

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Tri-States NGL Pipeline, L.L.C.

Docket No. IS07-381-000

ORDER ACCEPTING TARIFF

(Issued July 30, 2007)

1. On June 29, 2007, Tri-States NGL Pipeline, L.L.C. (Tri-States) filed its FERC Tariff No. 12, to be effective August 1, 2007, to amend the Products Specifications relating to the product known as Demethanized Mix, to clarify that Tri-States will accept Demethanized Mix with ethane and propane content less than 30 percent liquid volume (l.v.), so long as the total Demethanized Mix stream after such tender contains ethane and propane equal to or greater than 30 percent l.v. On July 13, 2007, Williams Field Services Company and Williams Power Company (jointly, Williams) filed a motion to intervene and protest of the Tri-States' tariff filing. On July 18, 2007, Tri-States answered the protest of Williams. For the reasons appearing below, Tri-States' tariff filing is accepted to become effective August 1, 2007.

Background

2. Tri-States currently transports natural gas liquids (NGLs) from three natural gas processing plants in Alabama and Mississippi to Kenner, Louisiana. At Kenner, Tri-States connects to the Wilprise Pipeline Company, L.L.C. (Wilprise) pipeline and two other pipelines. Wilprise transports Demethanized Mix to Sorrento, Louisiana, where Wilprise connects to a pipeline that serves the fractionator at Baton Rouge, Louisiana, which is owned partly by an affiliate of Williams and is the subject of Williams' protest.

3. Tri-States proposes to change its Product Specifications related to Demethanized Mix, which is a mixture of NGLs such as ethane, propane, butane, isobutene and natural gasoline. Tri-States states that it is amending its Product Specifications in order to accept Demethanized Mix with a combined ethane and propane content of less than 30 percent l.v. so long as the total Demethanized Mix stream after such tender contains a combined ethane and propane content equal to or greater than 30 percent l.v. That change to the NGL Products Specifications does not change the current ethane and propane 30 percent l.v. limit of the Tri-States common stream.

4. Tri-States contends the primary purpose of the revised Product Specifications is to permit a refinery at Pascagoula, Mississippi, which is not affiliated with any of the owners of Tri-State, to deliver Demethanized Mix to Tri-States. It states further that the Pascagoula refinery produces a butane-rich NGL stream that does not meet Tri-States' current requirement that each tender contain at least 30 percent ethane and/or propane.
5. Tri-States notes that the annual average throughput on its pipeline approximates 58,000 barrels per day in 2006, and that it expects the new volumes from the Pascagoula refinery to add an annual average of 5,000 barrels per day. Even after the addition of these barrels, the Tri-States pipeline will not operate close to its capacity.
6. Tri-States avers that the proposed change in the Product Specifications will merely add another source of NGLs for transportation on its pipeline without degrading the common stream it currently carries below the otherwise required Demethanized Mix limit of at least 30 percent ethane and/or propane. Tri-States states further that even with the additional barrels from the Pascagoula refinery, it will still operate its pipeline below capacity.

Williams' Protest

7. Williams contends that Tri-States' proposal will materially reduce the processing capacity at the Baton Rouge fractionator, that it will significantly increase operating costs at the fractionator and impose additional capital costs to expand capacity at the fractionator. If the Commission allows the proposed amendment to go into effect, Williams contends the capacity constraints at the Baton Rouge fractionator will cause fractionation of Williams' NGLs at a higher expense and at fractionators with less favorable market outlets. Williams contends that the proposed amendment may lead to curtailed gas processing, which, in turn, due to quality issues, may force production shut-in in the Gulf of Mexico. Williams further contends that the proposed amendment confers an unfair preference to Enterprise Products Partners, L.P., the majority owner of Tri-States,¹ or an Enterprise affiliate. Williams claims that the reduced processing capacity caused by the proposed amendment will likely cause it and other shippers to send spill-over barrels to other fractionation facilities owned by Enterprise or an Enterprise affiliate.
8. Williams asks that the Commission reject the proposed amendment filed by Tri-States, or in the alternative, suspend the filing pending investigation and evaluation of the

¹Enterprise Products Operating LLC and Enterprise NGL Pipelines LLC (referred to herein collectively or individually as Enterprise) are the actual owners of 66.66 percent of Tri-States. See Response of Tri-States NGL Pipeline, L.L.C. to Motion for Leave to Intervene and Protest of Williams Field Services Company and Williams Power Company, filed July 18, 2007, fn 2.

effect of Tri-States' FERC Tariff No. 12. Alternatively, Williams requests that the Commission stay consideration of the proposed amendment pending the completion of informal settlement discussions between Tri-States' affiliate, Enterprise Products Partners, L.P., and Williams on alternatives to the proposed amendment.

