



Southern LNG  
Company, L.L.C.  
a Kinder Morgan company

January 25, 2018

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Southern LNG Company, L.L.C.  
Docket No. RP18-\_\_\_\_  
Dredging Surcharge Cost Adjustment

Dear Ms. Bose:

Southern LNG Company, L.L.C. (“SLNG”) files the following revised sections to its FERC Gas Tariff:

Section 2.1, LNG-1 Firm Terminal Service, Version 19.00  
Section 2.2, LNG-2 Interruptible Terminal Service, Version 19.00  
Section 2.3, LNG-3 Firm Terminal Service, Version 20.00

The proposed sections increase the dredging surcharge to maintain the Elba Island turning basin and marine slip for LNG ships from \$0.0419 to \$0.0459 per dekatherm (“Dth”) of storage capacity. Attachment A contains both clean and marked versions of these sections. SLNG requests that the Commission accept the revised sections to become effective March 1, 2018. Attachment B contains supporting workpapers.

### **Nature, Basis and Reasons**

SLNG owns and operates the LNG import terminal on Elba Island, Georgia. The marine slip cut into Elba Island (which can accommodate two LNG ships at once) is the area for unloading LNG ships. Dredging and disposal of sediment from the marine slip as well as the turning basin in the river adjacent to the marine slip is necessary to maintain safe depth for LNG ships.

On October 10, 2002, the Federal Energy Regulatory Commission (“Commission”) approved an uncontested settlement in Docket No. RP02-129.<sup>1</sup> The settlement requires SLNG to track costs to maintain “the turning basin, channel and berths.”<sup>2</sup> The maintenance dredging

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<sup>1</sup> *Southern LNG Inc.*, 101 FERC ¶ 61,009 (2002).

<sup>2</sup> *Id.* at 61,038, para. 3 (“Article II of the S&A provides for the adoption of Original Sheet Nos. 105a and 105b, which institute a mechanism designed to track SLNG’s maintenance costs associated with dredging, including spoil disposal costs involved in such dredging.”).

performed under the tracker is designed to provide for safe berthing and navigation of LNG ships.

Maintenance activities include dredging silt and sand deposited by hydrodynamics of the river, surveying the depth of the water to ensure safe navigation, and building up the capacity of the containment areas on Elba Island, where SLNG disposes of dredge spoil. All three costs are included in this filing for the next annual period.

This filing increases the dredging surcharge for the maintenance costs by \$0.004 to \$0.0459. Attachment A contains clean and marked tariff sheets effecting this change. This rate recovers the projected costs of \$7,072,448 plus a (\$589,649) balance in the deferred account for revenues collected in excess of expenses incurred. Schedules 1 through 4 of Attachment B provide additional support.

### **Tracker Mechanism**

Article II of the approved settlement states that “SLNG shall place into effect the tracker of maintenance dredging costs set forth on Original Sheet Nos. 105a and 105b.” These sheets 105a and 105b (which have been renumbered) pertain to Section 24.3 of SLNG’s General Terms and Conditions (“GT&C”). Section 24.3 contains the following terms and conditions:

#### **1. Annual dredging period.**

SLNG must file with the Commission at least thirty days prior to the beginning date for each Maintenance Dredging Annual Period (GT&C § 24.3(b)(ii)). The next maintenance dredging annual period begins on March 1, 2018. SLNG therefore submits this filing on January 25, 2018.

#### **2. Total dredging cost.**

In each Annual Maintenance Dredging Cost Filing, SLNG shall adjust its dredging surcharge as follows: (a) SLNG must determine the Estimated Maintenance Dredging Costs for the next annual period; and (b) the Estimated Maintenance Dredging Costs must be decreased by any overcollection balance in the deferred account or increased by any undercollection balance in the deferred account (GT&C § 24.3(d)). Finally, the total cost must be divided by the reservation charge billing determinants.

##### **a. Estimated Future Costs.**

SLNG has determined the Estimated Maintenance Dredging Costs for the upcoming Maintenance Dredging Annual Period to be \$7,072,448. Schedule 4 estimates the annual expenses necessary to maintain the required depth and to dispose of spoil (GT&C § 24.3(a)(i)).

