well as recognizing the evolving nature of the science underlying gas quality and interchangeability specifications; (3) pipelines and their customers should develop gas quality and interchangeability specifications based on technical requirements; (4) in negotiating technically based solutions, pipelines and their customers are strongly encouraged to use the NGC+ interim guidelines on gas quality and interchangeability filed with the Commission in two reports on February 28, 2005,²⁷ as a common scientific reference point for resolving the issues;²⁸ and, (5) to the extent pipelines and their customers cannot resolve disputes over gas quality and interchangeability, those disputes can be brought before the Commission to be resolved on a case-by-case basis, on a record of fact and technical review.

Commission Determination

32. A pipeline has the burden under NGA section 4 to show that its proposed tariff changes are just and reasonable. For the reasons discussed below, the Commission finds that Gulf South has failed to present sufficient evidence demonstrating that its proposal is

²⁷ HDP White Paper and *White Paper on Natural Gas Interchangeability and Non-Combustion End Use* (Interchangeability White Paper).

²⁸ The interim guidelines for Interchangeability list the maximum heating value limit as 1,110 Btu/scf.

just and reasonable. Therefore, the Commission rejects Gulf South's proposal to change its gas quality provisions in its tariff, without prejudice to its filing a new proposal with adequate technical, engineering and operational data to support its claim that without revision, its current tariff provisions will hinder its ability to make deliveries to downstream interconnects.

33. Gulf South states that its proposed gas quality provisions are not necessary for its own safe operation. Rather, the proposed standards are designed solely to provide Gulf South the ability to adjust its gas quality specifications when necessary to ensure reliable delivery of its customers' gas into other interstate pipelines. The Commission supports the goal of a seamless interstate grid and recognizes that, when necessary, upstream pipelines should have the tariff flexibility to allow it to meet the gas quality standards of downstream pipelines. The Commission finds in this case, however, that Gulf South has failed to provide record evidence to demonstrate that gas on its system has been, or would be, rejected by its downstream interconnecting pipelines.

34. Gulf South has not shown that its proposal for authority to post maximum Btu limits down to 1,075 Btu is necessary to ensure that it can make deliveries to downstream pipelines. In particular, according to the evidence provided by Gulf South in its April 13, 2007, transmittal letter and technical conference presentation,²⁹ only two of its interconnects with downstream pipelines would potentially require a Btu level as low as 1,075 (Destin and Gulfstream).³⁰ However, Gulf South has not presented any evidence showing that its Btu content for gas at its Destin and Gulfstream delivery points has ever exceeded Destin's or Gulfstream's 1,075 Btu limits or that those two pipelines have ever refused to accept gas from Gulf South. Gulf South's interconnects with Destin and Gulfstream are located on the far east end, near the terminus, of Gulf South's pipeline system. The reticulated nature of Gulf South's pipeline system has numerous receipt and delivery points which allow for inherent blending of the gas stream. Gulf South has presented no evidence that its system gas flows will change and thus create a need for the proposed gas quality specifications to ensure delivery to Destin and/or Gulfstream.

35. In addition, Gulf South's historical Btu deliveries to its interconnects for the past two years range between a maximum of 1,092 Btu and a minimum of 1,007 Btu with an

²⁹ See Gulf South's April 13, 2007, Presentation at 15.

³⁰ Gulf South also states that Columbia Gulf has a posted Btu limit of 1,050. It does not explain, however, how the proposed 1,075 safe harbor would facilitate deliveries to Columbia Gulf.

average Btu of 1,035.³¹ Importantly, the maximum Btu level of 1,092 is experienced at Gulf South's interconnect with Trunkline Gas Company, LLC at Olla in a separate gas pooling zone, as defined by Gulf South. Based on this evidence, it appears that Gulf South would not have difficulty meeting a 1,075 Btu limit on a downstream interconnect, nor has Gulf South provided any specific information identifying changes to the operations of its system including new supply sources and changes in flow pattern which would require the proposed changes to its tariff.

