FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 22, 2004

In Reply Refer To:
Southern Natural Gas Company
Docket No. RP00-476-006

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

Attention: Patricia S. Francis
Senior Counsel

Reference: One-Year Segmentation Report, and Twelfth Revised Sheet No. 126 and Second Revised Sheet No. 126.02 to FERC Gas Tariff, Seventh Revised Volume No. 1

Dear Ms. Francis:

1. On November 1, 2004, Southern Natural Gas Company (Southern) filed its one-year report of segmentation activity in compliance with the Commission's April 11, 2002 Order in this docket.[1] Southern also filed tariff sheets to modify the General Terms and Conditions (GT&C) of its tariff to allow shippers to segment supplies from production area pools without restriction and from receipts from a shipper's storage account through zone 1 north system or zone 1 south system pools. Southern's report is hereby accepted as in compliance with the Commission's April 11, 2002 Order. Further, the tariff sheets referenced above are accepted, effective January 1, 2005, as proposed. This order is in the public interest because Southern's proposed procedures will enhance the use of segmentation to the direct benefit of all shippers.

2. On April 11, 2002, in Docket No. RP00-476-003, *et al.*, the Commission issued an order[2] approving, as modified, a contested settlement addressing Southern's compliance with Order No. 637. The April 11, 2002 Order accepted Southern's segmentation

[1] *Southern Natural Gas Co*., 99 FERC ¶ 61,042 (2002).

[2] *Id.*

proposal with one exception.[3] The Commission found Southern's proposal to limit intrazone segmentation in the reticulated areas of the system to be unacceptable, and directed Southern to modify the tariff provisions to state that it will accept and evaluate segmentation requests in those areas where gas flow may be reversed, to specifically delineate the bounds of those areas, and to provide service to the extent operationally feasible.[4] In addition, the Commission directed Southern to file a report within 60 days after Southern has implemented segmentation for one year, proposing any modifications and justifying the continuation of any restrictions on segmentation.[5] The Commission stated the report should include: (1) identification of all segmentation requests; (2) the amount of time Southern required to grant or deny each request; (3) the reason(s) for any denial; (4) whether Southern awarded new firm capacity at a point after having denied a segmentation request at the same point; and (5) interruptions of segmented service, including the reason and time period service was interrupted.

One-Year Segmentation Report

3. The report sets forth data for all intrazone segmentation requests as required by the April 11, 2002 Order for the period September 1, 2003 through August 31, 2004. Southern states that during its first year of segmentation activity, Southern received 765 segmentation requests on the Reticulated System, which were all granted. Southern states all requests were processed within the time periods specified under the NAESB mandated scheduling cycles as set forth in section 12 of the General Terms and Conditions (GT&C) of Southern's tariff. Also, Southern explains that there were some segmentation requests in which not all of the nominated quantity was scheduled, but the inability to schedule the gas was because of normal scheduling events, such as adjustments by the confirming party, rather than because it was a segmented transaction.

4. Southern states its segmentation report demonstrates that the segmentation procedures approved by the Commission and contained in Southern's tariff have been effective in providing shippers with the flexibility to segment capacity. Southern further states these procedures have permitted the increased use of segmentation but have sufficiently protected the operation of the reticulated areas of the Southern system without obstructing the segmentation process.

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[3] *Id.* at 61,158-59.

[4] Southern implemented its Order No. 637 tariff provisions, including segmentation, on September 1, 2003. *See* Southern Natural Gas Company (Docket No. RP00-476-005, Sept. 25, 2003) (Unpublished letter order).

[5] *See also* 104 FERC ¶ 61,127 (2003).

Segmentation Enhancements

5. Southern proposes two enhancements to its tariff's segmentation provisions. Section 12.1 (L)(1) of Southern's GT&C currently does not allow shippers to segment by crossing between its north and south systems. Southern proposes to revise section 12.1 (L)(1) of the GT&C to allow shippers to use production area (zone 0) pools to be the supply source for a segmented transaction without a requirement that the pool be restricted to a north system supply pool or south system supply pool. Southern states that the result of this revision is that through the use of supply area pools, shippers can source their gas from anywhere in the production area (zone 0) without having to track whether the production is specifically coming from the north system or south system. Southern states this is an enhancement that it believes it can offer because deliveries must be made in a zone downstream of the aggregated supply which only creates minimal incremental risk to Southern's current operations, but creates significant new opportunities to use segmentation from all zone 0 sources through pools.

6. Southern also states that its tariff currently does not allow shippers to use storage as a receipt point for a segmentable transaction. Southern proposes to revise section 12.1 (L)(3) of its GT&C to remove this limitation from the tariff and add a provision to allow receipts from a shipper's CSS (Contract Storage Service) or ISS (Interruptible Storage Service) storage account to be used through a zone 1 north specific or zone 1 south specific pool. Southern states that this enhancement will allow shippers more flexibility to source segmentable transactions also through use of the pooling mechanism.

7. Notice of the filing was issued on November 5, 2004, with comments due on or before November 15, 2002. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. No protests or adverse comments were filed. Atlanta Gas Light Company and Chattanooga Gas Company filed comments endorsing both of Southern's proposed tariff changes. They state that such proposed enhancements will allow shippers more flexibility by permitting segmentation through the use of the pooling mechanism.

8. We find that Southern's one-year report complies with the Commission's April 11, 2002 Order. Our review of Southern's one-year report indicates that segmentation has been implemented successfully on Southern's system. Further, the Commission accepts Southern's proposal to enhance segmentation on its system by permitting shippers to source supplies from production area pools without restrictions and from receipt points

from a shipper's storage account through its pooling mechanism. We find these proposed revisions will provide shippers greater segmentation flexibility and should enhance the use of segmentation. Accordingly, we accept the tariff sheets referenced above, to be effective January 1, 2005, as proposed.

By direction of the Commission.

Linda Mitry,
Deputy Secretary.