SLNG contracts for the dredging, surveying, and disposal services included in the tracker. Based on the trend of river siltation and contractor pricing, SLNG estimates \$4,222,000 for dredging in 2018. This compares to \$4,302,150 spent in 2017.

In addition to dredging costs, SLNG adds the \$120,000 cost of surveying the river depth several times each year to satisfy Coast Guard and river pilot requirements and to monitor the depth of dredging. The estimated annual cost also includes \$2,730,448 to build up the disposal areas on Elba Island and to help dry the dredged material within the disposal areas. This estimated amount compares to \$1,750,078 spent in 2017 on spoil disposal cost. The 2018 estimated spoil disposal cost is higher due to some of the work that was planned in 2017 is now scheduled to be done in 2018. SLNG continues to believe that disposal on Elba Island remains the lowest cost option, given the scarcity of alternatives and permitting obstacles for offsite disposal.

**b. Past Year's Overcollection.**

Schedule 3 shows the actual costs in 2017 for dredging, surveying, and disposal, which totaled \$6,225,756. This compares to \$7,060,998 estimated for 2017 as reflected on Schedule 4 in last year's filing (RP17-358). This difference is mainly attributable to the estimate including more dredging than actually incurred in 2017.

The overall difference between estimates and actuals, when combined with the overcollection negative deferred account balance from last year's filing, results in an overcollection negative balance in the Maintenance Dredging Deferred Account of \$589,649. Schedule 2 shows by month, plus interest, the amount in the deferred account. SLNG adds to the deferred account balance the Estimated Maintenance Dredging Costs described above in paragraph (a) (GT&C § 24.3(d)(ii)).

**3. Tracker Rate per Dth.**

SLNG divided the total Estimated Maintenance Dredging Costs by the Estimated Reservation Charge Billing Determinants (GT&C § 24.3(d)(iii)). The maximum storage capacity billing determinants for the next annual period equals 141,143,040 Dth, which is the same as in last year's filing (see footnote 5 in the attached Schedule 1 for support). SLNG has divided the total Estimated Maintenance Dredging Costs by the total Dth to derive the rate as shown in Schedule 1 and on the tariff sheets in Attachment A.

The tariff sheets add the surcharge to the reservation charge for firm service under Rate Schedules LNG-1 and LNG-3. The surcharge is also added to the monthly charge for interruptible service under Rate Schedule LNG-2. SLNG proposes to make the increase effective March 1, 2018, as provided in the tariff sheets, the settlement, and the Commission's order approving the settlement.

**Procedural Matters**

Pursuant to the applicable provisions of Section 154.7 of the Commission's regulations, SLNG submits the following materials in connection with the filing:

1. An etariff XML filing package containing the proposal in electronic format;
2. A transmittal letter;
3. Attachment A, containing clean and marked versions of the tariff sections in PDF format; and
4. Attachment B, containing supporting workpapers.

As required by Section 154.208 of the Commission's regulations, copies of this filing are being made available at SLNG's offices in Birmingham, Alabama and electronically mailed or mailed to SLNG's customers and interested state commissions.

The name, title, and mailing address of the person to whom communications concerning this filing is to be addressed and on whom service is to be made is as follows:

T. Brooks Henderson  
Director - Rates  
Southern LNG Company, L.L.C.  
Post Office Box 2563  
Birmingham, Alabama 35202-2563  
(205) 325-3843  
[brooks\\_henderson@kindermorgan.com](mailto:brooks_henderson@kindermorgan.com)

Respectfully submitted,

SOUTHERN LNG COMPANY, L.L.C.

/s/ T. Brooks Henderson  
T. Brooks Henderson  
Director - Rates  
Southern LNG Company, L.L.C.  
P.O. Box 2563  
Birmingham, Alabama 35202-2563  
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Enclosures

## **CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing document upon all customers and interested state commissions this 25th day of January, 2018.