Tri-States' Response

9. Tri-States contends that the Commission should dismiss the Williams' protest for failure to raise any issue warranting suspension and investigation of Tri-States' FERC Tariff No. 12. Tri-States points out that the Tri-States' Product Specification for Demethanized Mix continues to match that of the Wilprise pipeline, to which it connects and through which product is delivered to Williams at the Baton Rouge fractionator.²

10. Tri-States contends that Williams' argument that the new Product Specifications will increase the operating costs and reduce capacity of the Baton Rouge fractionator is without merit. Tri-States argues that nothing about its proposed Product Specifications changes Williams' rights or reasonable expectations with respect to the nature of product Williams is entitled to receive from Tri-States. All of the product Williams ships on Tri-States moves through the Wilprise pipeline. Tri-States' Product Specifications explicitly provide that the common Demethanized Mix stream must contain at least 30 percent ethane and propane by l.v. This requirement precisely matches the product specification for volumes moved on Wilprise, which has not changed. Williams' rights with respect to the type of Demethanized Mix it is entitled to receive at the outlet of Wilprise are not diminished or affected in any way. Tri-States further asserts that Williams cannot claim any reasonable expectation of receiving product different from that moved on Wilprise.

11. Tri-States contends that Williams' assertion that the "value received" for the NGLs will be reduced because of the alleged effect of the new Product Specifications on the Baton Rouge fractionator does not support Williams' claim that they are unjust and unreasonable or that they may discriminate against any shipper. According to Tri-States, they are neutral: they serve the legitimate purpose of increasing volumes; they apply equally to all shippers; and they do not harm the value of the shippers' product. In any event, says Tri-States, Williams' claims of increased costs and reduced capacity at the Baton Rouge fractionator are without merit. The number of barrels that Tri-States expects the Pascagoula refinery to tender are relatively modest, and in any event, the proposed Product Specifications do not permit any tender to reduce the amount of ethane and propane in the common stream below 30 percent. Finally, Tri-States contends that Williams' claims regarding a reduction in the Baton Rouge fractionator capacity and such reduction's effect on natural gas processing and production from the Gulf Coast lack

² Wilprise's Product Specifications require that Demethanized Mix tendered to it contain at least 30 percent ethane and propane. See Appendix B to the response of Tri-States.

credibility, given the relatively modest amount of additional volumes expected to move on Tri-States from the Pascagoula refinery and the ample fractionation capacity available in the Gulf Coast region. Instead, the proposed amendment will expand the ability of producers and refiners to move product to fractionation facilities and will lead to cheaper and more efficient NGL production.

12. Tri-States contends that Williams' claims of affiliate favoritism are baseless. Tri-State states that Williams' argument that Enterprise will unfairly benefit from "spill-over" barrels sent to other fractionation facilities owned by Enterprise or an Enterprise affiliate is without merit. Tri-States points out that the Pascagoula refinery which will gain access as a result of the revised Product Specifications is not an affiliate of Enterprise. Further, contends Tri-States, it is highly unlikely that the new Product Specifications will result in any diminution in the number of barrels fractionated at the Baton Rouge facility or cause any spillover of barrels to other fractionators. Indeed, says Tri-States, because of Enterprise's ownership in the Baton Rouge facility,³ there is no reason to believe that it would attempt to reduce the efficiency or profitability of the Baton Rouge fractionator.

Discussion

13. Upon review of these filings, we agree with Tri-States that the Commission should dismiss the protest of Williams and accept Tri-States' FERC Tariff No. 12, to take effect August 1, 2007, without suspension. Tri-States' FERC Tariff No. 12 continues to require that the common stream of Demethanized Mix must contain no less than 30 percent ethane and/or propane, and this mirrors the same provision in the Wilprise pipeline, through which the mix is delivered to the Baton Rouge fractionator. Williams can expect no more from the common stream delivered to it, and nothing in Williams' protest gives any indication that the introduction of the Pascagoula refinery NGLs into the Tri-State stream would take the percentage below the 30 percent figure contained in the tariffs of both Tri-State and Wilprise. Therefore, since the delivery of product to the Baton Rouge fractionator meets this requirement, Williams will not be harmed in a manner that would be compensable.

14. Moreover, the contentions of required expenditures and increased operating costs which are alleged by Williams to result from the proposed Product Specifications amendment are too speculative. There is no indication that the output of the Pascagoula refinery would pull the common stream down below the 30 percent minimum

³ According to Tri-States, the Baton Rouge fractionator is owned by Enterprise Products Operating LLC (32.2 percent) (an affiliate of Enterprise), Williams Midstream Natural Gas Liquids, Inc. (31.4 percent) (an affiliate of Williams), and others not party to this proceeding.

requirement for ethane and/or propane because of the relatively small number of barrels of expected NGLs from that refinery – only about 9 percent of the total common stream.

15. Finally, Williams' contentions regarding some advantage that Enterprise or its affiliates may gain from the capacity constraints induced by the change in product specifications is likewise unsupported. The Baton Rouge facility is currently underutilized, and there seems to be an excess of capacity on the Tri-States pipeline at the current time. The Pascagoula shippers will have an outlet for their NGL stream that they would not otherwise have. And, as we said, it is highly unlikely that Enterprise, a major owner of the Baton Rouge fractionator, would allow its investment to be compromised in this way.

The Commission orders:

Tri-States' FERC Tariff No. 12 is accepted to be effective August 1, 2007.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.