

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

May 3, 2006

In Reply Refer To:  
ETC Katy Pipeline, Ltd.  
Docket No. PR06-7-000

ETC Katy Pipeline, Ltd.  
c/o Lemle & Kelleher, L.L.P.  
601 Poydras Street  
Suite 2100  
New Orleans, Louisiana 70130

Attention: Amy L. Baird  
Attorney for ETC Katy Pipeline, Ltd.

Reference: Rate Election

Dear Ms. Baird:

1. On December 8, 2005, ETC Katy Pipeline Ltd. (ETC Katy) filed, pursuant to section 311(a) of the Natural Gas Policy Act (NGPA) and section 284.123(b)(1)(i)(A) of the Commission's regulations, its election to use rates included in one of its currently effective firm rate schedules on file with the State of Texas. Specifically, ETC Katy seeks to use the rate of \$0.20 per MMBtu plus a 1 ½ percent retainage for lost and unaccounted-for gas and system fuel for its transportation services. ETC Katy also filed a Statement of Operating Conditions (Operating Statement) as required by section 284.123(e).
2. The Commission finds that the proposed rate of \$0.20 per MMBtu plus a 1 ½ percent fuel retainage is fair and equitable and accepts ETC Katy's rate election and related Operating Statement, subject to conditions.
3. ETC Katy is a Texas intrastate pipeline company operating approximately 148 miles of 30 and 36-inch pipeline facilities located in east central Texas. ETC Katy's system begins at producer owned treating facilities in Limestone County, Texas and extends south to a terminus at the Katy Oasis Hub in Waller County, Texas.

4. On July 15, 2004, ETC Katy filed with the Railroad Commission of Texas (TRC) an application for review of the reasonableness of the transportation component of a natural gas sales rate being charged under an existing gas sales contract.<sup>1</sup> By order issued March 22, 2005, the TRC found that ETC Katy's requested rate of \$0.20 per MMBtu plus 1 ½ percent retainage for lost and unaccounted-for gas and system fuel for the transportation component of a natural gas sales rate is fair and equitable, and not in excess of a cost-based rate.<sup>2</sup> ETC Katy states that the NGPA section 311 transportation services to be rendered on its intrastate pipeline facilities will include both firm and interruptible transportation. ETC Katy is directed to file, within 15 days of the date of this order, a revised Operating Statement to reflect that the terms and conditions set forth therein are applicable to both NGPA section 311 firm and interruptible transportation.<sup>3</sup>
5. Public notice of ETC Katy's filing was issued on January 6, 2006. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2005)). Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2005)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. No protests were filed.
6. On or before December 8, 2008, ETC Katy shall file a rate petition to justify its current rates or to establish new rates. This letter order does not relieve ETC Katy of its obligation to file the required reports under section 284 of the Commission's regulations.

By direction of the Commission. Commissioner Brownell dissenting in part with a separate statement attached.

Magalie R. Salas,  
Secretary.

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<sup>1</sup> See Gas Utilities Docket No. 9524. ETC Katy filed testimony and exhibits with the Texas Railroad Commission, as well as other supporting documentation. A copy of ETC Katy's submission was included in response to Staff's Data Request No. 2.

<sup>2</sup> The requested rate of \$0.20 per MMBtu is lower than the cost based rate of \$0.2403 per MMBtu as determined by the Railroad Commission of Texas in the Docket No. 9524 proceeding. The unit rate of \$0.2403 per MMBtu is based on ETC Katy's total cost of providing transportation service - \$5,335,953 - and a total throughput of 22,206,168 MMBtu.

<sup>3</sup> See *e.g.*, Operating Statement of Energy Transfer Fuel LP, filed on November 8, 2005 in Docket No. PR05-10.

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

ETC Katy Pipeline, Inc.

Docket No. PR06-7-000

(Issued May 3, 2006)

Nora Mead BROWNELL, Commissioner *dissenting in part*:

I would not impose a triennial rate approval requirement on Section 311 pipelines for the reasons set forth in Green Canyon Pipe Line Company, L.P., 98 FERC ¶ 61,041 (2002).

Nora Mead Brownell