

169 FERC ¶ 61,169  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Richard Glick and Bernard L. McNamee.

Gulf Crossing Pipeline Company LLC  
Gulf South Pipeline Company, LP

Docket No. CP19-490-000

ORDER ISSUING CERTIFICATE AND APPROVING ABANDONMENT

(Issued December 2, 2019)

1. On July 16, 2019, Gulf Crossing Pipeline Company LLC (Gulf Crossing) and Gulf South Pipeline Company, LP (Gulf South) (collectively, Applicants) jointly filed an application, pursuant to sections 7(b) and 7(c) of the Natural Gas Act (NGA)<sup>1</sup> and Parts 157 and 284 of the Commission's regulations,<sup>2</sup> requesting authorization for the following: (1) Gulf Crossing to abandon its jurisdictional facilities to Gulf South; (2) Gulf South to acquire through an inter-corporate merger the facilities Gulf Crossing seeks to abandon; (3) Gulf South to treat the former Gulf Crossing facilities as a new rate zone on the Gulf South system; (4) Gulf Crossing to abandon its leased capacity from Gulf South and for Gulf South to reacquire the leased capacity; and (5) Gulf Crossing to abandon its Part 157, Subpart F and Part 284, Subpart G blanket certificates.
2. The Commission grants the requested certificate and abandonment authorizations, subject to certain conditions.

**I. Background**

3. Gulf Crossing and Gulf South are both interstate natural gas companies as defined by section 2(6) of the NGA.<sup>3</sup> Construction and operation of Gulf Crossing's facilities

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<sup>1</sup> 15 U.S.C. §§ 717f(b), (c) (2018).

<sup>2</sup> 18 C.F.R. pts. 157, 284 (2019).

<sup>3</sup> 15 U.S.C. § 717a(6) (2018).

were authorized by the Commission on April 30, 2008 (Docket No. CP07-398-000, et al.)<sup>4</sup> and its system consists of four compressor stations and approximately 370 miles of pipeline spanning from Sherman, Texas, and Bennington, Oklahoma, to an interconnection with Gulf South in Madison Parish, Louisiana. Gulf South owns and operates approximately 7,200 miles of pipeline facilities in Texas, Louisiana, Mississippi, Alabama, and Florida, as well as storage facilities with a certificated working gas capacity of 113 Bcf.

4. In the April 2008 Order authorizing the Gulf Crossing facilities, the Commission also authorized Gulf South to construct and operate approximately 17.8 miles of pipeline loop between its Tallulah Compressor Station and its Harrisville Compressor Station in Simpson County, Mississippi, and to add 30,000 horsepower of compression at the Harrisville Compressor Station.<sup>5</sup> In addition, the April 2008 Order authorized Gulf Crossing to lease up to 1.05 Bcf per day of capacity from Gulf South,<sup>6</sup> consisting of the capacity being created by the looping and compression facilities proposed by Gulf South in the proceeding and unsubscribed capacity from Gulf South's East Texas to Mississippi Expansion Project<sup>7</sup> (CP06-446-000, et al.) and Southeast Expansion Project<sup>8</sup> (Docket No. CP07-32-000, et al.).

## II. Proposal

5. Gulf Crossing seeks to abandon by transfer all of its jurisdictional transportation facilities to Gulf South. In turn, Gulf South proposes to acquire, through an inter-corporate merger, Gulf Crossing's jurisdictional facilities and to consolidate the facilities

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<sup>4</sup> *Gulf Crossing Pipeline Co., LLC*, 123 FERC ¶ 61,100, at ordering para. (A) (2008) (April 2008 Order).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* P 112, ordering para. (H). On April 6, 2009, the authorizations granted in the April 2008 Order were amended to reflect a revised lease quantity of 1.1 Bcf per day and the addition of three delivery points on the lease facilities. *Gulf Crossing Pipeline Co. LLC*, 127 FERC ¶ 62,013, at ordering para. (A) (2009) (Delegated Order).

<sup>7</sup> *See Gulf South Pipeline Co., L.P.*, 119 FERC ¶ 61,281 (2007).

<sup>8</sup> *See Gulf South Pipeline Co., L.P.*, 120 FERC ¶ 61,291 (2007), *order on reh'g*, 122 FERC ¶ 61,162 (2008).

into its existing interstate system. Applicants state that upon Commission authorization of the proposals, Gulf Crossing will no longer exist.

