

122 FERC 61,240  
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.

Southern Natural Gas Company

Docket Nos. RP04-42-000  
RP04-42-002

ORDER FOLLOWING TECHNICAL CONFERENCE

(Issued March 20, 2008)

1. On August 15, 2007, Southern Natural Gas Company (Southern) filed revised tariff sheets pursuant to the Commission's order of September 27, 2006 (September 2006 Order),<sup>1</sup> which directed Southern to submit revised tariff sheets addressing the requirements and concerns of the Commission's policy statement on gas quality and interchangeability.<sup>2</sup> The September 2006 Order allowed parties to file comments on Southern's filing and directed the holding of a technical conference if necessary.<sup>3</sup> The technical conference was held on October 15, 2007, and comments and reply comments were filed. In this Order the Commission addresses the technical conference comments and rejects as unsupported Southern's proposed tariff changes. As a result, Southern's existing current tariff provisions on gas quality will continue in effect, as more fully explained below.

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<sup>1</sup> *Southern Natural Gas Co.*, 116 FERC ¶ 61,295 (2006), *reh'g denied*, 119 FERC ¶ 61,003 (2007).

<sup>2</sup> *Policy Statement on Provisions Governing Natural Gas Quality and Interchangeability in Interstate Natural Gas Pipeline Company Tariffs*, 115 FERC ¶ 61,325 (2006). (Gas Quality Policy Statement)

<sup>3</sup> The time for the update filing was extended while rehearing was pending, and to permit interested parties to pursue settlement discussions. When settlement could not be achieved, Southern made the August 15, 2007 filing. This filing was docketed as Docket No. RP04-42-002.

## **Background**

2. In late 2000 there was an increase in the hydrocarbon dewpoint (HDP) levels on Southern's system, resulting in an increase in the liquids in the gas stream. The HDP varies depending on the temperatures, the pressures and the composition of the gas stream. As pressure rises, the temperature necessary to maintain the gaseous state rises. However, once the pressure goes above a certain level, the temperature necessary to maintain the gaseous state starts to fall. The highest temperature on this curve is known as the cricondentherm hydrocarbon dewpoint (CHDP) of the gas stream in question.<sup>4</sup> The heaviest hydrocarbon drops out first, followed by the others in the order of their weight. Liquids in the gas stream can cause operational and safety problems. The Commission considers hydrocarbon dropout to be an issue of gas quality.<sup>5</sup>

3. Historically, producers have processed natural gas and removed the hydrocarbons heavier than methane. They were able to sell the extracted liquid hydrocarbons for a greater profit than that received for natural gas. The HDP issue arose because the price of natural gas increased in 2000 and 2001 to the point where it was more profitable to leave the heavier hydrocarbons in the gas stream to be sold as natural gas than to process the gas, extract the heavier hydrocarbons, and sell them as liquids.

4. There are three processing plants in Toca, Louisiana that process gas entering Southern's interstate pipeline system. In December 2000 the operators of these plants notified Southern that they intended to shut down the processing plants by the end of the month. Since liquids in the gas stream can cause operational and safety problems, Southern issued notices of possible steps it might take to address this matter, which included the possible shut-in of production that did not meet Southern's tariff provisions regarding gas quality.

5. Thereupon the Toca Producers<sup>6</sup> whose production flows through the Toca plants, filed a petition in Docket No. RP01-208-000, requesting that the Commission issue an

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<sup>4</sup> For a fuller explanation, see *ANR Pipeline Co.*, 116 FERC ¶ 61,002, at P 3-6 (2006).

<sup>5</sup> This order uses the term "gas quality" to mean the impact of non-methane hydrocarbons on the safe and efficient operation of pipelines, distribution facilities, and end-user equipment, the meaning adopted in the Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 5.

