

131 FERC ¶ 61,153
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

Gulf South Pipeline Company, LP

Docket No. CP09-420-001

ORDER ON CLARIFICATION

(Issued May 20, 2010)

1. On January 6, 2010, the Commission, under section 7(c) of the Natural Gas Act, authorized Gulf South Pipeline Company, LP (Gulf South) to construct three compressor units and yard and station piping, including appurtenant facilities, at its existing Hall Summit and Tallulah Compressor Stations in northern Louisiana (the Haynesville/Perryville Expansion).¹ The Certificate Order approved incremental rates for the expansion but rejected Gulf South's request to charge incremental-plus rates for shippers that use both the Haynesville/Perryville Expansion and Gulf South's existing system.
2. On February 5, 2010, Gulf South filed a timely petition requesting clarification or, in the alternative, rehearing, that the incremental rate approved in the Certificate Order should be substituted for the current maximum Zone 2 rate when calculating a rate for inter-zone transportation hauls by shippers who have contracted solely for transportation utilizing the Haynesville/Perryville Expansion project (Expansion Shippers). The Commission will grant Gulf South's request for clarification.

Request for Clarification

3. Gulf South states that the Commission approved an incremental rate for the Haynesville/Perryville Expansion, which is located solely within Zone 2, because the incremental rate for the expansion (\$0.1777 per Dth) is greater than Gulf South's current Zone 2 maximum rate (\$0.1440 per Dth). However, Gulf South contends that while the Certificate Order makes clear that existing shippers with primary rights in Zone 2 cannot be charged the incremental rate for transportation in Zone 2, even when their gas is compressed by any of the three compressor units comprising the Haynesville/Perryville

¹ 130 FERC ¶ 61,015 (2010) (Certificate Order).

Expansion, and that Expansion Shippers may not be charged the system rate in addition to their incremental rate when utilizing other points in Zone 2 on a secondary basis, the Certificate Order does not address what rate Expansion Shippers are to be charged if they utilize receipt or delivery points on the Gulf South system outside of Zone 2. Gulf South requests the Commission clarify the rates that will apply when Expansion Shippers engage in inter-zone transportation. Specifically, Gulf South requests the Commission clarify that the rates established utilizing Gulf South's current rate design methodology (as represented in the zone-gate rate matrix set forth on the illustrative pro forma tariff sheets included with Gulf South's Request for Clarification at Exhibit A) are the appropriate rates to be charged Expansion Shippers for inter-zone transportation. Gulf South states it calculated the rates by substituting the incremental rate approved in the Certificate Order for the Zone 2 cost component of its existing inter-zone rates each time that cost component is used in the zone-gate derivation.

4. Gulf South states that its current rates were designed using a zone-gate rate methodology and that, as customers transport gas across the system, the costs for each zone are added together to calculate the system-wide rates applicable for inter-zone transportation.² The difference between the incremental rate approved for the expansion (\$0.1777 per Dth) and the existing Zone 2 rate (\$0.1440 per Dth) is \$0.0337 per Dth, which represents the increased cost of service associated with the Haynesville/Perryville Expansion as compared to Gulf South's existing Zone 2 facilities. Gulf South states that as a consequence, there should be a \$0.0337 per Dth increase to its existing zone-gate matrix for Expansion Shipper inter-zone hauls that utilize Zone 2.

5. Gulf South further states that charges for supplemental service³ on its system are calculated, pursuant to section 8.3 of the General Terms and Conditions of Gulf South's tariff, as the difference between the maximum applicable FTS 100 percent load factor rate and the shipper's contract rate.⁴ Gulf South states that using its current system-wide rates to determine the supplemental charges to be paid by Expansion Shippers when they access alternate points on a supplemental basis would not be appropriate because, since the increased costs of the Haynesville/Perryville Expansion are not included in Gulf South's current rates, use of those rates would result in a \$0.0337 per Dth discount to the Expansion Shippers. However, Gulf South contends that use of its revised inter-zone rate

² For example, Gulf South's Zone 1 to Zone 3 rate reflects the costs of facilities in Zone 1, Zone 2, and Zone 3.

³ For the purposes of this order, the terms supplemental and secondary are used interchangeably.

⁴ See Section 8.3 of the General Terms and Conditions of Gulf South's FERC Gas Tariff, Sixth Revised Volume No.1, Substitute Second Revised Sheet No. 1501 and Second Substitute Second Revised Sheet No. 1502.

matrix to make the required calculation would result in Expansion Shippers paying the same supplemental charges as existing shippers. Gulf South states that the proposed clarification is consistent with the Certificate Order's core holding that the incremental rate should be treated as a substitute for the existing system Zone 2 rate.

Commission Holding

6. The Commission approved an incremental rate for the Haynesville/Perryville Expansion in order to prevent subsidization of the expansion by existing Gulf South shippers, finding that the cost of service for the expansion service exceeded that of the existing Zone 2 service. Gulf South is correct that although the Certificate Order rejected Gulf South's proposal to charge the incremental rate plus the system rate when Expansion Shippers attempted to access secondary points within Zone 2, it did not specifically address the rate to be charged when Expansion Shippers engage in inter-zone transportation.

7. We will grant Gulf South's request for clarification as proposed. It is appropriate and consistent with the Commission's holdings in the Certificate Order for Gulf South to use the approved incremental rate, instead of its system Zone 2 rate, as a basis for determining the rate to be charged an Expansion Shipper for inter-zone transportation.

The Commission orders:

For the reasons set forth in the body of this order, Gulf South's request for clarification is granted.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.