6. Applicants contend that the proposed abandonment and acquisition will create greater operational efficiency and redundancy, benefiting customers on both systems through enabling the use of a single contract, single nomination, and single invoice.<sup>9</sup> Additionally, Applicants state that the proposals will allow Gulf South to provide end-users on the Gulf South system access to additional supplies available on the current Gulf Crossing system without the need to contract for service on a second pipeline.

7. Applicants propose to maintain the *status quo* for both Gulf Crossing's and Gulf South's existing customers by proposing to add a new rate zone called the Gulf Crossing Zone to Gulf South's tariff. Applicants state that the new Gulf Crossing Zone will cover service on only the Gulf Crossing facilities and will maintain Gulf Crossing's existing maximum and minimum rates for services in that zone. Applicants note that the rates on Gulf South's existing facilities will remain unchanged by the proposals.<sup>10</sup>

8. Applicants request that the Commission act expeditiously so that they can complete the contemplated merger on or before January 1, 2020.

### **III. Procedural Matters**

9. Notice of the application was published in the *Federal Register* on July 24, 2019.<sup>11</sup> The notice established August 6, 2019, as the deadline for filing comments and interventions. Timely motions to intervene were filed by the entities listed in the Appendix. These timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.<sup>12</sup> Atmos Energy Corporation and Trans Louisiana Gas Pipeline, Inc. filed untimely motions to intervene, which were denied by Secretary's notice on November 14, 2019.

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<sup>9</sup> Application at 7-8.

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

<sup>11</sup> 84 Fed. Reg. 35,667 (July 24, 2019).

<sup>12</sup> 18 C.F.R. § 385.214(c) (2019).

10. On August 6, 2019, United Municipal Distributors Group<sup>13</sup> (UMDG) filed comments in response to the application. While UMDG does not oppose the Applicants' proposals, it requests that the Commission condition the authorization to ensure that Gulf South's existing customers are not required to subsidize facilities that were previously constructed to serve Gulf Crossing.<sup>14</sup> On August 14, 2019, Gulf South and Gulf Crossing, collectively, filed an answer to UMDG's comments. Although the Commission's Rules of Practice and Procedure do not permit answers to protests,<sup>15</sup> our rules also provide that we may waive this provision for good cause.<sup>16</sup> We will accept Gulf South's and Gulf Crossing's answer here because it has provided information that has assisted us in our decision making.

#### IV. Discussion

11. Because the proposed facilities will be used to transport natural gas in interstate commerce subject to the Commission's jurisdiction, Gulf Crossing's proposed abandonment of the facilities, and Gulf South's proposed acquisition of the facilities, are subject to the requirements of sections 7(b), and 7(c) of the NGA, respectively.<sup>17</sup>

##### A. Certificate Policy Statement

12. The Certificate Policy Statement provides guidance as to how the Commission will evaluate proposals for certificating new construction by establishing criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest.<sup>18</sup> A proposal to acquire capacity with no related

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<sup>13</sup> United Municipal Distributors Group consists of the following municipal-distributor customers of Gulf South: City of Brewton, Alabama; Town of Century, Florida; Utilities Board of the Town of Citronelle, Alabama; City of Fairhope, Alabama; Utilities Board of the City of Foley, Alabama; North Baldwin Utilities, Alabama; Okaloosa Gas District, Florida; City of Pensacola, Florida; and South Alabama Gas District, Alabama.

<sup>14</sup> UMDG August 6, 2019 Comments at 3.

<sup>15</sup> 18 C.F.R. § 385.213(a)(2) (2019).

<sup>16</sup> *See id.* § 385.101(e).

<sup>17</sup> 15 U.S.C. §§ 717f(b), (c) (2018).