36. Gulf South has also failed to support its proposed safe harbor of 0.07 C6+ mole percent, equivalent to a 15 degrees Fahrenheit CHDP safe harbor. Gulf South's evidence in support of that standard consists of a chart showing historical average C6+ deliveries, which range from 0.083 mole percent to 0.13 mole percent with an overall average of 0.11 C6+ mole percent,³² and charts illustrating downstream interconnecting pipelines with potentially stricter CHDP standards than Gulf South's current GPM standard.³³ The data on the historical delivery table lists only six of the twelve interconnects with downstream pipelines enumerated in the January 26 filing. According to Gulf South's information, two of the six listed pipelines, Florida Gas and Texas Eastern, have no C6+ or CHDP equivalent standard. Moreover, with regard to Texas Gas and Transco, the data indicates that Gulf South is currently making deliveries to those pipelines despite the fact that the C6+ levels of Gulf South's gas do not meet the current or proposed standards for those pipelines. Gulf South has submitted no additional data or narrative to explain how or why the current composition of its gas would change such that it could no longer make deliveries to those pipelines as it has historically. Moreover, Gulf South did not provide any underlying detail to support the aggregated data contained in the historical delivery chart. Accordingly, without further detailed information, the Commission cannot conclude that the proposed safe harbor of 0.07 C6+ mole percent is just and reasonable.

37. The Commission also finds that Gulf South has failed to provide sufficient evidence to support its proposed carbon dioxide and total inerts provisions. Although those provisions were not challenged, Gulf South has not supported their justness and reasonableness. Gulf South proposes to maintain its current maximum carbon dioxide level of three percent with a two percent safe harbor. Gulf South's evidence in support of its proposed carbon dioxide provision, however, consists only of historical delivery data showing an average carbon dioxide content of one and one-half percent and data relating

³¹ See Gulf South's April 13, 2007, Presentation at 17.

³² See Gulf South's April 13, 2007, Presentation at 25.

³³ See *Id.* at 24 and 28; see also, *January 26 filing at 11.*

to downstream interstate pipelines. Based on that evidence, the Commission cannot conclude that a lower limit of two percent is a just and reasonable carbon dioxide standard. Gulf South's support for its total inerts proposal of a maximum of four percent by volume is historical delivery data showing an average total inerts content of approximately two percent. Again, that data does not support the establishment of a total inerts standard of not more than four percent by volume.

38. Accordingly, the Commission finds that Gulf South has provided insufficient data to support its proposed gas quality standards. Moreover, it has submitted no data to demonstrate that the quality of its gas will change in the near future to warrant the requested change to its gas quality standards, especially for a safe harbor Btu level below that recommended in the Interchangeability White Paper. Further, Gulf South has made no showing that it has been rejected by any of the downstream pipelines for either CHDP or Btu content.

39. The Commission also rejects Gulf South's argument that its gas quality specifications are supported by scientific evidence that the interconnecting downstream pipelines submitted in support of their gas quality standards. To the extent the Commission approved gas quality standards for downstream pipelines, those determinations were based on findings that the relevant standards were just and reasonable for those specific pipelines, and have no applicability to Gulf South's system. The issue here is not whether the downstream interconnecting pipeline's standards are just and reasonable but whether Gulf South has demonstrated that its proposed tariff changes are necessary for Gulf South to make deliveries to those interconnects. As explained above, it has not.

40. Because the Commission is rejecting Gulf South's proposed tariff changes, it need not at this time address the comments on further procedures regarding the imposition of gas quality standards raised in this proceeding.

41. The Commission continues to recognize that in furtherance of its goal to encourage development of a seamless interstate pipeline grid, pipelines should have the tariff flexibility to ensure deliveries to interconnecting pipelines, particularly when the Commission has approved downstream entities' gas quality standards as just and reasonable.³⁴ In this instance, however, Gulf South has failed to justify the necessity of

³⁴ The Commission notes that contrary to Indicated Shippers' argument, this is not a case of the "lowest common denominator" of a downstream entity dictating the upstream standards. Here, the consideration is not deliveries to one LDC or to individual farm taps but to at least ten interstate pipelines that are critical to the interstate pipeline grid.

its proposed gas quality provisions. Its proposal is based in part on pending standards for downstream interconnects and speculation. Moreover, Gulf South's own data illustrates that the strict standards it seeks are not necessary for Gulf South's stated goal.

42. We emphasize that we find only that Gulf South has not provided sufficient evidence in its pleadings in this case to support its proposal. We make no findings on the merits of whether Gulf South's proposed gas quality provisions could be justified by additional evidence, and we reject the proposal without prejudice to Gulf South re-filing a properly supported proposal.

The Commission orders:

(A) Gulf South's proposed gas quality provisions are hereby rejected as discussed in the body of this order.

(B) Gulf South's request for rehearing is denied as moot.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.