<sup>6</sup> The Toca Producers comprised of Amoco Production Company, BP Exploration & Oil Company, Chevron U.S.A. Inc., ExxonMobil Gas Marketing Company, and Shell Offshore, Inc. In subsequent proceedings these companies filed as the Indicated Shippers. See *infra* note 18.

immediate temporary restraining order to prevent Southern from shutting in natural gas supply upstream of the Toca processing plants. Southern did not shut in any gas, and the parties entered into negotiations to resolve the dispute. When negotiations failed to resolve the underlying dispute the Commission directed the parties to identify what issues remained outstanding.<sup>7</sup> In response, in Docket No. RP03-484-000, the Toca Producers filed a complaint against Southern requesting an evidentiary hearing in order to establish, among other things, just and reasonable natural gas HDP quality specifications in Southern's tariff. On September 16, 2003, the Commission issued an order in *The Toca Producers v. Southern Natural Gas Company* (Toca Order).<sup>8</sup> The Toca Order dismissed the complaint, and dismissed the pending proceeding in Docket No. RP01-208-000, subject to the condition that Southern would make the filing that it had offered to make to modify its tariff to include an aggregation methodology substantially as agreed to by the parties, and including the flexible hydrocarbon dewpoint standard adopted in another Commission proceeding. Accordingly, Southern made the October 31, 2003 filing in Docket No. RP04-42-000.

### **Southern's October 2003 Filing and the 2004 Technical Conference**

6. The October 2003 filing addressed issues related to gas quality specifications for gas received into and certain deliveries from Southern's pipeline system. The Commission accepted and suspended the filing subject to the outcome of a technical conference directed by that order which was held on January 21, 2004.<sup>9</sup>

7. Southern's filing included revised tariff sheets specifically proposing to revise Southern's tariff to replace the existing 0.3 gallons per Mcf of isopentane and heavier (C5+) hydrocarbons quality standard with a new flexible HDP quality standard. That standard included an aggregation methodology that Southern stated would permit the blending of various supplies of gas before applying the HDP standard. Southern proposed to establish monitoring points on the mainline portions of its system placed downstream of the major supply receipt areas. Southern would post a gas quality HDP limitation on SoNat Premier whenever monitoring point readings indicated that liquefiable hydrocarbons were likely to condense out of the gas stream, or if the liquefiable hydrocarbon content of the gas was likely to change and cause condensation. The posted HDP specification would be based on the quantity of gallons per Mcf of hexanes and heavier (C6+) hydrocarbons in, or projected to be in, the gas stream at the

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<sup>7</sup> *Amoco Production Co.*, 103 FERC ¶ 61,175 (2003).

<sup>8</sup> 104 FERC ¶ 61,300 (2003), *reh'g denied*, 106 FERC ¶ 61,158 (2004), *aff'd sub nom. The Toca Producers v. FERC*, 411 F.3d 262 (D.C. Cir. 2005).

<sup>9</sup> *Southern Natural Gas Co.*, 105 FERC ¶ 61,254 (2003) (Suspension Order).

monitoring point that Southern calculated needed to be removed in order to ensure that liquefiable hydrocarbons do not condense out of the gas stream. Southern would transport all gas at individual receipt points meeting the posted HDP specification and at all receipt points within an aggregation group that met the posted HDP specification.<sup>10</sup>

8. Southern, Toca Producers, Alabama Gas Corporation (Alagasco), the Municipals,<sup>11</sup> South Carolina Pipe Line Corporation (SCANA), Southern Company Services (SCS), and Superior Natural Gas Corporation (Superior) and Walter Oil & Gas Corporation (Walter), filed initial comments to the technical conference. All parties also filed reply comments. With its initial comments Southern also filed *pro forma* tariff sheets which incorporated certain changes to the previously filed tariff sheets that Southern stated it was willing to adopt from the list of items provided by the Toca Producers at the end of the technical conference.

9. The Toca Producers, Superior and Walter asserted that an HDP gas quality standard should include a “safe harbor” HDP specification stated in the tariff, as the Commission has required in other cases. A safe harbor provision guarantees that gas with HDP at or below safe harbor level will be accepted onto the system. These parties argued, among other things, that an evidentiary hearing should be established to determine what the level of the safe harbor HDP should be.

