

March 2, 2009

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Re: Southern Natural Gas Company  
Docket No. RP09- 000

Dear Ms. Bose:

Southern Natural Gas Company ("Southern") submits for filing as part of its FERC Gas Tariff, Seventh Revised Volume No. 1 ("Tariff"), the enclosed primary tariff sheets, listed in Appendix A, and pro forma tariff sheets, listed in Appendices B and C, pursuant to Section 4(e) of the Natural Gas Act, 15 U.S.C. § 717c(e) (2005) and to Sections 154.7, 154.201, and 154.301 of the Federal Energy Regulatory Commission's ("Commission") Regulations, 18 C.F.R. §§ 154.7, 154.201, 154.301 (2008). The primary tariff sheets (1) change the rates for Southern's jurisdictional services to reflect current and projected costs and changes in demand on its interstate natural gas pipeline system and (2) propose changes to various rate schedules as well as the General Terms and Conditions ("GT&C") of Southern's Tariff. The pro forma tariff sheets in Appendix B propose "market adjustment" rates for certain firm services, defined below. The pro forma tariff sheet in Appendix C proposes a Greenhouse Gas Surcharge to become effective only pursuant to a Commission order.

Southern files its primary tariff sheets in compliance with the requirement set out in Sections 1 and 5 of Article IV of the Stipulation and Agreement ("Stipulation and Agreement"), dated April 29, 2005, in *Southern Natural Gas Company*, Docket Nos. RP04-523-000 and RP04-523-001, which requires that Southern file a new general rate change pursuant to Section 4 of the Natural Gas Act no earlier than March 1, 2009, and no later than March 31, 2010. The Stipulation and Agreement was approved by the Commission by an order dated July 13, 2005. *Southern Natural Gas Company*, RP04-523-000 and RP04-523-001 (July 13, 2005). The filing of these primary tariff sheets supersedes the provisions of the Stipulation and Agreement with respect to the rates and terms and conditions applicable to jurisdictional services performed by Southern that were not implemented for a specified term or have not previously been incorporated in Southern's Tariff.

On average, Southern's proposed rates on its primary tariff sheets reflect an increase of approximately 36% over its currently effective rates. The proposed rate increase reflects: (1) increases in operation and maintenance expenses, (2) increases in Southern's overall depreciation

expense, (3) increases in Southern's rate base, and (4) an increase in Southern's overall rate of return and related taxes. Southern has worked to moderate the size of the rate increase by proposing a "market adjustment" which would reduce the amount of the increase in its proposed rates below the level that would be justified by the fully supported billing determinants and cost of service. The market adjustment rates reflect a reduction in the filed firm transportation reservation rates and, as discussed above, are set forth on pro forma tariff sheets in Appendix B. Southern's market adjustment firm transportation reservation rates combined with the other rate components of Southern's firm transportation rates and rates for other services set forth on the primary tariff sheets rates reflect an average rate increase of approximately 28% over Southern's currently effective rates. While Southern intends at this time to voluntarily agree to move into effect the lower rates resulting from the market adjustment as set forth on the pro forma tariff sheets in Appendix B, along with the primary tariff sheets for the other rate components and services, the higher unadjusted firm transportation reservation rates on the primary tariff sheets constitute Southern's filed rates in this proceeding and are justified based on the derivation of the applicable costs and billing determinants. Southern reserves its right to increase its rates during the course of these proceedings up to the firm transportation reservation rates set out in the primary tariff sheets in Appendix A.

The primary tariff sheets further propose revisions to Southern's Park and Loan ("PAL") service and rate design, various provisions of Southern's Rate Schedule FT, and the GT&C of Southern's Tariff. Southern provides two modifications to its Rate Schedule FT: revision of the "net revenue gain requirement" definition for economically feasible facilities and description of the facility requirements for shippers that elect to pay for the cost of constructing Interconnection Facilities. Finally, Southern proposes eight changes to its GT&C: (1) addition of several discrete exemptions to its open season provision relating to amendments to primary receipt and delivery points, (2) addition of a requirement to transfer primary receipt points, (3) addition of a mutually agreeable prepayment provision, (4) specification of the earliest notification to initiate a right of first refusal ("ROFR"), (5) addition of a special ROFR provision for expansion projects, (6) conversion of Southern's fuel sharing provision to a true fuel tracker provision, (7) addition of a Hurricane Surcharge, and (8) revision of the order of discounting to delete the Maintenance Capital Surcharge and include the Hurricane Surcharge.

