

150 FERC ¶ 61,196  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;  
Philip D. Moeller, Tony Clark,  
Norman C. Bay, and Colette D. Honorable.

Southern Natural Gas Company, L.L.C.

Docket Nos. CP15-30-000

AMP Gathering I, LP

CP15-34-000

ORDER AUTHORIZING ABANDONMENT  
AND DETERMINING JURISDICTIONAL STATUS OF FACILITIES

(Issued March 19, 2015)

1. On December 15, 2014, Southern Natural Gas Company, L.L.C. (Southern) filed an application for authority under section 7(b) of the Natural Gas Act (NGA)<sup>1</sup> to abandon by sale to AMP Gathering I, LP (AMP) approximately 33.565 miles of its 33.6-mile, 10-inch-diameter Carthage Lateral Pipeline (Carthage Pipeline) and appurtenant facilities in Panola and Shelby Counties, Texas and DeSoto Parish, Louisiana (Carthage Facilities). Southern also requests authority to abandon by retirement in place the remaining 300 feet of the Carthage Pipeline. On December 15, 2014, AMP filed a petition for a declaratory order requesting the Commission determine that, following acquisition of the Carthage Facilities by AMP, the subject facilities will be gathering facilities exempt from the Commission's jurisdiction pursuant to section 1(b) of the NGA.<sup>2</sup>

2. For the reasons discussed below, the Commission finds that Southern's proposed abandonment of facilities is permitted by the public convenience or necessity. In addition, the Commission finds that upon acquisition by AMP, the facilities will perform a gathering function exempt from the Commission's jurisdiction under section 1(b) of the NGA.

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<sup>1</sup> 15 U.S.C. § 717f(b) (2012).

<sup>2</sup> 15 U.S.C. § 717(b) (2012).

## **I. Background and Proposal**

### **A. Southern's Abandonment Proposal, Docket No. CP15-30-000**

3. Southern, a limited liability company organized and existing under the laws of Delaware, is a natural gas company as defined by section 2(6) of the NGA engaged in the business of transporting natural gas in interstate commerce.<sup>3</sup> Southern's interstate pipeline system transports natural gas in Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, Florida, and Tennessee.

4. Southern requests authority to abandon by sale to AMP approximately 33.565 miles of 10-inch-diameter pipeline, three associated receiving stations, and appurtenant facilities on Southern's Carthage Pipeline. Southern also requests authority to abandon by retirement in place the remaining 300 feet of the Carthage Pipeline and appurtenant facilities located within the fence line of Southern's Logansport Compressor Station in DeSoto Parish, Louisiana.

5. The Carthage Pipeline, constructed and placed in service in 1984, is a 33.6-mile, 10-inch-diameter pipeline extending from the Carthage Field in Panola County, Texas, to an interconnection with Southern's North Main System immediately downstream from the Logansport Compressor Station. Southern states that the Carthage Pipeline was originally constructed to facilitate Southern's former merchant function by connecting Southern's pipeline system with new gas supplies.

6. The Carthage Pipeline is capable of providing transportation of 55,000 dekatherms per day (Dth/day), but has experienced minimal use in recent years. Specifically, the Carthage Pipeline has an average throughput of 37 Dth/day over the past five years and only 6 Dth/day during the past year.

7. Southern states that abandonment of the Carthage Pipeline will not affect Southern's ability to serve its customers and will allow Southern to eliminate costs associated with continued ownership of the pipeline. Southern notes that two customers currently hold firm receipt points at the upstream terminus of the line in Panola County, Texas.<sup>4</sup> However, Southern avers that neither customer objects to the proposed

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<sup>3</sup> 15 U.S.C. § 717a(6) (2012).

<sup>4</sup> The two customers are the Municipal Gas Authority of Georgia, which holds a total contract quantity of 11,509 thousand cubic feet per day (Mcf/day), and Southern Gas Acquisition and Supply, which holds a total contract quantity of 1,538 Mcf/day.

abandonment,<sup>5</sup> and both have agreed to shift their receipt points to a new receipt point that Southern states it will construct near its Logansport Compressor Station under its Part 157, Subpart F blanket certificate.