10. Alagasco, Municipals, SCANA, and SCS argued that the Commission had already addressed the matter in the Toca Order and that Southern should not be required to establish a safe harbor standard. They asserted that the Commission had reiterated that Southern’s tariff does not conflict with the Commission’s regulations and that the Toca Producers failed to show that Southern’s existing tariff was no longer just and reasonable, and therefore, there was no reason to revisit the issue.

11. Southern asserted that the Commission had already addressed the safe harbor issue in the Toca Order, which states that the arbitrary imposition of a safe harbor HDP would imperil the efficient and safe operation of Southern and its customers and that there is no need for an evidentiary hearing to determine a safe harbor HDP value. Southern contended that the Toca Order constituted the Commission’s determination with respect to a safe harbor HDP requirement for the Southern system.

12. The Commission did not take any action on the technical conference until the Commission issued the September 2006 Order, following the issuance of the Gas Quality

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<sup>10</sup> See *id.* P 4-10 (providing additional details of Southern’s proposal).

<sup>11</sup> The Municipals are comprised of the Alabama Municipal Distributors Group, the Austell Gas System, the Municipal Gas Authority of Georgia, and The Southeast Alabama Gas District.

Policy Statement on June 15, 2006. The revised tariff sheets filed October 31, 2003, went into effect on May 1, 2004, at the end of the five-month suspension period, pending further Commission action. Thus, except for two modifications implemented in the settlement of Southern's general rate case in Docket No. RP04-523-000,<sup>12</sup> the HDP gas quality specification Southern filed October 31, 2003 has been the operative tariff provision with respect to the control of the level of liquefiable hydrocarbons in the gas supplies tendered to Southern for transportation since May 1, 2004.

13. In its request for rehearing of the September 2006 Order, Southern described certain events relevant to the instant proceeding. Southern stated that in 2004, shortly after the new HDP gas quality specification in the October 31, 2003 filing went into effect, Southern faced the need to implement an HDP Limitation Notice when the larger of the two processing plants at Toca had to be taken out of service for mandatory maintenance. Southern advised customers it intended to put the new procedure into effect. But one customer, Pogo Producing Company (Pogo) filed an Application for Emergency Allocation of Offshore Pipeline Receipt Point Capacity under Section 5(e) of the Outer Continental Shelf Lands Act in Docket No. RP04-409-000, seeking to have the Commission order Southern not to shut-in completely the receipt of gas supplies at certain offshore pipeline interconnections. However, after the vast majority of shippers voluntarily cooperated to ensure that Southern's aggregation methodology worked as intended, Pogo advised the Commission that its request for emergency relief was moot, and the Commission dismissed Pogo's request for emergency relief.<sup>13</sup>

14. Shortly before staff conducted the January 2004 technical conference the Commission commenced its industry-wide consideration of the gas quality issue of hydrocarbon liquids dropout and gas interchangeability in Docket No. PL04-3-000. Accordingly, this matter was held in abeyance pending industry-wide efforts to address the issue of hydrocarbon liquids dropout. In June 2006, in Docket No. PL04-3-000, the Commission issued the Gas Quality Policy Statement. That policy statement referred to a

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<sup>12</sup> By unpublished order dated July 13, 2005, the Commission approved a Stipulation and Agreement resolving Southern's general rate case in Docket Nos. RP04-523-000 and RP04-523-001. The April 23, 2005 Stipulation and Agreement adopted several changes to the General Terms and Conditions contained in Southern's Tariff, including two changes to the HDP gas quality specification that were requested by the Toca Producers, accepted by all parties, and implemented as part of the rate case settlement. The HDP gas quality specification was modified to provide that all the Receipt Points upstream of the Toca Plant would constitute a single Aggregation Group, a change the Toca Producers advocated in this proceeding, and to provide a "proof of processing" exemption to the aggregation methodology.