<sup>18</sup> *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *clarified*, 90 FERC ¶ 61,128, *further clarified*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

construction of facilities, such as the proposal in this proceeding, eliminates the Certificate Policy Statement's concerns with overbuilding, disruptions of the environment, and the exercise of eminent domain.<sup>19</sup> However, the threshold requirement under the Certificate Policy Statement, that a pipeline must be prepared to financially support the project without relying on subsidization from its existing customers, is equally applicable to the proposed acquisition of facilities. Similarly, whether the applicant has made efforts to eliminate or minimize any adverse effects the proposed abandonment and acquisition might have on the Applicants' existing customers and existing pipelines in the market and their customers is also relevant to our evaluation of the proposal.<sup>20</sup>

**1. Subsidization**

**a. UMDG's Comments and Applicants' Answer**

13. As noted above, UMDG states that it does not oppose the proposal to combine the Gulf South and Gulf Crossing pipeline systems, to charge separate rates for the new zone that will consist of facilities formerly owned and operated by Gulf Crossing, and to charge Gulf South's existing rates for the portion of the combined pipeline that constitutes Gulf South's historical system.<sup>21</sup> Nonetheless, UMDG requests that the Commission condition its approval of this proposal to ensure existing shippers on Gulf South's historical system are not required in the future to subsidize facilities that were constructed to serve Gulf Crossing's customers.<sup>22</sup>

14. UMDG notes that Gulf Crossing has leased a significant amount of capacity from Gulf South, including capacity that Gulf South constructed as part of the Southeast Expansion Project.<sup>23</sup> Citing the Applicants' description of the new Gulf Crossing Zone, UMDG asserts that various facilities currently providing the leased capacity will not be included in the new rate zone but will be deemed to be part of Gulf South's historical system.<sup>24</sup> Thus, UMDG asserts that while the capacity itself was built for the benefit of, and to date has been used by Gulf Crossing, based on Gulf South's current zone-gate rate structure and the proposed rate zones, the costs of the leased facilities would be

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<sup>19</sup> See *Cimarron River Pipeline, LLC*, 124 FERC ¶ 61,069, at P 40 (2008).

<sup>20</sup> *Gulf Crossing Pipeline Co.*, 149 FERC ¶ 61,174, at P 21 (2014).

<sup>21</sup> UMDG August 6, 2019 Comments at 3.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 4.

associated with the historical system and would likely be included in the rates for Gulf South's historical system.<sup>25</sup>

15. Consequently, UMDG expresses concern that Applicants' proposals could result in a substantial increase in Gulf South's cost of service, potentially without additional billing determinants to bear those costs.<sup>26</sup> UMDG argues that the leased capacity was not constructed to serve Gulf South's historical system or its historical customers and that these customers should not be required to bear the risk that the leased capacity will not be fully subscribed after that capacity is shifted into Gulf South's system following the authorization of Applicants' proposals.<sup>27</sup>

16. UMDG states that it recognizes that the future rate treatment for the Southeast Expansion Facilities, which include a segment of the leased capacity, is addressed in the settlement of Gulf South's rate case in Docket No. RP15-65-000.<sup>28</sup> Section 6.4 of that settlement provides:

If Gulf South files a general [s]ection 4 rate case with rates to be effective after the end of the Moratorium Period, but before May 1, 2025, and seeks rolled-in rate treatment for the Southeast Expansion Facilities, Gulf South will have the burden of supporting the rolled-in rate treatment for the Southeast Expansion Facilities in that filing. If Gulf South files its next general [s]ection 4 rate case with rates to be effective on or after May 1, 2025, and for any rate case thereafter, the Southeast Expansion Facilities will be afforded rolled-in rate treatment as a settled practice.<sup>29</sup>

However, UMDG states that at the time of the Docket No. RP15-65-000 settlement, the Southeast Expansion Project capacity was leased to Gulf Crossing and was functioning as part of Gulf Crossing's system.<sup>30</sup> Therefore, UMDG submits that the impact of rolling

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<sup>25</sup> *Id.*

<sup>26</sup> *Id.* at 5.

<sup>27</sup> *Id.* at 5-6.

<sup>28</sup> *Id.* at 6.

<sup>29</sup> Gulf South September 25, 2015 Offer of Settlement.

