

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Southern Natural Gas Company

Docket No. CP07-98-000

ORDER GRANTING ABANDONMENT AUTHORITY

(Issued July 19, 2007)

1. On March 6, 2007, Southern Natural Gas Company (Southern) filed an application pursuant to section 7(b) of the Natural Gas Act (NGA) and the Commission's regulations seeking to abandon its Columbus Lateral Line, Columbus Lateral Loop Line and Columbus Meter Station all located in Lowndes County, Mississippi, and services provided through such facilities. Southern seeks the requested abandonment authority in order to sell the subject facilities to Atmos Energy Corporation (Atmos), a local distribution company which is currently the only shipper receiving firm service over the facilities. For the reasons discussed below, the Commission finds that the requested abandonment authority is permitted by the public convenience and necessity and is granted subject to certain conditions.

**I. Background and Proposal**

2. Southern is a natural gas transmission corporation engaged in the operation of an interstate pipeline system for the transportation of natural gas in Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, Tennessee, and Florida. Southern operates under authorizations granted by and subject to the Commission's jurisdiction.

3. Southern proposes to abandon by sale to Atmos all of the following facilities, referred to herein as the "Columbus Lateral Facilities": (1) 8.94 miles of Southern's 6-inch Columbus Lateral Line; (2) 8.94 miles of Southern's 4- and 6-inch Columbus Lateral Loop Line; (3) all appurtenant facilities associated with these lines; and (4) the Columbus Meter Station, which consists of dual 6-inch orifice meter runs and appurtenant facilities. The Columbus Lateral Facilities begin at Milepost 0.00, located at the interconnection of the Columbus Lateral and Southern's 8-inch West Point Line and

Loop, and extend to Milepost 8.94 on the Columbus Lateral<sup>1</sup> The Columbus Meter Station at Milepost 8.94 is Southern's current delivery point to Atmos.

4. The proposed sale of the Columbus Lateral Facilities will be made pursuant to a November 14, 2006 purchase and sale agreement between Southern and Atmos. Southern proposes to sell the Columbus Lateral Facilities to Atmos at their net book value at the time of closing, estimated to be \$29,357.

5. In conjunction with the proposed abandonment, Southern states that it will construct a new meter station at the interconnection of the Columbus Lateral Facilities and Southern's 8-inch West Point Line and Loop (Milepost 0.00) under authority of its Part 157 subpart F blanket certificate. Southern states that this new meter station will replace the existing delivery point to Atmos in the Columbus, Mississippi area.

6. Southern states that Atmos is the only shipper holding firm capacity on the Columbus Lateral Facilities. While the facilities are used by other shippers to transport gas on an interruptible basis, Southern asserts that such services should not be adversely affected by its sale of the facilities to Atmos. Southern explains that Atmos' distribution system is the only pipeline facility physically served by the Columbus Lateral Facilities. Since there is currently only one delivery point on the Columbus Lateral Facilities, at the existing Columbus Meter Station, the sale of the facilities will simply move the location of the point of gas transfer from Southern to Atmos upstream approximately nine miles. Further, since Atmos owns the existing downstream facilities, Atmos already provides downstream local distribution or end use delivery service to the other parties transporting gas on the Columbus Lateral Facilities.

7. Atmos' rates are regulated by the Mississippi Public Service Commission (Mississippi PSC). Therefore, Southern asserts that any shippers on the Facilities will be protected by the procedures of the Mississippi PSC, which determines whether Atmos' rates are just and reasonable.

8. Southern states that the removal of the Columbus Lateral Facilities from its system will reduce operating expenses and avoid future maintenance expenses of approximately \$42,000 per year and approximately \$1,500,000 in avoided capital costs to bring the Columbus Lateral Facilities up to U.S. Department of Transportation pipeline integrity requirements for interstate pipelines.

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<sup>1</sup> The Columbus Lateral Facilities were constructed by Southern in 1930 (Lateral Line and Meter Station) and 1963 (Lateral Loop Line). *Southern*, 3 FPC 342 (1942), and *Southern*, 31 FPC 789 (1964).

## II. Interventions

9. Notice of Southern's application was published in the *Federal Register* on March 22, 2007 (72 Fed. Reg. 13489), with a due date of April 6, 2007, for motions to intervene, comments and protests. Atmos and Interconn Resources, Inc. (Interconn), a gas marketer, filed timely, unopposed motions to intervene.<sup>2</sup> On April 6, 2007, Interconn filed a protest to Southern's application.

