168 FERC ¶ 61,128
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 28, 2019

In Reply Refer To:
Southern Natural Gas Company, L.L.C.
Docket No. RP19-1395-000

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

Attention: T. Brooks Henderson
Director, Rates and Regulatory

Dear Mr. Henderson:

1. On July 24, 2019, Southern Natural Gas Company, L.L.C. (Southern) filed a tariff record[1] to revise Section 14.1 of the General Terms & Conditions (GT&C) of its tariff, and to make one housekeeping change. As discussed below, the Commission accepts the revised tariff record, effective September 1, 2019.

2. According to Southern, GT&C Section 14.1, Resolution of Imbalances and Adjustment Operational Transactions, allows Southern to conduct operational sales of gas, when needed, through a bid procedure posted on its interactive website (EBB). In the instant filing, Southern proposes to supplement this method with a proposal that would also permit it to sell operational gas on a daily cash basis utilizing the Intercontinental Exchange (ICE) platform.

3. Southern proposes to revise GT&C Section 14.1(i) by adding language that states that operational transactions for sales of gas shall be conducted through the bid procedure on its EBB or through the ICE natural gas trading platform. Southern states that its Zone 0 South hub in the ICE platform is a liquid point. To substantiate this claim, Southern provides data to demonstrate that for the period April 1, 2019 to July 16, 2019, the total volumes traded daily on the ICE platform at that location far exceeded the minimum liquidity criteria for including a daily or hourly price index for that location in

---

[1] Southern Natural Gas Company, L.L.C., FERC NGA Gas Tariff, SNG FERC Tariff Volume 1, Section 14, Resolution of Imb. and Adj., 9.0.0.

a jurisdictional tariff: an average daily volume of at least 25,000 MMbtu, and a minimum of five or more daily transactions.[2]

4. Southern states that it proposes this change to allow it the flexibility to sell daily quantities of gas when operational conditions allow. Southern contends that planning a sale of gas, posting the bid process to the EBB, collecting bids and notifying the winner and other bidders of the results is not conducive to entering into a cash transaction for a single day via the current methodology.

5. Southern argues that because daily gas sales are administratively inconvenient under its current system it is limited to monthly futures sales transactions, which are not necessarily a good fit for the quantities to be sold. Further, Southern asserts that it is limited to selling gas in months in which it is assured there will be no operational conditions that would preclude firm sales for the entire month. Southern contends that if it were to have the flexibility to make sales on a more timely basis through the ICE platform, it could resolve imbalances more quickly, resulting in possibly more favorable economic outcomes for its shippers, which are affected by such outcomes through the fuel and cash-out tracker mechanisms in Southern's tariff.[3]

6. Additionally, Southern includes in the instant filing one housekeeping item in GT&C Section 14.1(i) to correct a typographical error by changing the existing reference from GT&C Section 4.20 to GT&C Section 4.22.

7. Public notice of the instant filing was issued on July 29, 2019. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.[4] Pursuant to Rule 214,[5] all timely motions to intervene and any unopposed motions to intervene filed out-of-time before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. On August 5, 2019, the Indicated Shippers[6] filed comments on the instant filing. Subsequently on August 15, 2019, Southern filed an

---

[2] *Price Discovery in Natural Gas and Electric Markets*, 109 FERC ¶ 61,184, at P 66 (2004).

[3] Southern Transmittal letter at 1 (citing, GT&C Section 14.2, "Storage Cost Reconciliation Deferred Account" and Section 35 "Fuel Mechanism").

[4] 18 C.F.R. § 154.210 (2019).

[5] *Id*. § 385.214.

[6] In the instant proceeding, the Indicated Shippers is comprised of BP Energy Company and ConocoPhillips Company.

answer to the comment filed by the Indicated Shippers. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2019), prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. The Commission accepts Southern's answer as it provides information that assists in the decision-making process.

8. Indicated Shippers request certain clarifications of Southern's proposal. Indicated Shippers question whether internal limitations will be placed on Southern's employees that trade on ICE, and whether Southern will identify those employees engaging in ICE sales as merchant function employees. Indicated Shippers also request clarification of whether Southern proposes to limit its operational sales authority to the Southern Natural Zone 0 South hub trading point. Indicated Shippers argue that the Commission should require Southern to submit monthly reports in addition to the annual reports required by Southern's tariff on operational transactions to ensure that information regarding these daily transactions is sufficient and available on a timely basis.