<sup>30</sup> UMDG August 6, 2019 Comments at 6.

the costs of the expansion into system rates is much larger now under these circumstances, due to the prospect that the formerly leased capacity could now be part of Gulf South's system.<sup>31</sup>

17. Therefore, UMDG request that the Commission condition its approval of the abandonment and acquisition to ensure that Gulf South's historical customers are not required to subsidize the capacity constructed for the lease and to put Gulf South at risk for the leased capacity costs in the event that capacity is either unsubscribed or significantly discounted in Gulf South's future rate cases.<sup>32</sup> UMDG states that this is consistent with the Commission's decisions when authorizing the leased capacity, and with the Commission's policy regarding the acquisition of capacity interest in another pipeline.<sup>33</sup> As UMDG notes,<sup>34</sup> when the Commission certificated the Gulf Crossing pipeline and approved the lease of capacity, it conditioned the authorization on a requirement that Gulf South may not include in its system rates the costs associated with the leased capacity, and the Commission similarly conditioned approval of the lease by precluding Gulf Crossing from shifting costs associated with the leased capacity to customers that do not use it.<sup>35</sup>

18. In their answer, Applicants assert that the Commission should not condition the proposal as requested by UMDG.<sup>36</sup> They argue that the future rate treatment of the Gulf Crossing facilities and the impact of that potential rate treatment on Gulf South's system is not at issue in this proceeding.<sup>37</sup> Applicants assert that their proposals preserve the economic *status quo* for Gulf South's existing customers and ensures that all parties retain their rights to address the future rate treatment of the Gulf Crossing facilities in Gulf South's next rate case.<sup>38</sup> They also argue that "[t]here is no basis for UMDG's speculation" that Gulf South will propose in its next rate case to include the costs of the

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<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 7.

<sup>34</sup> *Id.*

<sup>35</sup> April 2008 Order, 123 FERC ¶ 61,100 at P 33.

<sup>36</sup> See Applicants' August 14, 2019 Answer at 2.

<sup>37</sup> *Id.* at 4.

<sup>38</sup> *Id.*

lease facilities into Gulf South's "historical system."<sup>39</sup> Applicants maintain that the structure of rates that Gulf South may propose in its next rate case could change due to the market conditions that exist at the time the case is filed.<sup>40</sup>

19. Applicants claim that UMDG incorrectly asserts that the Gulf South facilities leased to Gulf Crossing were "built for the benefit of, and to date has been used by, Gulf Crossing."<sup>41</sup> To counter UMDG's assertions, Applicants state that a portion of the lease capacity utilizes unsubscribed capacity from Gulf South's East Texas to Mississippi Expansion Project and the Southeast Expansion Project, in addition to the capacity created by Gulf South's construction of 17.8 miles of pipeline looping and 30,000 horsepower of compression authorized in the April 2008 Order.<sup>42</sup> Therefore, they urge the Commission to recognize that a substantial portion of the facilities associated with the lease were not built specifically for Gulf Crossing.<sup>43</sup>

20. Applicants note that in the order approving the lease, the Commission stated that during the term of the lease, Gulf South will not be allowed to reflect in its system rates any of the costs associated with the leased capacity.<sup>44</sup> Applicants state that in its last rate case, Gulf South complied with this by removing the costs of the facilities associated with the Gulf Crossing lease.<sup>45</sup> Applicants contend that although it was appropriate to remove the lease costs from Gulf South's system rates during the term of the lease to ensure that the costs of the leased capacity are included only in the rates of one pipeline that is a party to the lease, there is no basis for continuing this treatment after the termination of the lease.<sup>46</sup> Applicants explain that when the capacity lease terminates,

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<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.* at 6 (citing UMDG August 6, 2019 Comments at 4-5).

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> *Id.* at 7 (citing April 2008 Order, 123 FERC ¶ 61,100 at P 123).

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*



Gulf South will again have the right to use the capacity formerly included in the lease, as well as the right to propose to recover the costs of the facilities necessary to provide that capacity in its rates.<sup>47</sup>

21. Applicants claim that “UMDG attempts to use this proceeding to open and amend the black-box settlement agreed to in Gulf South’s last rate case proceeding.”<sup>48</sup> Applicants state that “the [s]ettlement provides that Gulf South’s Southeast Expansion Facilities would be afforded rolled-in rate treatment as a settled practice if Gulf South files its next rate case with rates to be effective on or after May 1, 2025.”<sup>49</sup> Applicants also state that “[i]n the settlement, parties provide transparency and certainty regarding the exact facilities that would be afforded rolled-in rate treatment by listing the Commission docket numbers associated with the certificate applications for the specific expansion facilities” and that “[s]ection 6.2 of the [s]ettlement expressly defines the Southeast Expansion as the facilities constructed and approved in Docket No. CP07-32-000, et al.”<sup>50</sup>