10. Advantage Energy, Inc. (Advantage) and Weyerhaeuser Company (Weyerhaeuser) filed late motions to intervene and protest on April 20, 2007, and May 1, 2007, respectively. On May 7, 2007, Southern filed a motion in opposition to granting Advantage and Weyerhaeuser intervenor status and moved to reject their protests on the grounds that they have failed to show good cause as to why they should be allowed late intervention. Southern states that Weyerhaeuser should have been able to intervene in a timely manner since Interconn, which sells gas to Weyerhaeuser, filed a timely motion to intervene and protest in this proceeding. Southern states that Advantage does not meet the regulatory test for having an interest in the proceeding because it is neither a consumer, customer, competitor, nor security holder of a party.<sup>3</sup>

11. The Commission denies Southern's motion opposing Advantage's and Weyerhaeuser's late intervention. Advantage states that it markets gas to several customers that transport gas on an interruptible basis using the facilities that Southern proposes to abandon by sale to Atmos. Weyerhaeuser has a forest products plant for which it purchases gas supplies from Interconn, which also acts as Weyerhaeuser's agent to have the gas transported on an interruptible basis by Southern on the Columbus Lateral Facilities and by Atmos on its existing downstream facilities. Thus, Advantage and Weyerhaeuser have demonstrated that they have an interest in this proceeding. Moreover, granting intervention at this stage of the proceeding will not delay, disrupt or otherwise unfairly prejudice other parties.<sup>4</sup> Accordingly, the Commission finds good cause to grant Advantage's and Weyerhaeuser's motions for late intervention.

12. On April 23, 2007, Atmos and Southern filed answers to Interconn's protest. Atmos and Southern also filed an answer to Weyerhaeuser's protest on May 7, 2007,

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<sup>2</sup> Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.214 (2006).

<sup>3</sup> 18 C.F.R. § 385.214(b)(2)(ii) (2006).

<sup>4</sup> 18 C.F.R. § 385.214(d) (2006).

and an answer to Advantage's protest on May 8, 2007. On May 8, 2007, Interconn filed a response to Atmos' and Southern's answers. On May 9, 2007, Southern filed an answer to Interconn's response. Although the Commission's Rules of Practice and Procedure do not permit answers to protests or answers to answers, the Commission finds good cause to waive Rule 213(a) to admit these pleadings, as they have provided information that assists in the decision-making process.<sup>5</sup>

13. Interconn's protest is based on two principal concerns that are also shared by Advantage and Weyerhaeuser. First, these parties are concerned because the proposed abandonment would result in the Commission no longer having authority to determine the rates and terms of service over the Columbus Lateral Facilities. They are also concerned that marketers and shippers will be unable to compete for current and future natural gas loads served off of the Columbus Lateral Facilities if Southern sells the facilities to Atmos. In this regard, Interconn states it has submitted a request to Southern for a new delivery point and additional service to serve loads downstream of the Columbus Lateral Facilities.

14. Interconn claims that Southern's proposal to abandon the subject facilities is devoid of public benefits. Interconn further asserts that, as an inducement to Atmos remaining a firm shipper on Southern's upstream system, Southern agreed to seek authority to abandon the Columbus Lateral Facilities by sale to Atmos.

15. Atmos argues that its purchase of the Columbus Lateral Facilities will benefit the public by expanding Atmos' system-wide deliverability and facilitating additional firm natural gas transportation service to its customers, including those who retain Interconn as their marketer. Thus, Atmos asserts that the proposed sale will enable Atmos to better serve a growing market, including the protestors and their customers, through the incorporation of the Columbus Lateral Facilities into Atmos' current distribution system.

16. Southern emphasizes that it is currently involved in an extensive ten-year pipeline integrity program (PIP). As part of the PIP, Southern identified several laterals, including the Columbus Lateral Facilities, which might be appropriate to abandon or sell to the local distribution company in the area. Once all laterals were identified as possible candidates, because of potential PIP cost savings, Southern approached Atmos concerning the sale of the Columbus Lateral Facilities. After a period of negotiation, Southern and Atmos consented to a purchase and sale agreement whereby Atmos would purchase the facilities at net book value and Southern would construct, install, and own the new meter station in accordance with the terms of its tariff.

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<sup>5</sup> 18 C.F.R. § 385.213(a)(2) (2006).

17. Southern and Atmos emphasize that Southern is regulated by the Commission and that Atmos is regulated by the Mississippi PSC, and their rates are subject to periodic rate review by the respective regulatory authorities and must be found to be just and reasonable. Atmos acknowledges that the transportation rates it receives for the transportation of gas to some industrial users, including Weyerhaeuser, are the result of special contract arrangements that Atmos agreed to in order to compete with alternative fuels or to avoid bypass. Atmos also acknowledges that the Mississippi PSC approved the contract arrangements in order to ensure the continued contribution of these customers to Atmos' margin, thus lowering costs which otherwise would have to be recovered from other gas customers. However, Atmos emphasizes that its purchase of the Columbus Lateral Facilities will not immediately effect either its state-approved general tariff transportation rates or the state-approved special contract rates currently in effect for certain industrial customers served by Atmos off of the Columbus Lateral Facilities.

18. Atmos also explains that there will be no rate-stacking, as posited by the protesters. While the point at which custody of gas goes from Southern to Atmos will move further upstream, Atmos states it will not impose an additional charge for service over the Columbus Lateral Facilities; such service will be included in the rates already being paid by Atmos' customers for their existing services on Atmos' system. While Atmos acknowledges that at some point it will seek to roll the costs of the Columbus Lateral Facilities into its state-approved system-wide rates, it emphasizes that such costs will be minimal since its purchase price will be the net book value of the time of closing, estimated to be approximately \$29,000. In response to the protesters' concerns that, in view of the age and condition of the Columbus Lateral Facilities, Atmos will incur and seek to recover high maintenance expenses in the future, Atmos points out that such expenses will arise regardless of whether the facilities are owned by Southern or Atmos, and ultimately must be passed through to the customers that use the facilities.