Pursuant to Sections 154.4 and 154.7 of the Commission's Regulations, Southern states as follows:

1. Enclosed for filing are an original and 12 paper copies of the materials included with this transmittal letter; the statements, schedules, workpapers, and supporting data listed in Subpart D of Part 154 of the Commission's Regulations; revised and pro forma tariff sheets; a statement by the chief accounting officer of Southern; an electronic copy of these materials; and a marked version of the rate schedule and tariff changes.

Southern provides the Commission Staff a copy of its latest FERC Form No. 2, for the calendar year ended December 31, 2007.

Pursuant to Section 154.312(f) of the Commission's Regulations, Southern furnishes the Commission Staff a copy of the latest prospectus issued by Southern.

2. The exact legal name of the person for whom the filing is made is Southern Natural Gas Company, located in the Colonial Brookwood Center, Birmingham, Alabama 35209. The names, addresses, and telephone and facsimile numbers of the responsible company officials to whom questions regarding the filing may be addressed, and of the persons upon whom service is to be made, are as follows:

Glenn A. Sheffield  
Director – Rates  
Southern Natural Gas Company  
Post Office Box 2563  
Birmingham, Alabama 35202-2563  
(205) 325-3813  
(205) 326-2071 (facsimile)

Patrick B. Pope  
Vice President & General Counsel  
Southern Natural Gas Company  
Post Office Box 2563  
Birmingham, Alabama 35202-2563  
(205) 325-7126  
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Mark F. Sundback, Esq.  
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Patricia S. Francis  
Senior Counsel  
Southern Natural Gas Company  
Post Office Box 2563  
Birmingham, Alabama 35202-2563  
(205) 325-7696  
(205) 327-2253 (facsimile)

These persons have been designated for service in accordance with 18 C.F.R. § 385.204(b)(3) (2008). Southern requests the Commission waive 18 C.F.R. § 385.204(b)(3) to allow more than two persons to be designated to receive service.

3. Southern makes this filing pursuant to Section 4(e) of the Natural Gas Act (NGA), 15 U.S.C. § 717c(e) (2004); and Article IV of the Stipulation and Agreement dated April 29, 2005, and approved by the Commission's order in Docket Nos. RP04-523-000 and RP04-523-001, *Southern Natural Gas Company* (July 13, 2005).
4. The tariff sheets filed herein reflect an effective date of April 1, 2009. Southern hereby reserves its right under Section 154.7(a)(9) to file a later motion to place its proposed rates and tariff changes set forth in Appendix A and/or Appendix B into effect at the end of the suspension period. Pursuant to Section 154.7(a)(7) of the Commission's Regulations, Southern respectfully requests that the Commission grant all waivers necessary to effectuate this filing, including any waivers necessary to place the primary tariff sheets into effect at the end of any suspension imposed by the Commission, and any waivers necessary to permit Southern to move the pro forma sheets in Appendix B into effect at the same time.

5. A detailed explanation of the rate and tariff changes proposed herein is contained in the Statement of the Nature, Reasons, and Basis for said changes and in the testimony submitted herewith as Statement P.

The enclosed Statement P contains prepared direct testimony setting forth and explaining the evidence that supports Southern's case. The testimony of Southern's witnesses supports the following components of Southern's rates:

<u>Witness</u>	<u>Testimony</u>
Glenn A. Sheffield	Cost Classification, Allocation, and Rate Design-Policy; Business Risk; Rate Discounts; and Hurricane and Green House Gas Surcharges
Deborah C. Hendrix	Cost Classification, Allocation and Rate Design-Implementation
T. Brooks Henderson	Cost of Service and Changes to Fuel Tracking Mechanism
Barry E. Sullivan	Proxy Group
Paul R. Moul	Cost of Common Equity
William E. Morgan	Capital Structure, Cost of Debt
Edward H. Feinstein	Depreciation
Jana J. Sobel	Tariff Changes and Park and Loan Rate Design

6. Southern's Tariff states the maximum rates last approved by the Commission, for each service, on effective Sheet Nos. 26-34.
7. As permitted by Section 154.312(j)(2), Schedules G-1 through G-6 will be filed with the Commission and served on all applicable state commissions and parties requesting copies thereof within fifteen (15) days of March 2, 2009.