22. Applicants assert there is no basis for UMDG’s suggestion that the Commission treat the Southeast Expansion Project capacity that was leased to Gulf South differently and upset the clear terms of the settlement agreement.<sup>51</sup>

**b. Commission Determination**

23. Gulf South’s acquisition of the Gulf Crossing facilities does not, in and of itself, result in subsidization of expansion costs by existing Gulf South customers. There will be no change to any of Gulf South’s existing tariff rates as a result of this section 7 proceeding and Gulf South’s existing customers will continue to receive service under their existing contracts. Any service offered over the leased capacity reacquired from Gulf Crossing will be offered at Gulf South’s existing rates. Moreover, Gulf South is proposing to establish a new rate zone for the Gulf Crossing facilities and to maintain Gulf Crossing’s existing rates. Accordingly, for rate purposes the *status quo* will be

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<sup>47</sup> *Id.*

<sup>48</sup> *Id.* at 9.

<sup>49</sup> *Id.* at 9-10.

<sup>50</sup> *Id.* at 10.

<sup>51</sup> *Id.* at 11.

maintained for both Gulf Crossing's and Gulf South's customers with implementation of the proposed abandonment and acquisition.<sup>52</sup>

24. In addition, we do not find that it is necessary to condition the instant proposal to prevent subsidization in a future rate proceeding, as requested by UMDG. In any future NGA section 4 rate case where Gulf South proposes to roll in the costs of the Gulf Crossing facilities and the facilities it constructed in Docket No. CP07-398-000, et al., Gulf South will bear the burden to show that such treatment is appropriate. As discussed above, Gulf South and UMDG disagree on the extent to which the Settlement in Gulf South's rate case in Docket No. RP15-65-000 has already addressed the future rate treatment to be afforded the costs associated with the capacity constructed as part of Gulf South's Southeast Expansion.<sup>53</sup> We find that this NGA section 7 proceeding is not the appropriate forum to consider such questions. Rather, they should be raised and addressed in a future Gulf South rate case proceeding.

## **2. Impacts on Existing Customers, Pipelines and their Customers, Landowners and Surrounding Communities**

25. We also find that there is no indication that Applicants' proposals will adversely affect the quality of Gulf South's or Gulf Crossing's existing services. Moreover, as there is no new construction or new facilities, there is no impact on landowners or surrounding communities. Furthermore, the proposal will have no adverse impact on existing pipelines in the market or their customers.

26. Based on the benefits the proposal will provide and the absence of adverse impacts on existing customers, other facilities and their captive customers, and landowners and surrounding communities, we find that the Applicants' proposal satisfies the criteria of the Certificate Policy Statement. Consistent with the criteria discussed in the Certificate Policy Statement, the Commission finds that the public convenience and necessity requires the approval of the Applicants' proposal under section 7 of the NGA, as conditioned in this order.

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<sup>52</sup> Under the current rate structure, Gulf Crossing shippers already pay a separate rate for transportation over the leased capacity. *See* April 2008 Order, 123 FERC ¶ 61,100 at P 19.

<sup>53</sup> We note that section 6.1 of the Settlement also addresses the future rate treatment to be afforded the costs associated with the capacity constructed as part of Gulf South's East Texas to Mississippi Expansion facilities (Docket No. CP06-446-000, et al.), a portion of which was also leased to Gulf Crossing. *See* Gulf South September 25, 2015 Offer of Settlement.

## **B. Gulf Crossing's Abandonment**

27. Since the facilities to be abandoned have been used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the abandonment is subject to section 7(b) of the NGA.<sup>54</sup> Section 7(b) of the NGA provides that a natural gas company may abandon jurisdictional facilities or services only if the Commission finds the abandonment is permitted by the “present or future public convenience or necessity.”<sup>55</sup>

28. The Commission has stated that continuity and stability of existing service are the primary considerations in assessing whether the public convenience or necessity permit the abandonment.<sup>56</sup> If the Commission finds that the proposed abandonment will not jeopardize continuity of existing gas transportation services, it will defer to the company's business judgment to abandon the facilities.<sup>57</sup> In reviewing an interstate pipeline's request to abandon facilities currently being used to provide jurisdictional services by selling the facilities to another pipeline company, the Commission has considered all relevant factors, including the needs of the two natural gas systems and the public markets they serve, the economic effect on the pipelines and their customers, and the level of assurance of continued service to customers dependent on the subject facilities.<sup>58</sup>

29. Under the subject proposal, the facilities abandoned by Gulf Crossing will be acquired by Gulf South and operated by Gulf South as part of its jurisdictional interstate natural gas storage and transportation system. As such, the rates and terms and condition of service on the combined facilities will continue to be subject to the Commission's open-access requirements and rate policies.