19. Southern and Atmos assert that Southern's sale of the Columbus Lateral Facilities to Atmos will not prevent or restrain any party from competing for the industrial loads in the area or give an advantage to Atmos, which already owns extensive facilities and is the local distribution company in the area.<sup>6</sup> They state that the protesters' competitive

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<sup>6</sup> Southern's May 9, 2007 answer addresses Interconn's argument that it attempted to compete in the area by requesting firm service on the Columbus Lateral Facilities. Southern acknowledges that Interconn has submitted a request for a new interconnection on its 30-inch Muldon Line which is upstream of the Columbus Lateral Facilities that Southern proposes to sell to Atmos. However, Southern states that, contrary to Interconn's representations, Interconn has not submitted a request for any firm service or

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concerns are entirely speculative in nature since they do not point to any specific instance or example where they would be either precluded from competing for new load or prejudiced in such efforts as a result of the proposed sale of the facilities.

### **III. Discussion**

20. Since the facilities Southern proposes to abandon by sale are regulated transmission facilities, the proposal is subject to the jurisdiction of the Commission and the requirements of section 7(b) of the NGA.

21. In view of the age and condition of the Columbus Lateral Facilities, Southern has determined that it will avoid maintenance costs by abandoning the facilities by sale to Atmos. Atmos states that its purchase of the Columbus Lateral Facilities will benefit Atmos and the public by expanding its system-wide deliverability and enabling it to provide additional firm natural gas transportation service for a growing market.

22. Since Atmos is presently the only firm shipper on the Columbus Lateral Facilities, Southern's sale of the facilities to Atmos will have no effect on Southern's ability to meet its certificated firm service obligations. Atmos states that services for interruptible shippers will not be adversely affected because Atmos will provide downstream transportation service for any party transporting gas to the new delivery point on Southern's system and service over the Columbus Lateral Facilities will be included in Atmos' existing state-approved system rates. Further, any rate proposal by Atmos in the future to seek recovery of its purchase costs and future maintenance expenses will be subject to the approval of the Mississippi PSC, and potentially impacted customers will have the opportunity to participate in the PSC's proceedings to protect their interests. The Mississippi PSC will also have jurisdiction over Atmos' terms and conditions for access to the facilities.

23. In view of the above considerations, the Commission finds that Southern's abandonment of the Columbus Lateral Facilities is permitted by the public convenience and necessity. For accounting purposes, Southern will be required to clear the abandonment by sale of the Columbus Lateral Facilities through Account 102, *Gas Plant*

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for additional interruptible service. Nevertheless, notwithstanding the proposed sale of the Columbus Lateral Facilities, Southern states that if it determines that the requested interconnection is operationally feasible and the reimbursement costs are acceptable to Interconn, Southern will tender a construction agreement to Interconn.

*Purchased or Sold*, and remove the original cost and related accumulated depreciation from its books, consistent with Gas Plant Instruction No. 5, Paragraph F.<sup>7</sup>

#### **IV. Environmental Review**

24. As discussed above, Southern states that it will rely on the construction authority under its Part 157 blanket certificate to construct a new meter station further upstream in conjunction with its sale of the Columbus Lateral Facilities to Atmos. Therefore, construction of the new meter will be subject to all applicable environmental conditions in section 157.206(b) of the blanket certificate regulations, and Southern will be able to proceed under its Part 157 blanket certificate if it is able to ensure environmental compliance with those conditions.

25. Aside from construction of the new meter station under Southern's Part 157 blanket certificate, Southern's proposal to abandon the Columbus Lateral Facilities by sale to Atmos involves no construction activities. Accordingly, the Commission finds that Southern's proposal qualifies for the categorical exclusion under section 380.4(a)(31) of the regulations as an abandonment involving only minor or no ground disturbance and, therefore, that no further environmental review is necessary.<sup>8</sup>

26. At hearing held on July 19, 2007, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the applications and exhibits thereto, submitted in support of the authorization sought herein, 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, by sale to Atmos, the Columbia Lateral Facilities located in Lowndes County, Mississippi, and its certificated services through such facilities, as described in this order and in Southern's application.

(B) Southern shall notify the Commission of the effective date of abandonment within 10 days thereof.

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<sup>7</sup> 18 C.F.R. Part 201, Gas Plant Instruction No. 5, *Gas plant purchased or sold* (2006).

<sup>8</sup> 18 C.F.R. § 380.4(a)(31) (2006).

(C) Advantage's and Weyerhaeuser's motions to intervene out of time are granted, and Advantage's, Weyerhaeuser's, and Interconn's protests are denied.

(D) Southern shall clear the abandonment by sale of the Columbus Lateral Facilities through Account 102, *Gas Plant Purchased or Sold*. Southern shall remove the original cost and related accumulated depreciation from its books, consistent with Gas Plant Instruction No. 5 Paragraph F pursuant to 18 C.F.R. Part 201 (2006).

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.