

FEDERAL ENERGY REGULATORY COMMISSION  
Washington, D.C. 20426

December 6, 2006

In Reply Refer To:  
Cypress Gas Pipeline, LLC  
Docket Nos. PR06-19-000 and PR06-19-001

Fulbright & Jaworski L.L.P.  
801 Pennsylvania Ave, N.W.  
Washington, DC 20004-2623

Attention: John F. Harrington  
Attorney for Cypress Gas Pipeline, LLC

Reference: Offer of Settlement

Dear Mr. Harrington:

1. On November 22, 2006, Cypress Gas Pipeline, LLC (Cypress) filed an Offer of Settlement (Settlement) pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2006). The Settlement resolves all rate issues with regard to the rate petition filed by Cypress on July 11, 2006.
2. The following is a summary of the major provisions of the Settlement.
  - a. Effective July 11, 2006, the fair and equitable rate for transportation service pursuant to section 311 of the Natural Gas Policy Act of 1978 (NGPA) performed on Cypress's pipeline shall consist of a maximum interruptible transportation rate of \$0.1233 per MMBtu.
  - b. Within 30 days from the date the Commission issues an order approving, without modification or condition, all terms of the Settlement, Cypress will refund, with interest as determined in accordance with 18 C.F.R. §154.501(d) (2006), any amount it has collected above the rate specified in section 2(a), above, on or after July 11, 2006.
  - c. Cypress agrees to revise its Statement of Operating Conditions (SOC) to remove section 14.3 (relating to Operation and Maintenance Fees) effective

as of the first day of the month following Commission approval of the Settlement.

- d. Cypress agrees that for the period during which the Settlement is in effect, Cypress will not seek to terminate or suspend service pursuant to section 3.3 of the SOC against or with respect to the Louisiana Municipal Gas Authority (LMGA) except to the extent Cypress seeks to terminate or suspend service to similarly-situated customers on a not unduly discriminatory or not unduly preferential basis. For settlement purposes, in the event Cypress seeks to terminate or suspend service against or with respect to the LMGA, the LMGA retains all rights and abilities available to it to contest and oppose such an action by Cypress.
- e. On or before July 11, 2009, Cypress shall file a petition pursuant to section 284.123(b)(2) of the Commission's regulations to justify its current rate or establish new rates applicable to NGPA section 311 service.
- f. The Settlement represents a negotiated agreement of the issues in this proceeding. Cypress, the Commission, and its Staff, or any other party shall not be deemed to have approved, accepted, agreed, or otherwise consented to any principle or issue in this proceeding.

3. A shortened comment period was established with initial comments to be filed on or before November 29, 2006, and reply comments to be filed on or before December 1, 2006. No adverse comments or protests were filed. Pursuant to section 385.602(g)(3) of our settlement rules, the Commission finds that the uncontested settlement is fair and reasonable and in the public interest, and therefore the Settlement is approved.

4. Cypress is directed to file, within 15 days of the date of this order, a revised SOC to reflect the deletion of section 14.3 of the currently effective SOC as agreed to by Cypress. The revised SOC will become effective as of the first day of the month following Commission approval of the Settlement.

5. This letter order does not relieve Cypress of its obligations to file the required reports under Part 284 of the Commission's regulations. The Commission's approval of this Settlement does not constitute approval of, or precedent regarding any principle or issue in this proceeding.

By direction of the Commission.

Magalie R. Salas,  
Secretary.