<sup>13</sup> *Pogo Production Co.*, 109 FERC ¶ 61,026 (2004).

report on gas quality entitled, *Liquid Hydrocarbon Drop Out in Natural Gas Infrastructure* (HDP Report).<sup>14</sup>

15. The HDP Report recommended adopting interim gas quality standards for the control of liquid dropout that translate historic experience into terms of measurement using either CHDP or C6+ GPM methodologies. The phrase “C6+ GPM” represents hexanes and hydrocarbons with more than six carbon atoms, as measured in gallons per thousand cubic feet of natural gas. Southern’s October 31, 2003 filing uses the C6+ GPM method of measurement.

### **Southern’s August 15, 2007 Filing**

16. The September 2006 Order directed Southern to support or modify the HDP gas quality specification set out in new section 3.1(g) of the GT&C in its tariff in the October 31, 2003 filing in accordance with the relevant procedures and guidelines set forth in the Gas Quality Policy Statement.

17. In its submittal, Southern stated that it still remained willing to make the modification to the *pro forma* tariff sheets that it had previously included with its initial comments to the January 2004 technical conference, and Southern included them in the *pro forma* tariff sheets filed here.<sup>15</sup> In addition, Southern stated that it has determined that a modified safe harbor provision could be added to its HDP gas quality specification. Accordingly, the *pro forma* tariff sheets in Exhibit C to the filing contained a new provision that establishes a floor of 15 degrees Fahrenheit to the HDP Specification that may be set in an HDP Limitation.<sup>16</sup>

18. However, Southern further stated that because Southern had practically no experience operating its system with a gas stream having an HDP temperature as high as 15 degrees Fahrenheit, especially over an extended period, it would not adopt a safe harbor at that level without some means of setting a lower HDP level if necessary. Accordingly, the *pro forma* tariff sheets also contain a new Operational Flow Order (OFO) provision that will permit Southern to set an HDP Specification below 15 degrees Fahrenheit in order to stop the condensation of hydrocarbon liquids that Southern

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<sup>14</sup> The NGC+ group which wrote the paper, included many industry volunteers from the member companies of the various trade associations as well as other industry participants interested in these issues.

<sup>15</sup> Southern set forth ten specific changes at pages 6-7 of the transmittal.

<sup>16</sup> The process employed in selecting that temperature for the safe harbor was explained in the accompanying affidavit of Mr. Poellnitz, Exhibit A to filing.

reasonably determines constitute a critical threat to the physical or operational integrity of the facilities where the condensation is occurring.

### **Initial Comments to the October 15, 2007 Technical Conference**

19. Southern, Southern Customers,<sup>17</sup> South Carolina Electric & Gas Company (SCE&G), Alagasco, Indicated Shippers,<sup>18</sup> and the South Carolina Office of Regulatory Staff (ORS) filed initial comments to the technical conference. Southern, Southern Customers, Carolina Gas Transmission Corporation (CGTC), Alagasco, Indicated Shippers, and SCE&G filed reply comments.

20. None of the comments support fully Southern's safe harbor proposal. Southern Customers, ORS, SCE&G, and Alagasco, urge the Commission to reject the safe harbor proposal and that the existing tariff provision should be retained. Indicated Shippers contend that a safe harbor provision is needed for supply assurance, but that the 15 degrees standard is too low and not supported by Southern.

21. Southern Customers contend that Southern's existing tariff provisions concerning heavy hydrocarbon fallout are reasonable. They assert that the proposal to add a safe harbor and to rely on an OFO is not necessary and inappropriately and unreasonably places in peril the systems of Southern and downstream customers and shippers, and the Commission must consider the effect on downstream customer facilities. All these factors, they urge, compel rejection of Southern's proposed safe harbor.