**B. AMP's Request for Declaratory Order, Docket No. CP15-34-000**

8. AMP, a limited liability company organized and existing under the laws of Delaware, is a wholly owned subsidiary of Align Midstream Partners, LP. AMP does not have any existing Commission-jurisdictional operations, and it does not own any assets over which the Commission has jurisdiction.

9. AMP contends that following acquisition of the Carthage Facilities from Southern, the facilities will perform a gathering function and be exempt from the Commission's jurisdiction. AMP states that the Carthage Pipeline is located in the quickly developing Cotton Valley production area, and AMP will use the pipeline to gather rich wellhead gas for downstream treatment and processing. AMP notes that the rich gas volumes do not meet interstate pipeline gas quality standards, but that it intends to construct two processing plants, one at the eastern end the Carthage Pipeline and another at the end of a short lateral that it will construct to interconnect with the Carthage Pipeline near its western end.

**II. Notice & Interventions**

10. Notice of Southern's application was published in the *Federal Register* on December 30, 2014.<sup>6</sup> Alabama Gas Corporation, AMP, Anardako Energy Services Company, Atmos Energy Corporation, Duke Energy Florida, Inc., NJR Energy Services Company, and South Carolina Electric and Gas Company filed timely, unopposed motions to intervene.

11. Notice of AMP's petition was published in the *Federal Register* on December 30, 2014.<sup>7</sup> Southern filed a timely motion to intervene and comments in support of AMP's petition.

12. The timely, unopposed motions to intervene in both dockets are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.<sup>8</sup> No comments raising concerns or objections were filed.

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<sup>5</sup> See Exhibit W of Southern's Application.

<sup>6</sup> 79 Fed. Reg. 78,418 (Dec. 30, 2014).

<sup>7</sup> 79 Fed. Reg. 78,419 (Dec. 30, 2014).

### III. Discussion

#### A. Abandonment

13. Since the facilities that Southern proposes to abandon are used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the abandonment proposal is subject to the requirements of section 7(b) of the NGA.<sup>9</sup>

14. Section 7(b) of the NGA allows an interstate pipeline to abandon jurisdictional facilities or services only if the abandonment is permitted by the “present or future public convenience or necessity.”<sup>10</sup> In deciding whether a proposed abandonment is warranted, the Commission considers all relevant factors, but the criteria will vary as the circumstances of the abandonment proposal vary.

15. When a pipeline proposes to abandon facilities, the continuity and stability of existing services are the primary considerations in assessing whether the public convenience or necessity permit the abandonment.<sup>11</sup> If the Commission finds that a pipeline’s proposed abandonment of particular facilities will not jeopardize continuity of existing gas transportation services, it will defer to the pipeline’s business judgment.<sup>12</sup>

16. Southern states that although the Carthage Pipeline is capable of transportation of 55,000 Dth/day, its average throughput over the past five years was 37 Dth/day and only 6 Dth/day during the past year. Moreover, Southern will construct a new receipt point for its two remaining firm shippers that still use the Carthage Pipeline, and neither of these firm customers object to Southern’s proposal. Southern’s ratepayers will benefit because the abandonment will reduce Southern’s rate base and eliminate costs associated with continued ownership of the Carthage Pipeline.

17. In view of these considerations, we find that the public convenience or necessity permits Southern’s proposed abandonment of the Carthage Pipeline.

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<sup>8</sup> 18 C.F.R. § 385.214 (2014).

<sup>9</sup> 15 U.S.C. § 717f(b) (2012).

<sup>10</sup> *Id.*

<sup>11</sup> *See, e.g., El Paso Natural Gas Co., L.L.C.*, 148 FERC ¶ 61,226, at P 12 (2014).

