



FEDERAL ENERGY REGULATORY COMMISSION

October 22, 2008
Southern Star Central Gas Pipeline Co.
Docket No. PA08-1-000

MEDIA CONTACT
Mary O'Driscoll – 202.502.8680

FERC Alerts Pipelines to Noncompliance Risk

The Federal Energy Regulatory Commission (FERC) today warned natural gas pipeline companies that they face the risk of penalties if they have not filed with the Commission contracts that do not conform with their *pro forma* open access tariffs.

Background and Order

Today's warning came as FERC approved an audit report of Southern Star Central Gas Pipeline Co. that found the company had failed to file at least 29 contracts containing material deviations from its *pro forma* tariff. The audit determined whether Southern Star was in compliance with FERC regulations from Jan. 1, 2006, through May 30, 2008.

The audit report included recommended remedies to address the identified instances of non-compliance and to help ensure Southern Star's future compliance with the requirements. FERC made several recommendations to Southern Star for ensuring compliance, and urged the company to implement a comprehensive regulatory compliance program consistent with factors articulated in the Compliance Policy Statement issued Oct. 16, 2008.

Today's order is the first instance in the wake of the Energy Policy Act of 2005 where staff has identified material deviations in contracts that have not been filed at FERC. The Commission considered penalties as a remedy because the company's failure to file the nonconforming contracts prevented FERC from ensuring the provisions comport with the Natural Gas Act. However, FERC determined that the majority of the nonconforming contracts were entered into by Williams Gas Pipeline Company, Southern Star's predecessor, and that Williams had stated at the time of the sale that the pipeline was being operated in compliance with applicable regulatory requirements.

FERC also found that Southern Star "demonstrated exemplary cooperation during the audit" and promptly implemented remedial actions once FERC staff identified the problems.

"While we have exercised our discretion in this case not to assess civil penalties for Southern Star's violations, we want to point out to Southern Star and all other pipelines within our jurisdiction that we will not be inclined to be so lenient if we discover similar violations in the future," FERC said. "The rules regarding pipelines' tariffs that govern the provision of accessible and properly priced transportation service are too important to the efficient operation of the natural gas grid and markets for the Commission to do otherwise. Accordingly, the Commission will not hesitate to exercise the Natural Gas Act's penalty authority in appropriate circumstances in the future to deter such action."