22. Southern Customers argue that the proposed safe harbor would contravene the Gas Quality Policy Statement and Commission precedents because there is no sound technical basis for Southern's specific proposed safe harbor. Southern Customers claim that Southern admits that the proposed safe harbor is not as low as may be needed to control liquid dropout in some circumstances and that Southern lacks data to determine what safe harbor should be regarded as the outer limit. Thus, they contend that the safe harbor should be much more stringent than Southern's proposed 15 degree HDP.

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<sup>17</sup> The Southern Customers are comprised of the Alabama Gas Corporation, Alabama Municipal Distributors Group and its member gas distribution systems, Atlanta Gas Light Company and Chattanooga Gas Company, Austell Gas System, Carolina Gas Transmission Corporation, Municipal Gas Authority of Georgia, The Southeast Alabama Gas District, South Carolina Electric & Gas Company, Southern Cities, and Southern Company Services Inc.

<sup>18</sup> The Indicated Shippers are comprised of BP America Production Company, BP Energy Company, ExxonMobil Gas & Power Marketing Company, a division of Exxon Mobil Corporation, Chevron U.S.A. Inc., Shell Offshore Inc. and Shell Oil Company.

23. ORS expresses its belief that tariff changes may jeopardize the quality of gas delivered to South Carolina customers and that ultimately the resulting safety and rate impacts will improperly be borne by South Carolinians. ORS argues that the public interest requires that such tariff changes be rejected. ORS asserts that Southern has not provided any evidence that the quality of the gas stream will be maintained if the proposed tariff changes are implemented.

24. SCE&G opposes the proposal because liquid dropout is foreseeable under the proposed 15 degree HDP safe harbor since natural gas prices peak during cold periods in the winter months and the level of gas processing is most likely to be reduced during the times when SCE&G's system conditions make it most vulnerable to liquid dropout. Therefore, the currently-effective blending tariff, without the proposed safe harbor, is necessary to prevent liquid dropout.

25. Alagasco's position is the existing tariff should be retained and that producers and shippers have not demonstrated any need for a safe harbor or that the 15 degree safe harbor is appropriate. Alagasco argues that Southern demonstrates that the existing tariff is consistent with the provisions of the Gas Quality Policy Statement, no party has filed a complaint relating to Southern's existing tariff, no party has shown the existing tariff to not to be just and reasonable, and no party has demonstrated or cited an instance of discrimination against a producer or shipper by Southern under the existing tariff provisions.

26. The Indicated Shippers maintain that Southern has not provided the necessary support for a CHDP safe harbor as low as 15 degrees, nor has it justified its tariff language that would permit the consideration of problems on downstream distribution systems in setting a restrictive CHDP, even when there are no liquid fallout problems on Southern. The Indicated Shippers object to Southern being able to set a CHDP limitation or call an OFO to address problems on downstream facilities that are not subject to the Commission's jurisdiction and so its proposal is unjust and unreasonable. Indicated Shippers urge the Commission to reject Southern's proposed 15 degree CHDP as being too low, and to require Southern to implement a CHDP safe harbor more consistent with other pipelines in its geographic area. The Indicated Shippers also request that the Commission require Southern to modify its tariff to make clear that a CHDP limitation may be set to address only hydrocarbon condensation on Southern's system and not fallout issues on downstream facilities that may be a result of deliveries from other pipelines rather than supplies from Southern.

27. While arguing for rejection of the 15 degrees safe harbor standard, the Indicated Shippers argue for a 25 degree CHDP safe harbor claiming it will not compromise the interests of Southern's downstream shippers because Southern will have the right to override the safe harbor through an OFO if necessary in an emergency on Southern's system.

## **Reply Comments**

28. Southern stated that the sole purpose of the additional procedures required by the September 2006 Order was to ensure that Southern's proposed HDP gas quality specifications addressed the requirements and concerns described in the Commission's Gas Quality Policy Statement. Southern asserts that it had demonstrated at the technical conference that its proposed HDP gas quality specifications are fully consistent with the Commission's objectives as set out in the Gas Quality Policy Statement. Southern explains that the 15 degree safe harbor coupled with the OFO provision is clearly a compromise position, but it does not believe the provisions are necessary in any respect in order for the provision to meet the statutory standard of a just and reasonable term of service. Southern states that the Indicated Shippers did not challenge any aspect of Southern's HDP gas quality specification as failing to satisfy any aspect of the Gas Quality Policy Statement. According to Southern, the Commission should terminate the suspension of the tariff sheets filed on October 31, 2003, and allow the currently effective HDP gas quality specification to remain in effect.