<sup>12</sup> *See, e.g., Trunkline Gas Co.*, 94 FERC ¶ 61,381, at 62,420 (2001).

## B. AMP's Request for Declaratory Order

18. Under section 1(b) of the NGA, the Commission's jurisdiction does not extend to facilities used for the production or gathering of natural gas, or to gathering services.<sup>13</sup> The NGA itself, however, does not define the term “gathering.” As a result, the Commission has developed a number of legal tests to determine which facilities are non-jurisdictional gathering facilities and which facilities are jurisdictional transmission facilities. The Commission relies on the “modified ‘primary function test,’” which considers the physical and geographical attributes of a facility, including: (1) the length and diameter of the pipelines; (2) the facilities' geographical configuration; (3) the extension of the facilities beyond the central point in the field; (4) the location of compressors and processing plants; (5) the location of the wells along all or part of a facility; and (6) the operating pressures of the pipelines.<sup>14</sup> In addition to the physical and geographical factors, the Commission also considers the purpose, location, and operation of the facilities; the general business activities of the owner of the facility; and whether the jurisdictional determination is consistent with the NGA<sup>15</sup> and the Natural Gas Policy Act of 1978 (NGPA).<sup>16</sup> The Commission does not consider any one factor to be determinative and recognizes that all factors do not necessarily apply to all situations.<sup>17</sup> The Commission also weighs any and all other relevant facts and circumstances of a particular case, including the non-physical criteria.<sup>18</sup>

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<sup>13</sup> The courts have narrowly construed the NGA section 1(b) exemption to “the physical acts of drawing gas from the earth and preparing it for the first stages of distribution.” *See, e.g., Transcontinental Gas Pipe Line Corp. v. State Oil and Gas Board*, 474 U.S. 409, 418 (1986) (*quoting Northern Natural Gas Co. v. State Corp. Comm'n of Kansas*, 372 U.S. 84, 90 (1963)).

<sup>14</sup> The primary function test was originally formulated in *Farmland Industries, Inc.*, 23 FERC ¶ 61,063 (1983) (*Farmland*). In *Amerada Hess Corp.*, 52 FERC ¶ 61,268 (1990), the Commission modified the *Farmland* test for application in the offshore context to take into account the relatively greater pipeline lengths and diameters needed to gather much offshore gas production.

<sup>15</sup> 15 U.S.C. §§ 717-717z (2012).

<sup>16</sup> 15 U.S.C. §§ 3301-3432 (2012).

<sup>17</sup> *See, e.g., NorAm Gas Transmission Co.*, 75 FERC ¶ 61,127, at 61,429 (1996).

<sup>18</sup> *See ANR Pipeline Co.*, 76 FERC ¶ 61,153 (1996).

19. Applying these modified primary function test criteria to the Carthage Facilities as they will be operated by AMP demonstrates that the facilities will have a primary function of non-jurisdictional gathering.

**1. Length and Diameter of the Line**

20. The Carthage Pipeline being acquired by AMP is 33.565 miles long and 10 inches in diameter. These dimensions are consistent with a gathering determination.<sup>19</sup> The shorter lengths and small diameters of the gathering lines that AMP plans to construct to interconnect with the existing Carthage Pipeline also are consistent with a gathering determination.<sup>20</sup>

**2. Geographical Configuration**

21. Gathering facilities generally fall into three types of geographic configurations. One is the web-like configuration commonly found in field gas gathering systems. The second configuration involves the backbone-type structure, which consists of a pipeline that connects to numerous feeding lines along its entire length. The third type of configuration consists of short pipelines that deliver gas from a few wells to generally larger-diameter downstream transmission facilities.

22. The Carthage Pipeline is located in the quickly developing Cotton Valley production area, and AMP will connect the pipeline with wells and construct short gathering lines that feed into the Carthage Pipeline along its length.<sup>21</sup> Thus, the Carthage Pipeline will constitute the backbone of a backbone-type configuration, which is consistent with a gathering determination.