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<sup>54</sup> 15 U.S.C. § 717f(b).

<sup>55</sup> *Id.*

<sup>56</sup> See, e.g., *WBI Energy Transmission, Inc.*, 163 FERC ¶ 61,033, at P 22 (2018); *Nat'l Fuel Gas Supply Corp.*, 160 FERC ¶ 61,050, at P 17 (2017).

<sup>57</sup> See, e.g., *Trunkline Gas Co., LLC*, 145 FERC ¶ 61,108, at P 65 (2013) (citing *N. Natural Gas Co.*, 142 FERC ¶ 61,120 (2013)).

<sup>58</sup> *Trunkline Gas Co., LLC*, 139 FERC ¶ 61,239, at P 26 (2012); *N. Natural Gas Co.*, 123 FERC ¶ 61,325, at P 12 (2008). See also *Transcontinental Gas Pipe Line Corp. v. FPC*, 488 F.2d 1325, 1330 (D.C. Cir. 1973).

30. We find that Gulf South's proposal will ensure the continuity and stability of existing service to Gulf Crossing's customers, and the proposed abandonment is permitted by the public convenience or necessity under section 7(b) of the NGA. Therefore, we will approve Gulf Crossing's request to abandon its facilities to Gulf South.

**C. Gulf Crossing's Blanket Certificates and FERC Gas Tariff**

31. Gulf Crossing requests that the Commission authorize it to abandon its Part 157 and Part 284 blanket certificates.<sup>59</sup> Because Gulf Crossing will no longer be a jurisdictional interstate pipeline company after the abandonment of its facilities, we will terminate its Part 157 and Part 284 blanket certificates on the effective date of the abandonment. Gulf Crossing is required to make a filing to cancel its tariff, including its Tariff ID number, to be effective on the effective date of the abandonment.<sup>60</sup>

**D. Gulf Crossing Rate Zone**

32. Gulf South proposes to establish a new, separate rate zone to be called the Gulf Crossing Zone. As proposed, the new Gulf Crossing Zone rates will cover service only on the Gulf Crossing facilities and will maintain Gulf Crossing's existing maximum and minimum rates for services in order to ensure that Gulf Crossing's existing customers can continue to utilize the facilities at their existing rates.<sup>61</sup>

33. To afford flexibility for Gulf Crossing's customers, Gulf South states that it will provide two options for transitioning existing contracts to the Gulf South system. Gulf Crossing's customers may do either of the following: (1) request that Applicants file the existing Gulf Crossing contract as a non-conforming Gulf South agreement; or (2) execute a new contract utilizing Gulf South's *pro forma* service and rate agreements, which will preserve the existing economic terms included in the current Gulf Crossing contract. Based on the customers' elections, Applicants would file any required agreements with the Commission prior to the requested effective date of January 1, 2020.

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<sup>59</sup> Gulf Crossing was issued a Part 157 subpart F blanket certificate and Part 284 subpart G blanket certificate. April 2008 Order, 123 FERC ¶ 61,100 at ordering paras. (M), (N).

<sup>60</sup> Gulf Crossing's cancellation filing should use the Type of Filing Code 720.

<sup>61</sup> Application at 8. Gulf Crossing's currently effective rates are as follows: \$0.4247/Dekatherm (Dth) maximum daily demand rate and \$0.0037/Dth maximum commodity rate for Rate Schedule FTS; \$0.4283/Dth maximum commodity rate for Rate Schedule ITS; \$0.4283/Dth maximum daily parking and lending charges for Rate Schedule PAL; \$0.6371/Dth maximum demand rate and \$0.0037/Dth maximum commodity rate for Rate Schedule EFT.