/s/ T. Brooks Henderson  
T. Brooks Henderson  
Director - Rates  
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**SOUTHERN LNG COMPANY, L.L.C.  
ANNUAL DREDGING SURCHARGE ADJUSTMENT**

**ATTACHMENT A  
PROPOSED TARIFF SECTIONS**

SECTION 2.1

**LNG-1 RATES**  
 FIRM TERMINAL SERVICE

| <u>Rate Schedule LNG-1 (Firm Terminal Service)</u>                              | Maximum Rate                    | Minimum Rate                   |
|---|---------------------------------|--------------------------------|
| Monthly Reservation Charge per Dth of MSQ                                       | \$0.6712                        | \$0.00                         |
| Dredging Surcharge per Dth of MSQ   | \$0.0459                        | \$0.00                         |
| <u>Additional Charges and Surcharges</u>  |                                 |                                |
| 1. Commodity Rate   | \$0.0114/Dth of deliveries      | \$0.0114/Dth of deliveries     |
| 2. Fuel (GT&C § 24.1)   | Pro Rata Share                  | Pro Rata Share                 |
| 3. Electric Power Cost Charge   | \$0.0933/Dth of deliveries      | \$0.0933/Dth of deliveries     |
| 3a. K-6 Boil Off Compressor Electric Power Cost Charge                          | \$0.1365 /Dth of gas compressed | \$0.1365/Dth of gas compressed |
| 4. ACA Surcharge  | See GT&C Section 21             | See GT&C Section 21            |
| 5. K-6 Boil Off Compressor Usage Surcharge                                      | \$0.4512/Dth of gas compressed  | \$0.0000/Dth of gas compressed |
| Total additional charges and surcharges (excluding items 2, 3a, 4, and 5 above) | \$0.1047/Dth of deliveries      | \$0.1047/Dth of deliveries     |

SECTION 2.2

**LNG-2 RATES**  
 INTERRUPTIBLE TERMINAL SERVICE

| <u>Rate Schedule LNG-2 (Interruptible Terminal Service)</u>                     | Maximum Rate                   | Minimum Rate                   |
|---|--------------------------------|--------------------------------|
| Monthly Storage Charge per Dth  | \$0.6712                       | \$0.00                         |
| Dredging Surcharge per Dth  | \$0.0459                       | \$0.00                         |
| <u>Additional Charges and Surcharges</u>  |                                |                                |
| 1. Commodity Rate   | \$0.0114/Dth of deliveries     | \$0.0114/Dth of deliveries     |
| 2. Fuel (GT&C § 24.1)   | Pro Rata Share                 | Pro Rata Share                 |
| 3. Electric Power Cost Charge   | \$0.0933/Dth of deliveries     | \$0.0933/Dth of deliveries     |
| 3a. K-6 Boil Off Compressor Electric Power Cost Charge                          | \$0.1365/Dth of gas compressed | \$0.1365/Dth of gas compressed |
| 4. ACA Surcharge  | See GT&C Section 21            | See GT&C Section 21            |
| 5. K-6 Boil Off Compressor Usage Surcharge                                      | \$0.4512/Dth of gas compressed | \$0.0000/Dth of gas compressed |
| Total additional charges and surcharges (excluding items 2, 3a, 4, and 5 above) | \$0.1047/Dth of deliveries     | \$0.1047/Dth of deliveries     |



SECTION 2.3

**LNG-3 RATES**

FIRM TERMINAL SERVICE – ELBA III

| <u>Rate Schedule LNG-3 (Firm Terminal Service – Elba III)</u>  | Maximum Rate                   | Minimum Rate                   |
|--|--------------------------------|--------------------------------|
| Monthly Reservation Charge per Dth of MSQ  | \$0.7532                       | \$0.0000                       |
| Monthly Reservation Charge per Dth of MDVQ   | \$2.4920                       | \$0.0000                       |
| Dredging Surcharge per Dth of MSQ  | \$0.0459                       | \$0.0000                       |
| <u>Additional Charges and Surcharges</u>   |                                |                                |
| 1. Electric Power Cost Charge  | \$0.0933/Dth of deliveries     | \$0.0933/Dth of deliveries     |
| 1a. K-6 Boil Off Compressor Electric Power Cost Charge   | \$0.1365/Dth of gas compressed | \$0.1365/Dth of gas compressed |
| 2. Commodity Rate  | \$0.0114/Dth of deliveries     | \$0.0114/Dth of deliveries     |
| 3. Fuel (GT&C § 24.1)  | Pro Rata Share                 | Pro Rata Share                 |
| 4. ACA Surcharge   | See GT&C Section 21            | See GT&C Section 21            |
| 5. K-6 Boil Off Compressor Usage Surcharge   | \$0.4512/Dth of gas compressed | \$0.0000/Dth of gas compressed |
| Total additional charges and surcharges<br>Per Dth of deliveries (excluding items 1a, 3, 4, and 5 above) | \$0.1047/Dth of deliveries     | \$0.1047/Dth of deliveries     |