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<sup>19</sup> See *KKR NR I Mineral Holdings II L.P.*, 148 FERC ¶ 61,188, at P 6 (2014) (*KKR NR I*) (finding a 16-inch-diameter pipeline was gathering); *Laser Marcellus Gathering Company, LLC*, 130 FERC ¶ 61,162, at P 13 (2010) (*Laser Marcellus*) (finding 30 miles of 12- and 16-inch-diameter pipeline was gathering); *EXCO Resources, Inc.*, 119 FERC ¶ 61,121, at P 12 (2007) (finding a 30-mile, 16-inch-diameter pipeline and a 23-mile, 12-inch-diameter pipeline to be consistent with gathering).

<sup>20</sup> See map in Exhibit C to AMP's petition.

<sup>21</sup> *Id.*

### 3. Central Point in the Field

23. The central point in the field test is based on the idea that gathering involves the collection and movement of natural gas through various smaller lines to a central point where gas is delivered into a single large line for transmission. Any facilities located upstream of the central point are generally considered non-jurisdictional gathering facilities.<sup>22</sup> The central point in the field test is typically applied in situations where there is no processing plant.<sup>23</sup> As discussed below, all of the facilities making up the backbone type gathering system with the Carthage Pipeline as the backbone will be located upstream of processing plants. The Commission has found that such a configuration does not lend itself to the central point in the field analysis.<sup>24</sup>

### 4. Location of Compressors and Processing Plants

24. Once AMP acquires the Carthage Pipeline and interconnects it with wells and other gathering lines, the gas entering the Carthage Pipeline will be rich wellhead gas that does not meet interstate pipeline gas quality standards. Therefore, AMP states that it will construct and operate two processing plants, one at the eastern end of the Carthage Pipeline and one at the end of a new gathering line that AMP will construct to interconnect with the Carthage Pipeline near its western end. Gas from the processing plants will be delivered into existing interstate transmission facilities by means of short stub lines. The absence of pipeline facilities extending beyond a processing plant and transporting pipeline-quality gas is consistent with a gathering determination.<sup>25</sup>

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<sup>22</sup> See generally *Barnes Transportation Co., Inc.*, 18 FPC 369 (1957) (establishing the “central point in the field” test).

<sup>23</sup> See, e.g., *TGGT Holdings, LLC*, 132 FERC ¶ 61,039, at P 20 (2010) (*TGGT Holdings*).

<sup>24</sup> *Id.*; *Laser Marcellus*, 130 FERC ¶ 61,162 at P 14.

<sup>25</sup> AMP indicates that the processing plants “will be located one to three miles from the transmission pipelines.” AMP’s Petition at 4 n.5. We note that the Commission has found in previous instances that when a gatherer or processing plant operator owns and operates residue lines that extend less than five miles beyond the processing plant, such residue lines may qualify as “stub lines” that are NGA exempt as incidental extensions of the upstream gathering systems or processing plants. See, e.g., *SWEPI LP and EnCana Oil & Gas (USA) Inc.*, 126 FERC ¶ 61,098, at P 29 (2009), and *ONEOK Midstream Pipeline, Inc.*, 93 FERC ¶ 61,042, at 61,092-93 (2000).

25. Currently, there are no compression facilities on the Carthage Pipeline. AMP further states that any compression at wells or on smaller upstream gathering lines will be minimal and necessary to allow gas to enter the Carthage Pipeline. However, AMP states that it will add compression on the inlet sides of the two processing plants that it plans to construct.

26. Minimal compression at the wellhead or on upstream gathering lines is not inconsistent with a gathering determination.<sup>26</sup> Nor is compression on a pipeline at the inlet to a processing plant inconsistent with a gathering determination for the pipeline.<sup>27</sup>

### **5. Location of Wells Along All or Part of a Facility**

27. The location of wells along the length of a pipeline is generally indicative of gathering.<sup>28</sup> Currently, there are no wells directly connected along the Carthage Pipeline. However, as discussed above, the Carthage Pipeline is located in a developing production area, and AMP states that it anticipates directly connecting along the length of the Carthage Pipeline to both production wells and other gathering lines that are connected to wells, which is consistent with a gathering determination.

