

107 FERC ¶ 61,249
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Southern Star Central Gas Pipeline, Inc.

Docket No. RP93-109-020

ORDER ACCEPTING REFUND REPORT OF ENVIRONMENTAL PROCEEDS

(Issued June 2, 2004)

1. On November 20, 2003, Southern Star Central Gas Pipeline, Inc. (Southern Star), filed its refund report of environmental proceeds from third-party insurers in accordance with Article III, Paragraph D of the Stipulation and Agreement (Settlement) of January 31, 2001, approved in Docket No. RP93-109-017. Williams Gas Pipelines Central, Inc., 94 FERC ¶ 61,364 (2001). Southern Star asserts that it did not receive any insurance proceeds for environmental clean-up costs during the twelve months ended September 30, 2003, and that, consequently, no refunds are due to its customers. The Commission finds that this filing satisfies the reporting requirements of the Settlement. Accordingly, the Commission accepts the instant refund report as consistent with the terms of the Settlement.

Background

2. The Settlement required Southern Star to, first, refund to customers 90 per cent of environmental insurance proceeds received from third-party insurers by January 31 of each year following the twelve-month period ending on September 30 during which Southern Star receives such payments. Second, Southern Star must allocate such refunds to customers based on firm reservation revenues for this twelve-month period. Third, the Settlement requires Southern Star to file a refund report consistent with this allocation mechanism no less than 30 days prior to January 31 of each year.

3. Southern Star previously submitted two refund reports to comply with the terms of the Settlement, which were both accepted by the Commission. The first refund report, submitted on December 11, 2001, in Docket No. RP93-109-018, provided that Southern

Star would refund \$1,713,200 to its customers for the period ending September 30, 2001, Unpublished Director Letter Order issued January 23, 2002, in Docket No. RP93-109-018. The second refund report submitted on December 17, 2002, in Docket No. RP93-109-019 committed Southern Star to refund \$17, 686 for the period ending September 30, 2002, Unpublished Director Letter Order issued January 23, 2003 in Docket No. RP93-109-019.

Notice, Intervention, and Protests

4. Public notice of the filing was issued on November 26, 2003. Interventions and protests were due as provided in section 154.210 of the Commission's Regulations, 18 C.F.R. § 385.210 (2002). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2002), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance of this order are granted.

5. On December 3, 2003, the Missouri Public Service Commission, (MoPSC) filed a protest. MoPSC contends that Southern Star, which was recently purchased by a member of the American International Group (AIG), an insurance company, may no longer seek recovery of environmental insurance proceeds from insurers affiliated with AIG because the pursuit of such claims from affiliated insurance companies conflicts with the financial interests of its new parent company. Further, MoPSC contends that Southern Star may not seek to recover claims from unaffiliated insurers insofar as there may exist an informal agreement among insurance company not to pursue claims against one another. For the reasons discussed below, the Commission rejects MoPSC's protest and accepts Southern Star's refund report.

Discussion

6. In the instant filing, Southern Star submitted the required refund report, which demonstrates that it has not recovered any environmental insurance proceeds during the 12 months ending September 30, 2003, and, consequently, that no customer refunds are due for this period. The Commission accepts the instant refund report as complying with the Settlement.

7. The Commission finds MoPSC's protest lacks merit. MoPSC contends that Southern Star's purchase by Southern Star Central Corporation, a wholly-owned subsidiary of an affiliate of AIG, which is one of the world's largest insurance companies, gives rise to a conflict of interest between Southern Star's ratepayers and its corporate parent, AIG. MoPSC argues that the corporate affiliation inhibits Southern Star from filing claims for environmental clean-up costs from its corporate parent and its insurance affiliates. Since an AIG affiliate may be liable for payment of such proceeds, MoPSC alleges that Southern Star now has a "disincentive for pursuing recovery from

remaining policies under which additional claims could or should be made.” MoPSC Rehearing Request at 4. MoPSC further alleges that Southern Star may not be willing to seek recovery from any insurance companies, whether or not they are affiliated with AIG, because “there is likely an informal understanding or code of conduct among insurance companies that discourages pursuit of such indemnifications from another insurance company.” Id.

8. MoPSC’s claims are speculative and unsupported. MoPSC fails to present any evidence to substantiate its allegation that Southern Star’s parents or its affiliates prevent Southern Star from seeking recovery of environmental insurance proceeds or that there is an informal code among insurance companies generally that discourages the filing of claims against each other. The Commission finds that such mere allegations do not warrant further investigation or an order directing Southern Star to respond to MoPSC’s information requests.

The Commission orders:

Southern Star’s November 20, 2003 refund report is accepted.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.