9. In its answer, Southern states that GT&C Section 14.1(i) currently authorizes purchase or sale transactions with third parties to balance or maintain the operational integrity of the Southern system.[7] Southern states that it proposes to include the ICE natural gas trading platform as an additional option for conducting such transactions.[8] Southern avers that the employees engaging in such operational transactions are not marketing function employees and that the Commission's regulations specifically exclude from the definition of marketing function employees the interstate pipeline employees who make "[i]ncidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities."[9] Southern also argues that no separation of

---

[7] Southern states that operational transactions as defined in GT&C Section 14.1(i) list five different categories of gas sales, including maintenance of storage inventory. Southern asserts that it does not intend to alter the definition of operational transactions or to further distinguish these types of transactions. Southern Answer at 6.

[8] Southern points out that its proposal is consistent with the Commission's approval of other pipeline proposals to engage in sales or purchases of gas for operational purposes via ICE or another independent trading system. Southern Answer at 6 (citing, *e.g.*, *Viking Gas Transmission Co.*, 142 FERC ¶ 61,054 (2013) (authorizing a tariff revision to engage in sales or purchases of gas for operational purposes on its informational postings website or to sell gas via ICE or another independent trading system) and *ANR Pipeline Co.*, 111 FERC ¶ 61,113, at 61,633 (2005) (where pipeline stated it intended to continue posting purchases and sales of gas for operational purposes on electronic on-line platforms such as ICE)).

[9] Southern Answer at 3 (citing 18 C.F.R. § 385.3(c)(2)(ii) (2019)).

personnel or other application of the marketing affiliate standards of conduct is required for operational sales.[10]

10. In response to the Indicated Shippers' request that the Commission require Southern to specify the points at which it will engage in operational sales on the ICE platform, Southern states that it will engage in such transactions only at points defined on Southern's system. Southern explains that sellers are required to specify a point of transaction for sales on the ICE platform. Southern anticipates that the Zone 0 South Louisiana Point will be the main location that it will utilize for sales through the ICE platform, unless it adds additional points pursuant to ICE protocols. Southern asserts that limiting the available trading points for operational sales on the ICE platform is not necessary because ICE itself enforces the availability of points and requires transparency in its sales processes.

11. Southern also argues that there is no need to impose monthly reporting requirements on Southern's operational transactions to ensure that information regarding these daily transactions is sufficient and available on a timely basis. Southern states that the ICE platform is designed so that a party offering gas for sale has no control over the winning bidder and that permitting it to sell operational gas through the ICE platform as an option does not result in an increased opportunity for undue discrimination to occur and thus does not warrant more frequent reporting. Southern explains that its current annual report reflecting operational transactions details the source of such transactions, the date of the transactions, the volumes, the purchase or sale price, the costs and revenues from the operational transactions, the disposition of the associated costs and revenues, and an explanation of the purpose of the particular transaction. Southern asserts that the annual reporting of operational purchases and sales activities provides interested parties with the full opportunity to examine the pipeline's operational transactions and is sufficient to ensure transparency and demonstrate fairness and proper accounting. Southern avers that increasing the reporting frequency to monthly is unduly burdensome and does not change the after-the-fact nature of accounting for these transactions. Southern states that the Commission has previously refrained from requiring monthly reporting and should decline to do so here.[11]

---

[10] Southern Answer at 3 (citing *Dominion Trans.*, 106 FERC ¶ 61,029 (2004). *See* also, *e.g.*, *Dominion Cove Point LNG, LP*, 104 FERC ¶ 61,218 (2003); *Columbia Gulf Transmission Co*., 100 FERC ¶ 61,344 (2002); *Trunkline LNG Co*., 81 FERC ¶ 61,147 (1997); *Steuben Gas Storage Co*., 77 FERC ¶ 61,218 (1996)).

[11] Southern Answer at 5 (citing *Dominion Trans. Inc*., 106 FERC ¶ 61,029 at P 14).

12. The Commission finds that Southern has adequately addressed the issues raised by the Indicated Shippers and based upon these representations and the Commission's policies expressed above, the Commission accepts the subject tariff record, effective September 1, 2019.

By direction of the Commission.

Kimberly D. Bose,
Secretary.