**MARKED VERSION OF  
PROPOSED TARIFF SECTIONS**

SECTION 2.1

**LNG-1 RATES**  
 FIRM TERMINAL SERVICE

| <u>Rate Schedule LNG-1 (Firm Terminal Service)</u>                              | Maximum Rate                    | Minimum Rate                   |
|---|---------------------------------|--------------------------------|
| Monthly Reservation Charge per Dth of MSQ                                       | \$0.6712                        | \$0.00                         |
| Dredging Surcharge per Dth of MSQ   | \$0.04 <del>15</del> 9          | \$0.00                         |
| <u>Additional Charges and Surcharges</u>  |                                 |                                |
| 1. Commodity Rate   | \$0.0114/Dth of deliveries      | \$0.0114/Dth of deliveries     |
| 2. Fuel (GT&C § 24.1)   | Pro Rata Share                  | Pro Rata Share                 |
| 3. Electric Power Cost Charge   | \$0.0933/Dth of deliveries      | \$0.0933/Dth of deliveries     |
| 3a. K-6 Boil Off Compressor Electric Power Cost Charge                          | \$0.1365 /Dth of gas compressed | \$0.1365/Dth of gas compressed |
| 4. ACA Surcharge  | See GT&C Section 21             | See GT&C Section 21            |
| 5. K-6 Boil Off Compressor Usage Surcharge                                      | \$0.4512/Dth of gas compressed  | \$0.0000/Dth of gas compressed |
| Total additional charges and surcharges (excluding items 2, 3a, 4, and 5 above) | \$0.1047/Dth of deliveries      | \$0.1047/Dth of deliveries     |

SECTION 2.2

**LNG-2 RATES**  
 INTERRUPTIBLE TERMINAL SERVICE

| <u>Rate Schedule LNG-2 (Interruptible Terminal Service)</u>                     | Maximum Rate                   | Minimum Rate                   |
|---|--------------------------------|--------------------------------|
| Monthly Storage Charge per Dth  | \$0.6712                       | \$0.00                         |
| Dredging Surcharge per Dth  | \$0.04 <del>15</del> 9         | \$0.00                         |
| <u>Additional Charges and Surcharges</u>  |                                |                                |
| 1. Commodity Rate   | \$0.0114/Dth of deliveries     | \$0.0114/Dth of deliveries     |
| 2. Fuel (GT&C § 24.1)   | Pro Rata Share                 | Pro Rata Share                 |
| 3. Electric Power Cost Charge   | \$0.0933/Dth of deliveries     | \$0.0933/Dth of deliveries     |
| 3a. K-6 Boil Off Compressor Electric Power Cost Charge                          | \$0.1365/Dth of gas compressed | \$0.1365/Dth of gas compressed |
| 4. ACA Surcharge  | See GT&C Section 21            | See GT&C Section 21            |
| 5. K-6 Boil Off Compressor Usage Surcharge                                      | \$0.4512/Dth of gas compressed | \$0.0000/Dth of gas compressed |
| Total additional charges and surcharges (excluding items 2, 3a, 4, and 5 above) | \$0.1047/Dth of deliveries     | \$0.1047/Dth of deliveries     |

