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FERC Issues Enforcement Order on Natural Gas Policy Act Violation

August 15, 2025

Reading Time : **2 min**

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On August 8, 2025, the Federal Energy Regulatory Commission (FERC) issued an enforcement order in *Skye MS, LLC* (*Skye*) and levied a $45,000 civil penalty on an intrastate pipeline operator in Mississippi, resolving an investigation into the operator's violations of section 311 (Section 311) of the Natural Gas Policy Act (NGPA). FERC faulted the operator for providing a Section 311 transportation service without timely filing a Statement of Operating Conditions (SOC) and obtaining FERC's approval for the transportation rates. Section 311 permits intrastate pipelines to transport interstate gas "on behalf of" interstate pipelines without becoming subject to FERC's more extensive Natural Gas Act (NGA) jurisdiction, but requires the intrastate pipeline to have an SOC stating the rates and terms and conditions of service on file with FERC within 30 days of providing the interstate service. Under the NGPA, Section 311 rates must be "fair and equitable" and approved by FERC. In *Skye*, FERC stated that the operator began providing Section 311 service on certain pipeline segments in Mississippi in May 2023, following their acquisition from another Section 311 operator, but did not file an SOC with FERC until April 2025. The order ties the penalty to the approximately two-year delay between commencement of the Section 311 service and the SOC filing date. The pipeline operator was also ordered to provide an annual compliance report and to abide by additional verification requirements related to the filing of its FERC Form No. 549D, the Quarterly Transportation & Storage Report for Intrastate Natural Gas and Hinshaw Pipelines.

Regulatory Implications

Skye is the first FERC order issued on a Section 311 enforcement matter in over a decade. Thus, Section 311 pipeline operators should take note that the FERC Office of Enforcement is reviewing their activities. The investigation target's defense—that it believed the pipeline segments were non-jurisdictional gathering facilities at the time of purchase—did not dissuade the enforcement action. Indeed, the $45,000 civil penalty and compliance obligations signal that even smaller operators may be subject to strict enforcement proceedings, and ignorance of jurisdictional status (e.g., mistaking transmission lines for gathering lines) may not exempt entities from regulatory oversight.

For similarly situated companies, this order serves as a cautionary precedent. It highlights the importance of conducting thorough regulatory due diligence when acquiring pipeline assets, especially when transitioning from one operator to another. The requirement for compliance monitoring—including annual reports and quarterly filings with sworn affidavits—imposes ongoing administrative burdens and accountability. More broadly, the order may prompt other intrastate pipeline operators to reassess their compliance status under NGPA Section 311, particularly regarding rate filings and SOCs, to avoid similar enforcement actions. It also signals to upstream producers and shippers that they should verify the regulatory standing of their transportation providers to ensure lawful service and avoid potential refund liabilities.

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