

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

September 22, 2004

In Reply Refer To:  
Southern Natural Gas Company  
Docket No. RP04-494-000

Southern Natural Gas Company  
P.O. Box 2536  
Birmingham, AL 35202-2563

Attention: Patricia S. Francis  
Senior Counsel

Reference: Revised Tariff Sheets

Dear Ms. Francis:

1. On August 23, 2004, Southern Natural Gas Company (Southern) filed revised tariff sheets<sup>1</sup> in response to the Commission's order issued on November 25, 2003 in Docket No. RM01-10-000 (Order No. 2004).<sup>2</sup> Order No. 2004, among other things, amended the Commission's regulations pertaining to the standards of conduct for interstate natural gas pipelines, including Internet posting requirements. Southern represents that, in addition to being consistent with these requirements, the revisions include updates that reflect current practices or the need for flexibility, or that need updating specifically for changes in definitions under Order No. 2004. Southern also represents that the filing updates outdated, unused or inconsistent provisions remaining in its tariff. Southern requests the tariff sheets become effective September 22, 2004.

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<sup>1</sup> Listed in Appendix.

<sup>2</sup> *Standards of Conduct for Transmission Providers*, Order No. 2004, 68 FR 69134 (December 11, 2003), III FERC Stats. & Regs. [Regs. Preambles] ¶31,155 (November 25, 2003); *order on reh'g*, Order No. 2004-A, 69 FR 23562 (April 29, 2004), III FERC Stats. & Regs. [Regs. Preambles] ¶31,161 (April 16, 2004); *order on reh'g*, Order No. 2004-B, 69 FR 48371 (August 10, 2004), 108 FERC ¶61,118 (2004).

<sup>3</sup> Transmittal Letter, Page 1.

Protests and comments were filed concerning the revised Gas Research Institute (GRI) surcharge provisions in section 29 of Southern's General Terms and Conditions (GT&C), and Southern's revisions to its Forms of Service Agreement. As discussed below, the Commission accepts the revised tariff sheets effective September 22, 2004, subject to condition.

### **Summary of the Filing**

2. Southern proposes revisions throughout its tariff that are primarily ministerial and procedural, or for the purpose of clarification. However, certain revisions to its Forms of Service Agreement are viewed by the parties as substantive, as discussed below.

### **Public Notice, Protests and Comments**

3. Public notice of the filing was issued on August 30, 2004. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2004)). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2004), all timely motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Protests or adverse comments were filed by Calpine Corporation (Calpine), the Municipals,<sup>4</sup> and South Carolina Pipeline Corporation and SCANA Energy Marketing, Inc. (together, SCANA Companies).<sup>5</sup>

4. Municipals and SCANA Companies object to Southern's correction of spelling errors in GT&C section 29, which pertains to GRI surcharges. Instead, they believe Southern should delete section 29 from its tariff, Municipals asserting that pipelines no longer collect GRI surcharges, and SCANA Companies asserting that in a 1998 settlement with GRI, the Commission approved the phase-out of GRI sucharges by the end of 2004.

5. The Municipals also object to Southern removing from its various Forms of Service Agreement a 12-month prior notice requirement for early contract termination, and instead substituting a blank space to indicate that the length of the notice period should be filled in by the parties to the agreement.<sup>6</sup> Calpine believes such revision

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<sup>4</sup> The Municipals consists of the Alabama Municipal Distributors Group, the Austell Gas System, the Municipal Gas Authority of Georgia, and the Southeast Alabama Gas District.

<sup>5</sup> Both entities are wholly-owned subsidiaries of SCANA Corporation, a public utility holding company.

constitutes an impermissible negotiated contract term. Municipals request that should this revision be approved, the Commission should require Southern to post the required length of prior notice on its website.

6. Similarly, SCANA Companies express concern about Southern's insertion of a blank space in the Forms of Service Agreement where currently Alabama is designated as the state whose law governs the contract.<sup>7</sup> SCANA Companies seek clarification whether Southern would merely specify a particular state for each column in its Index of Customers or whether every Service Agreement would be filed as a non-conforming service agreement.

7. Calpine objects to a proposed revision of Article IV, section 4 of Southern's Forms of Service Agreement: **A**he primary term of the Agreement may be calculated from the date service commences hereunder rather than the effective date [of the Agreement], if construction of facilities is necessary. **C** Calpine believes the proposed language is ambiguous and would give Southern the unilateral right to determine when the primary term of the agreement begins. Instead, Calpine proposes alternative language that would calculate the primary term based on the later of the effective date of the agreement or the first calendar month following completion of the facilities, unless mutually agreed otherwise.

8. Calpine also objects to a condition precedent Southern proposes to add to Article V, section 5.1 of the Forms of Service Agreement under which Southern would not be obliged to construct facilities or begin service until, among other things, a shipper completes and places into operation, using diligent efforts, upstream production or downstream end-use facilities required to receive or deliver gas under the contract. Calpine argues that permitting Southern to postpone construction until a shipper satisfies its construction obligation could unreasonably delay access to the pipeline grid and the development of the energy infrastructure. Calpine also maintains that such a provision is not needed, because once Southern has completed its own construction, a shipper will be liable for reservation charges whether or not the shipper has fulfilled its own obligation to construct.

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<sup>6</sup> Sheet Nos. 296, 363 and 409.

<sup>7</sup> Sheet Nos. 295, 347, 362, 386, 400, 403J, 408, 419 and 429.

<sup>8</sup> Sheet Nos. 293 and 407.

**Discussion**

9. We will accept Southern's proposed revisions, which are generally consistent with Order No. 2004 or are ministerial in nature, with the exceptions discussed below.

10. The Commission will deny requests that we (1) reject the revisions to the GRI mechanism in GT&C section 29, and (2) direct Southern to eliminate the GRI mechanism from its tariff. By delegated order issued on July 28, 2004, in Docket No. RP04-352-000, we accepted Southern's tariff filing to reduce its GRI surcharge to zero effective August 1, 2004. Accordingly, Southern is not authorized to collect a GRI surcharge from its shippers. Nevertheless, we have not required pipelines to remove the GRI surcharge mechanism from their tariffs because, on July 1, 2004, the Gas Technology Institute filed an application in Docket No. RP04-378-000 requesting approval of a five-year collaborative research plan, beginning in 2005, as well as advance rate approval for collection of funds necessary to implement the plan. It is not necessary to require deletion of the GRI surcharge mechanism while the application is pending.

11. With regard to the remaining issues raised by the protests and comments, the Commission would be assisted in its determination by Southern filing an answer that addresses the objections to its proposals. Therefore, Southern is directed to file an answer to the protests and comments within 15 days of the date of this order. Accordingly, the Commission accepts the revised tariff sheets effective September 22, 2004, subject to further Commission action.

By direction of the Commission.

Linda Mitry,  
Acting Secretary.

APPENDIX

Southern Natural Gas Company  
Docket No. RP04-494-000  
Seventh Revised Volume No. 1  
Tariff Sheets Accepted Effective September 22, 2004  
Subject to Condition

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Third Revised Sheet No. 64  
Fourth Revised Sheet No. 79  
Third Revised Sheet No. 84  
Eighth Revised Sheet No. 98  
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Third Revised Sheet No. 104  
Fourth Revised Sheet No. 113  
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First Revised Sheet No. 126.02  
Fourth Revised Sheet No. 130  
Seventh Revised Sheet No. 133  
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