Pursuant to Section 154.201 of the Commission's Regulations, Southern submits (a) a marked version of the tariff sheets to be changed or superseded showing additions and deletions and (b) documentation, including workpapers and schedules, to support the proposed change.

Pursuant to Section 154.301(a) of the Commission's Regulations, Southern submits the statements and schedules described in Section 154.312.

The undersigned states that the paper copies contain the same information as contained on the electronic filing, that he knows the contents of the paper and electronic copies, that the copies as stated in the paper and electronic copies are true to his best knowledge and belief, and

that he possesses full power and authority to sign this filing. If the Commission identifies any errors, incomplete files, or other problems with the electronic filing, then Southern requests that it be given an opportunity to expeditiously resolve the problem.

Pursuant to Section 154.7(b) of the Commission's Regulations, Southern attaches a certificate of service. Southern has served an abbreviated form of the filing on all customers and state commissions pursuant to Section 154.208(a) of the Commission's Regulations and will provide a full copy of the filing to any party making a request for a full copy pursuant to Section 154.208(c) of the Commission's Regulations. Such requests may be directed to [Gina.Lamaster@ElPaso.com](mailto:Gina.Lamaster@ElPaso.com). Southern will also make a full copy of the filing available during regular business hours for public inspection at its office in Birmingham, Alabama and at the offices of Andrews Kurth LLP located at 1350 I Street, N.W., Suite 1100, Washington D.C. 20005.

Very respectfully yours,

A handwritten signature in cursive script, reading "Glenn A. Sheffield", is written over a horizontal line.

Glenn A. Sheffield  
Director – Rates  
Southern Natural Gas Company  
Post Office Box 2563  
Birmingham, Alabama 35202-2563  
(205) 325-3813

## **Appendix A**

Third Revised Sheet No. 1  
Nineteenth Revised Sheet No. 2  
Seventy-First Revised Sheet No. 14  
Ninety-First Revised Sheet No. 15  
Seventy-First Revised Sheet No. 16  
Ninety-First Revised Sheet No. 17  
Fifty-Fourth Revised Sheet No. 18  
Eighth Revised Sheet No. 20  
Seventh Revised Sheet No. 21  
Eighteenth Revised Sheet No. 22  
Sixth Revised Sheet No. 25  
Fourteenth Revised Sheet No. 26  
Fourteenth Revised Sheet No. 27  
Thirteenth Revised Sheet No. 28  
Fifty-Fourth Revised Sheet No. 29  
Thirty-Fifth Revised Sheet No. 30  
Twenty-Third Revised Sheet No. 31  
Third Revised Sheet No. 32  
Second Revised Sheet No. 33  
Sixth Revised Sheet No. 34  
Third Revised Sheet No. 45  
First Revised Sheet No. 45A  
First Revised Sheet No. 95B  
First Revised Sheet No. 95D  
First Revised Sheet No. 95E  
Second Revised Sheet No. 95F  
First Revised Sheet No. 95F.01  
Third Revised Sheet No. 101B  
Second Revised Sheet No. 113A  
Second Revised Sheet No. 146  
First Revised Sheet No. 147  
Fifth Revised Sheet No. 148  
Fourth Revised Sheet No. 159  
Seventh Revised Sheet No. 160  
Sixth Revised Sheet No. 161  
First Revised Sheet No. 162  
Seventh Revised Sheet No. 204  
Third Revised Sheet No. 210  
Fourth Revised Sheet No. 211  
Original Sheet No. 212K  
Original Sheet No. 212L  
Second Revised Sheet No. 431

## **Appendix B**

Pro Forma Sheet No. 14

Pro Forma Sheet No. 16

## **Appendix C**

Pro Forma Sheet No. 212M