SECTION 2.3

**LNG-3 RATES**

FIRM TERMINAL SERVICE – ELBA III

| <u>Rate Schedule LNG-3 (Firm Terminal Service – Elba III)</u>  | Maximum Rate                   | Minimum Rate                   |
|--|--------------------------------|--------------------------------|
| Monthly Reservation Charge per Dth of MSQ  | \$0.7532                       | \$0.0000                       |
| Monthly Reservation Charge per Dth of MDVQ   | \$2.4920                       | \$0.0000                       |
| Dredging Surcharge per Dth of MSQ  | \$0.04 <del>15</del> 9         | \$0.0000                       |
| <u>Additional Charges and Surcharges</u>   |                                |                                |
| 1. Electric Power Cost Charge  | \$0.0933/Dth of deliveries     | \$0.0933/Dth of deliveries     |
| 1a. K-6 Boil Off Compressor Electric Power Cost Charge   | \$0.1365/Dth of gas compressed | \$0.1365/Dth of gas compressed |
| 2. Commodity Rate  | \$0.0114/Dth of deliveries     | \$0.0114/Dth of deliveries     |
| 3. Fuel (GT&C § 24.1)  | Pro Rata Share                 | Pro Rata Share                 |
| 4. ACA Surcharge   | See GT&C Section 21            | See GT&C Section 21            |
| 5. K-6 Boil Off Compressor Usage Surcharge   | \$0.4512/Dth of gas compressed | \$0.0000/Dth of gas compressed |
| Total additional charges and surcharges<br>Per Dth of deliveries (excluding items 1a, 3, 4, and 5 above) | \$0.1047/Dth of deliveries     | \$0.1047/Dth of deliveries     |

**SOUTHERN LNG COMPANY, L.L.C.  
ANNUAL DREDGING SURCHARGE ADJUSTMENT**

**ATTACHMENT B  
SUPPORTING WORKPAPERS**

**Southern LNG Company, L.L.C.**  
**Maintenance Dredging Cost Tracker**  
**Effective March 1, 2018**

**Line  
No.**

|    |   |                                   |
|----|---|-----------------------------------|
| 1  | Maintenance Dredging Deferred Account Balance at 12/31/16 | \$ (1,150,045)                    |
| 2  | Revenue For 1/17 - 12/17 Time Period                      | \$ (5,624,550) <sup>1/</sup>      |
| 3  | Actual Costs Incurred from 1/17 - 12/17                   | <u>\$ 6,225,756</u> <sup>2/</sup> |
| 4  | Deferred Account Balance (undercollection)                | \$ (548,839)                      |
| 5  | Interest on Deferred Account                              | <u>\$ (40,810)</u> <sup>3/</sup>  |
| 6  | Maintenance Dredging Deferred Account Balance at 12/31/17 | \$ (589,649)                      |
| 7  | Projected Costs 3/18- 2/19                                | <u>\$ 7,072,448</u> <sup>4/</sup> |
| 8  | Total Costs to be Recovered 3/18 - 2/19                   | \$ 6,482,799                      |
| 9  | MSQ Reservation Charge Billing Determinants (divisor)     | 141,143,040 dth <sup>5/</sup>     |
| 10 | Dredging Surcharge Effective 3/1/18 - 2/28/19             | <u><u>\$ 0.0459</u></u>           |

1/ (\$.0337 Dredging Surcharge x 3 months (1/17 - 3/17) x 11,761,920 dth monthly billing units)  
+ (\$.0419 Dredging Surcharge x 9 months (4/17 - 12/17) x 11,761,920 dth monthly billing units)  
= \$5,624,550. Also see Schedule 2.

2/ See Schedule 2 and Schedule 3.

3/ See Schedule 2.

4/ See Schedule 4.

5/ 4,000,000 mcf x 1.021 x 12 months = 49,008,000 dth plus 3,300,000 mcf (MSQ Expansion in service 2/06) x 1.021  
x 12 = 40,431,600 plus 4,220,000 mcf x 1.021 x 12 months (MSQ Expansion in service 7/10) = 51,703,440.  
49,008,000 dth + 40,431,600 + 51,703,440 = 141,143,040.