29. Southern asserts that none of the objections offered to the safe harbor and OFO provisions provide an adequate basis for not including them as part of Southern's HDP gas quality specification. Southern explains that the 15 degree safe harbor was developed in accordance with procedures set out in the HDP Report, providing an adequate evidentiary basis supporting its adoption.

30. Southern Customers maintain that the safe harbor and OFO provisions are not necessary and must be rejected. Southern Customers state that no party in this proceeding has demonstrated any ongoing gas quality or interchangeability problems or the need for tariff changes in anticipation of new supply sources or operational changes. In fact, the record demonstrates that gas supplies have not been unnecessarily restricted, nor has gas quality been unnecessarily compromised. Southern Customers assert that the Indicated Shippers fail to address any effect on downstream systems of a 15 degree CHDP safe harbor standard. Further, Southern Customers argue that Indicated Shippers fail to meet its burden under section 5 of the Natural Gas Act (NGA) to demonstrate that any safe harbor it proposes would be reasonable.

31. SCE&G states that the continued absence of data should lead the Commission to reject the safe harbor proposal and maintain the existing blending tariff. SCE&G explains that the Indicated Shippers cannot show that a 25 degree safe harbor is consistent with controlling liquid dropout problems on the systems that are in place, as opposed to the hypothetical systems which Indicated Shippers wish with hindsight had been built.

32. CGTC argues that the Indicated Shippers do not provide any support for its claim that fallout on such systems would likely be unrelated to gas deliveries from Southern to the extent Southern itself is not experiencing liquid fallout. CGTC explains that support

does not exist because downstream customers and LDCs are highly likely to experience liquid fallout on their systems even though Southern may not be experiencing fallout on its system. CGTC asserts that although Southern may be able to deal with existing fallout that may occur; the same cannot be said of its downstream customers.

33. Alagasco explains that even though the Indicated Shippers argue that a safe harbor is required, the Gas Quality Policy Statement does not mandate use of a CHDP safe harbor and so there is no reason to establish a safe harbor in this proceeding. As no parties have shown that they have been prejudiced or harmed by Southern's existing tariff provisions, it argues the Commission should find that Southern's existing provisions are just and reasonable and should remain in effect.

34. Indicated Shippers continue to assert that Southern's proposed 15 degrees standard is overly restrictive and does not balance the twin goals in the Gas Quality Policy Statement of maximizing supply while protecting Southern's system operations. Indicated Shippers urge the Commission to reject the CHDP for lack of support, as it did in *Northern Natural*.<sup>19</sup> According to the Indicated Shippers, Southern Customers' argument is inconsistent by arguing that data is not available, but providing data that 15 degrees is too high. Indicated Shippers argue that the aggregation/blending methodology that is in the tariff addresses the discrimination problem, however, a reasonable CHDP safe harbor is necessary to address the supply certainty problem and a reasonably defined OFO is appropriate to protect the system during an emergency. Thus, it requests the Commission to require Southern to adopt a CHDP safe harbor consistent with the safe harbor provisions in other similarly situated pipelines.