Applicants state that this will allow customers to select the transition method that best meets their business needs while ensuring that the original bargains are maintained.

34. We accept Gulf South's proposal to establish a new Gulf Crossing Zone on its system.

**E. Gulf South Tariff Changes**

35. Gulf South is proposing conforming changes to its tariff to reflect the proposed abandonment and acquisition.<sup>62</sup> Gulf South states that the changes are limited to those necessary to accommodate the integration of the Gulf Crossing facilities into the Gulf South system, to create the new rate zone, and to ensure that the *status quo* is maintained for both existing Gulf Crossing and Gulf South customers.<sup>63</sup>

36. We accept Gulf South's proposed conforming changes to its tariff. We direct Gulf South to file actual tariff records that are consistent with the *pro forma* tariff records included in Exhibit P prior to the proposed effective date of the abandonment/acquisition.

**F. Fuel**

37. Gulf Crossing currently charges its customers for the annual fuel used to provide their transportation services under a fuel tracking mechanism. Gulf South proposes to maintain a separate fuel rate for the Gulf Crossing Zone. Applicants state that following the proposed abandonment and acquisition, Gulf South will, in its annual fuel tracker filings, calculate a separate fuel rate that will apply to the Gulf Crossing Zone. In addition to the separate Gulf Crossing Zone rate, Gulf South proposes to file in its next annual fuel tracker filing a separate fuel rate for the path extending from the Tallulah Compressor Station to Transco's Station 85. Gulf South states that the separate fuel rate is intended to replicate and replace the fuel rate currently assessed to shippers using the Gulf Crossing leased capacity. Thus, Applicants state that there will be no fuel impact to either Gulf Crossing or Gulf South customers as a result of the proposed abandonment and acquisition, and the creation of separate fuel rates protects both Gulf South and Gulf Crossing customers from any risk of fuel subsidization.

38. We find Gulf South's proposal to establish separate fuel rates for the Gulf Crossing Zone and the path extending from the Tallulah Compressor Station to Transco's Station 85 in its annual fuel tracker filings to be reasonable.

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<sup>62</sup> See Application at Exhibit P.

<sup>63</sup> Application at 24.

### **G. Gulf Crossing and Gulf South Lease**

39. Applicants state that the proposed abandonment and acquisition of facilities will eliminate the need for the lease currently in effect between Gulf South and Gulf Crossing. Applicants state that the Gulf Crossing customers that have contractual rights to transport on the Gulf South system as part of the lease agreement will maintain these contractual rights and will not be impacted by the abandonment of the lease. Accordingly, Applicants request authorization for Gulf Crossing to abandon the leased capacity and Gulf South to reacquire the leased capacity authorized in Docket No. CP07-398-000, et al.<sup>64</sup>

40. The Commission views a lease of interstate pipeline capacity as an acquisition of a property interest in the lessor's pipeline subject to NGA section 7(b) abandonment and section 7(c) certification.<sup>65</sup> Consequently, the lessee is required to obtain certificate authorization to acquire the leased capacity and the lessor abandonment authorization to cede its rights to the capacity. When a lease is terminated, and with it, the property interest of the lessee, the lessor must obtain certificate authorization to reacquire the capacity for use in providing service under its own tariff.<sup>66</sup> Similarly, termination of a capacity lease eliminates the lessee's property interest in the leased capacity; thus, the lessee needs abandonment authorization to surrender the capacity.

41. We approve the Applicants' requested authorizations for Gulf Crossing to abandon the leased capacity and for Gulf South to reacquire the leased capacity so that the Applicants may mutually terminate the lease upon the effective date of the intercorporate merger. We direct the Applicants to file notifications of the termination of the lease in the respective dockets in which the leases were authorized, as well as in Docket No. CP19-490-000, within ten days of the date of effectiveness of the abandonment of the lease.

### **V. Accounting**

42. Gulf South shall account for the proposed transaction in accordance with Gas Plant Instruction No. 5 and Account 102, Gas Plant Purchased or Sold, of the Uniform System of Accounts.<sup>67</sup> Gulf South shall submit the proposed accounting entries within

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<sup>64</sup> See April 2008 Order, 123 FERC ¶ 61,100.