### **6. Operating Pressure**

28. Following acquisition of the facilities, the operating pressure of the Carthage Facilities will be 400 to 600 pounds per square inch gauge (psig). The Commission has found similar, relatively low operating pressures to be consistent with a gathering function.<sup>29</sup>

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<sup>26</sup> See, e.g., *Eagle Rock DeSoto Pipeline, L.P.*, 126 FERC ¶ 61,092, at P 15 (2009).

<sup>27</sup> See, e.g., *Northern Natural Gas Company*, 84 FERC ¶ 61,321, at 62,448 (1998).

<sup>28</sup> See *EXCO Resources, Inc.*, 119 FERC ¶ 61,121, at P 17 (2007).

<sup>29</sup> See *KKR NR I*, 148 FERC ¶ 61,188 at P 12 (finding a 400-423 pounds per square inch absolute operating pressure of a pipeline to be consistent with gathering); *Columbia Gas Transmission, LLC*, 133 FERC ¶ 61,082, at P 24 (2010) (finding a 500 psig maximum operating pressure of a pipeline to be consistent with gathering); *Mississippi River Transmission Corp.*, 80 FERC ¶ 61,294, at 62,041 (1997) (finding operating pressures of 780 and 900 psig to be consistent with gathering).

## 7. Additional Considerations

29. As described above, the Commission also considers the purpose, location, and operation of the facilities; the general business activities of the owner of the facility; and whether the jurisdictional determination is consistent with the NGA and NGPA.

30. As discussed, the Carthage Pipeline is located in the developing Cotton Valley production area, and AMP's primary business activities are natural gas gathering and processing. AMP does not currently engage in any Commission-jurisdictional activities or own any assets over which the Commission has jurisdiction. Further, AMP's acquisition of the Carthage Pipeline and integration of the pipeline with other gathering facilities that it plans to construct will promote the production of gas resources in the Cotton Valley production area for use in interstate markets, consistent with the objectives of the NGA.

31. In view of the above findings based on the information and representations in AMP's petition, we find under the primary function test that the back-bone type gathering system that AMP plans to create and operate with the Carthage Pipeline as the backbone of the system will have a primary function of gathering exempt from the Commission's jurisdiction under section 1(b) of the NGA.

### C. Environmental Analysis

32. Because Southern's proposed abandonment will involve minimal ground disturbance to disconnect the subject facilities from the rest of its system, the proposal qualifies for a categorical exclusion under section 380.4(a)(31) of the Commission's regulations and an environmental assessment therefore was not prepared.<sup>30</sup>

33. At the meeting held on March 19, 2015, the Commission on its own motion received and made a part of the record in these proceedings all evidence, including the applications and exhibits thereto, and all comments submitted and upon consideration of the record,

#### The Commission orders:

(A) Southern is granted permission and approval under section 7(b) of the NGA to abandon the facilities described in this order and as more fully described in Southern's application.

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<sup>30</sup> 18 C.F.R. § 380.4(a)(31) (2014).

(B) Southern shall notify the Commission of the abandonment of the facilities within 10 days following such abandonment.

(C) AMP's petition for declaratory order is granted based on the Commission's finding that the Carthage Facilities will be non-jurisdictional gathering facilities exempt from the Commission's jurisdiction under section 1(b) of the NGA once they are acquired and operated as represented by AMP.

(D) Southern must submit its final accounting to clear Account 102, Gas Plant Purchased or Sold, with the Commission within six months of the date the sale is consummated, and the accounting submission must provide all the accounting entries related to the sale along with narrative explanations describing the basis for the entries.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.