### **Commission Determination**

35. In this proceeding no party fully supports the proposed 15 degree safe harbor proposal. A number of parties urge rejection, arguing that Southern's existing tariff gas quality provisions are satisfactory and no evidence was submitted to establish that the 15 degree safe harbor was just and reasonable. Indicated Shippers argue that a safe harbor provision is necessary, but that the proposed 15 degree standard is too low and must be rejected, and that the Commission should establish a higher safe harbor provision. In its initial comments Southern stated that it proposed these modifications on a *pro forma* basis:

because it does not believe any of them are necessary to cure a defect in HDP gas quality specifications as originally filed. Southern believes that the record in this proceeding fully supports a

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<sup>19</sup> 121 FERC ¶ 61,122, at P 77 (2007).

finding that its effective HDP gas quality specifications meets the statutory standard of a just and reasonable term of service.<sup>[20]</sup>

36. The Commission has reviewed Southern's methodology to adopt a 15 degree CHDP safe harbor provision, and the material submitted in support thereof. Southern evaluated a 15 degree CHDP safe harbor using the process outlined in Appendix B of the Hydrocarbon Drop Out White Paper.<sup>21</sup> As discussed below, the Commission finds that Southern has not shown that its proposed 15 degree CHDP safe harbor limit is just and reasonable.

37. The Commission finds insufficient evidence that a 15 degree safe harbor is required to manage an ongoing problem of liquid dropout on its system. Southern has not provided any evidence that its existing tariff provisions are insufficient to manage hydrocarbon liquid dropout.

38. Southern has not detailed one instance where it encountered unmanageable liquid drop out, resulting in operational problems. In fact, as described supra P 13, Southern has used its existing tariff provisions to prevent injury to its system and to its customers when faced with a possible increase in liquid fallout. Moreover, Mr. Poellnitz' affidavit states that Southern "routinely collects small quantities of liquids without experiencing major difficulties."<sup>22</sup> Additionally, as stated by Alagasco, "no seller, processor or shipper of gas has shown that they have been prejudiced or harmed in the 3½ years that Southern's Existing Tariff provisions have been in effect."<sup>23</sup>

39. Further, the Commission finds that Southern has failed to provide any circumstances of changing conditions on its system that would precipitate unmanageable liquid dropout. Nor does Southern show evidence of any new supply sources with a CHDP composition that would cause liquid dropout in the future. Accordingly, the Commission finds that Southern has provided insufficient data to support its proposed CHDP safe harbor limit and rejects Southern's safe harbor proposal.

40. The Indicated Shippers believe that a safe harbor is necessary to assure supply. However, not a single Southern end user or local distribution company filing comments in this proceeding indicated that such assurance was necessary. Further, this proceeding

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<sup>20</sup> Southern, Initial Comments at 3-4.

<sup>21</sup> See HDP Report at 26.

<sup>22</sup> Southern August 15, 2007 Filing, Ex. A at 15.

<sup>23</sup> Alagasco Reply Comments at 5.

started as the result of Southern's actions related to potential operational problems from liquid hydrocarbon drop out on its system. It may be possible to use a safe harbor method to control liquid hydrocarbon dropout which might provide the collateral benefit of supply assurance that the Indicated Shippers' seek. However, Southern did not choose to use a safe harbor as a means of managing hydrocarbon dropout, and the allocation method it did propose and implement has worked. The Commission has no basis to find that what Southern proposed in the October 31, 2003 filing is not just and reasonable and must be replaced with a safe harbor mechanism.<sup>24</sup> If circumstances or technology change, Southern or others are free to propose alternative mechanisms.<sup>25</sup>

41. Southern, in its August 15 filing, repeats its continued willingness to implement changes to the October 31, 2003 tariff language to reflect parties' agreement on other aspects of its filings. No party filed comments challenging Southern's assertion, and objecting to the proposed changes. Therefore, the Commission accepts these changes and requires Southern to file a compliance filing to implement those changes not already included in Southern's existing tariff.

The Commission orders:

Southern's tariff filing of October 31, 2003, is accepted, subject to Southern filing, within 15 days of this order, revised tariff sheets reflecting the agreed upon modifications set forth in the *pro forma* tariff sheets Southern filed on August 15, 2007.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>24</sup> See *Northern Natural Gas Co.*, 121 FERC ¶ 61,122 (2007).

<sup>25</sup> See Gas Quality Policy Statement, 115 FERC ¶ 61,325 at P 27.