<sup>65</sup> *Tennessee Gas Pipeline Co.*, 115 FERC ¶ 61,283, at P 13 (2006). See also *Texas Eastern Transmission Corp.*, 94 FERC ¶ 61,139, at 61,530 (2001); *Panhandle Eastern Pipe Line Co.*, 73 FERC ¶ 61,137, at 61,390 (1995).

<sup>66</sup> See *Islander East Pipeline Co.*, 102 FERC ¶ 61,054, at P 35 (2003).

<sup>67</sup> See 18 C.F.R. pt. 201 (2019).

six months of the date that the transaction is consummated, and the accounting submissions shall provide all the accounting entries and amounts related to the transfer along with narrative explanations describing the basis for the entries.

## **VI. Environmental Analysis**

43. On July 30, 2019, Commission staff issued an Environmental Assessment Report finding that Gulf South and Gulf Crossing's proposal qualifies as a categorical exclusion under section 380.4(a)(27) of the Commission's regulations.<sup>68</sup>

44. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application, and exhibits thereto, and all comments and upon consideration of the record,

### The Commission orders:

(A) Gulf Crossing is granted permission and approval to abandon its jurisdictional facilities, by intercorporate merger, to Gulf South, as more fully described in the application and this order.

(B) A certificate of public convenience and necessity is issued to Gulf South authorizing it to acquire and operate in interstate commerce the natural gas pipeline facilities currently owned by Gulf Crossing, as described and conditioned herein, and as more fully described in the application and subsequent filings by the applicant, including any commitments therein.

(C) The authorizations issued in Ordering Paragraphs (A) and (B) are conditioned on the Applicants complying with all applicable Commission regulations under the NGA, particularly Part 154 and paragraphs (a), (d), and (e) of section 157.20 of the Commission's regulations.

(D) Gulf Crossing is granted permission and approval under NGA section 7(b) to abandon the leased capacity with Gulf South, as more fully described in this order and the application.

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<sup>68</sup> 18 C.F.R. § 380.4(a)(27) (2019) (stating that neither an environmental assessment nor an environmental impact statement will be prepared for the "[s]ale, exchange, and transportation of natural gas under sections 4, 5, and 7 of the Natural Gas Act that require no construction of facilities").

(E) A certificate of public convenience and necessity is issued to Gulf South under NGA section 7(c) authorizing it to reacquire the leased capacity from Gulf Crossing, as more fully described in this order and the application.

(F) Gulf Crossing is permitted to terminate its Part 157, Subpart F blanket certificate and its Part 284, Subpart G blanket certificate on the effective date of the intercorporate merger. Gulf Crossing is required to make a filing to cancel its tariff, including its Tariff ID number, to be effective on the date of the intercorporate merger.

(G) Gulf South shall file to notify the Commission of the effectiveness of the acquisition within ten (10) days of the date of its effectiveness.

(H) Gulf Crossing shall notify the Commission within ten (10) days of the date of abandonment of the described capacity.

(I) Gulf South is directed to file actual tariff records reflecting the addition of the new Gulf Crossing rate zone and proposed conforming changes prior to the effective date of the acquisition.

(J) Gulf South shall adhere to the accounting and reporting requirements discussed in the body of the order, and submit the proposed accounting entries within six (6) months of the date that the transaction is consummated, and the accounting submissions shall provide all of the accounting entries and amounts related to the transfer along with narrative explanations describing the basis for the entries.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.



**Appendix**

**Timely Motions to Intervene**

BP Energy Company  
CenterPoint Energy Resources Corp.  
Chevron Natural Gas  
ConocoPhillips Company  
ExxonMobil Gas & Power Marketing Company  
Florida Power & Light Company  
Panda Power Funds  
PSEG Energy Resources & Trade LLC  
Southern Company Services, Inc.  
United Municipal Distributors Group<sup>69</sup>  
XTO Energy, Inc.

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<sup>69</sup> United Municipal Distributors Group consists of the following municipal-distributor customers of Gulf South: City of Brewton, Alabama; Town of Century, Florida; Utilities Board of the Town of Citronelle, Alabama; City of Fairhope, Alabama; Utilities Board of the City of Foley, Alabama; North Baldwin Utilities, Alabama; Okaloosa Gas District, Florida; City of Pensacola, Florida; and South Alabama Gas District, Alabama.