## Schedule 2

**Southern LNG Company, L.L.C.**  
**Maintenance Dredging Cost Tracker**

| <u>Line No.</u> | <u>Month</u>                         | <u>Revenues</u>   | <u>Cost Incurred</u> | <u>Interest</u> | <u>Monthly Total</u> | <u>Cumulative Total</u> |
|-----------------|--------------------------------------|-------------------|----------------------|-----------------|----------------------|-------------------------|
| 1               | Deferred Account Balance at 12/31/16 |                   |                      |                 | \$ (1,150,045)       | \$ (1,150,045)          |
| 2               | January 2017                         | (396,377)         | 273,702              | (3,545)         | (126,219)            | (1,276,264)             |
| 3               | February                             | (396,377)         | 381,843              | (3,447)         | (17,981)             | (1,294,245)             |
| 4               | March                                | (396,377)         | 110,435              | (4,071)         | (290,013)            | (1,584,258)             |
| 5               | April                                | (492,824)         | 667,547              | (4,741)         | 169,982              | (1,414,277)             |
| 6               | May                                  | (492,824)         | 808,317              | (4,212)         | 311,281              | (1,102,996)             |
| 7               | June                                 | (492,824)         | 850,317              | (3,108)         | 354,384              | (748,612)               |
| 8               | July                                 | (492,824)         | 274,697              | (2,747)         | (220,874)            | (969,486)               |
| 9               | August                               | (492,824)         | 680,065              | (3,118)         | 184,123              | (785,363)               |
| 10              | September                            | (492,824)         | 408,110              | (2,629)         | (87,344)             | (872,706)               |
| 11              | October                              | (492,824)         | 409,453              | (3,236)         | (86,607)             | (959,313)               |
| 12              | November                             | (492,824)         | 633,073              | (3,225)         | 137,024              | (822,290)               |
| 13              | December 2017                        | <u>(492,824)</u>  | <u>728,195</u>       | <u>(2,731)</u>  | <u>232,640</u>       | (589,649)               |
| 14              | Total                                | \$ (5,624,550.15) | \$ 6,225,756         | \$ (40,809.74)  | \$ (589,649)         |                         |



**Southern LNG Company, L.L.C.**  
**Actual Maintenance Dredging Costs Incurred To Maintain Required Depth And Dispose Of Spoil**  
**For January 2017 - December 2017 Time Period**

| Line No. |   | <u>Jan-17</u> | <u>Feb-17</u> | <u>Mar-17</u> | <u>Apr-17</u> | <u>May-17</u> | <u>Jun-17</u> | <u>Jul-17</u> | <u>Aug-17</u> | <u>Sep-17</u> | <u>Oct-17</u> | <u>Nov-17</u> | <u>Dec-17</u> | <u>Total</u> |
|----------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| 1        | Surveys for measuring depth of turning basin, channel and berth | 46,160        | 0             | 15,308        | 0             | 0             | 0             | 0             | 35,907        | 8,727         | 33,105        | 20,778        | 13,542        | \$ 173,527   |
| 2        | Dredging of turning basin, channel and berth                    | 182,012       | 309,849       | 74,116        | 493,846       | 558,566       | 520,793       | 196,337       | 447,097       | 246,384       | 210,721       | 611,719       | 450,710       | 4,302,150    |
| 3        | Spoil disposal cost   | 45,530        | 71,995        | 21,011        | 173,700       | 249,751       | 329,524       | 78,361        | 197,061       | 152,999       | 165,627       | 576           | 263,944       | 1,750,078    |
| 4        | Total   | \$ 273,702    | \$ 381,843    | \$ 110,435    | \$ 667,547    | \$ 808,317    | \$ 850,317    | \$ 274,697    | \$ 680,065    | \$ 408,110    | \$ 409,453    | \$ 633,073    | \$ 728,195    | \$ 6,225,756 |

**Southern LNG Company, L.L.C.**  
Estimated Maintenance Dredging Costs To Maintain Required Depth And Dispose Of Spoil  
For March 2018 - February 2019 Time Period

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| <b>Line No.</b> | <b>Time Period</b>                  | <b>Description</b>  | <b>Amount</b>    |
|-----------------|-------------------------------------|---|------------------|
| 1               | Various times throughout the period | Surveys for measuring depth of turning basin, channel and berth | \$ 120,000       |
| 2               | Various times throughout the period | Dredging of turning basin, channel and berth                    | 4,222,000        |
| 3               | Various times throughout the period | Spoil disposal cost   | <u>2,730,448</u> |
| 4               |                                     | Total   | \$ 7,072,448     |