

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

June 16, 2006

In Reply Refer To:  
Sabine Pipe Line LLC  
Docket No. RP06-363-000

Sabine Pipe Line LLC  
P.O. Box 430  
Bellaire, TX 77402-0430

Attention: Deborah L. Plattsmier

Reference: Implementation of a Negotiated Rate Program For Transportation Services

Dear Ms. Plattsmier:

1. On May 19, 2006, Sabine Pipe Line LLC (Sabine) filed tariff sheets listed in the Appendix to implement a negotiated rate program for transportation services on its interstate transportation system, to be effective June 19, 2006. Sabine is proposing to add section 26, Negotiated Rates, to the General Terms and Conditions (GT&C) of its tariff, and to make other conforming changes to the GT&C of its tariff, in order to implement this negotiated rate program. In addition, Sabine is revising Rate Schedules FT, IT and other related tariff sections to recognize the ability to charge negotiated rates. Sabine requests that the proposed tariff sheets become effective June 19, 2006. Sabine's tariff sheets are accepted to be effective June 19, 2006, as proposed.

2. In the instant filing, Sabine states that the proposed new negotiated rate program will allow Sabine to offer negotiated rates pursuant to the Commission's Policy Statement.<sup>1</sup> Sabine states that pursuant to Commission's directives in the Policy Statement, Sabine filed proposed conforming tariff provisions and a Form of Service Agreement. Sabine states that it is also revising the Table of Contents and sections 1 (Definitions) and 11 (Pregranted Abandonment and Right of First Refusal Procedures (ROFR)) of its GT&C to incorporate references to the negotiated rate program. Sabine claims that the new negotiated rate section is modeled after provisions previously approved by the Commission. Sabine's new negotiated rate and ROFR provisions include the following subsections:

---

<sup>1</sup> *Statement of Policy and Alternatives to Traditional Cost of Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services*, 74 FERC ¶ 61,076 (1996) (*Policy Statement*).

- Section 1.221 defines “Negotiated Rate.” Specifically, this section states that “This term shall mean a rate or formula for computing a rate for Transportation service which may be greater than, equal to or less than the Recourse Rate, but which may not be less than the Minimum Tariff Rate(s) as set forth on the currently effective Sheet No. 20 of this FERC Gas Tariff. A Negotiated Rate must be mutually agreed upon by Sabine and Shipper for a specific time period and may be based on a rate design other than the rate design used to compute Sabine's currently effective rates.”
- Section 1.73 specifies the applicability of ROFR to the negotiated rate agreements. Specifically, this section states that “Sabine may agree, on a not unduly discriminatory basis, that a Shipper receiving firm transportation service under a Firm Service Agreement subject to a negotiated or discounted rate has a right of first refusal. Such Contractual ROFR shall be applied on the same basis as for firm transportation service at the maximum tariff rate, pursuant to subsection 11.1 of the General Terms and Conditions of this FERC Gas Tariff.”
- Section 11.1 defines the applicability of ROFR to pregranted abandonment. Specifically, this section states that “A Shipper’s Firm Service Agreement subject to a negotiated or discounted rate may contain a Contractual ROFR. A Shipper's right of first refusal will apply: (a) at the end of the primary term for a Firm Service Agreement which does not have an evergreen provision, or (b) for a Firm Service Agreement which has an evergreen provision, in the event that Sabine provides notice that it will terminate the Firm Service Agreement at the expiration of a primary term or any subsequent roll-over term.”
- Section 26.1 specifies the availability of negotiated rates on Sabine's system. Specifically, subsection 26.1 states that “Sabine and Shipper may agree to Negotiated Rates, as defined in section 1 of the General Terms and Conditions of this FERC Gas Tariff, for a specific term of service under any rate schedule contained in this Tariff. The rates as shown on the currently effective Sheet No. 20 of this Tariff are available as Recourse Rates for any Shipper that does not negotiate a rate with Sabine.”
- Section 26.2 specifies the applicability of negotiated rates to existing service agreements. Specifically, subsection 26.2 states that “Notwithstanding anything to the contrary contained in this Tariff, Sabine and Shipper may mutually agree to negotiate rates for all or any portion of currently subscribed capacity under any existing Service Agreement, provided that Shipper has not acquired its capacity through a capacity

release. If Negotiated Rates will apply to only a portion of the capacity currently subscribed under any existing Service Agreement, the original Service Agreement must first be bifurcated, and Recourse Rates will continue to apply to that portion of capacity subscribed under the Service Agreement not subject to the Negotiated Rates. A new Service Agreement must be executed for that portion of the capacity for which Negotiated Rates will apply. The new Service Agreement will have the same expiration date as the original Service Agreement. If the original Service Agreement is for firm transportation service, the new Service Agreement will have the same Primary Receipt Point(s) and Primary Delivery Point(s) as the original Service Agreement.”

- Section 26.3 specifies the applicability of negotiated rates to new service requests for unsubscribed and available capacity. Specifically this subsection 26.3 states that “Sabine and Shipper may mutually agree to Negotiated Rates for any unsubscribed or available capacity that is requested by Shipper in accordance with section 4 of the General Terms and Conditions of this Tariff.”
- Section 26.4 specifies the applicability of negotiated rates to capacity posted for bid by Sabine, and sets forth the bid evaluation criteria and application of right of first refusal. Specifically this subsection 26.3 states that “If capacity is posted for bid by Sabine and Sabine has determined that it is willing to consider bids at Negotiated Rates, Sabine will state in its posting that it will accept Negotiated Rate bids in addition to Recourse Rate and discounted Recourse Rate bids. This requirement applies to:
  - (1) new capacity that becomes available due to the construction or acquisition of facilities or the expansion of existing facilities; and
  - (2) capacity which will become available upon the termination of an existing Shipper's Firm Service Agreement.

**Bid Evaluation.** For purposes of determining the best bid and awarding capacity, the value of a Negotiated Rate bid will be capped at the value of a Recourse Rate bid.

**Right of First Refusal.** An existing Shipper with a right of first refusal may retain all or a portion of its capacity, when such capacity is posted subject to Negotiated Rate offers, (1) by matching the highest Negotiated Rate offer submitted by another Shipper that meets or exceeds the lowest rate that Sabine is willing to accept for such service, or (2) by paying a

Recourse Rate or discounted Recourse Rate that is equivalent to the Negotiated Rate for the capacity it wishes to retain; provided, however, that nothing herein shall obligate Sabine to render service to any Shipper at rates less than the rates set forth on the currently effective Sheet No. 20 of Sabine's FERC Gas Tariff.”

- Section 26.5 specifies the filing requirements associated with negotiated rate transactions. Specifically, subsection 26.3 states that “No later than the Business Day on which Sabine commences service under a Negotiated Rate Service Agreement, Sabine will submit to the Commission a tariff sheet stating the name of the Shipper, the Rate Schedule, term, contract quantity, Negotiated Rate, and Primary Receipt and Delivery Point(s), if applicable. If the Day on which Sabine commences service is not a Business Day, then Sabine will submit such tariff sheet no later than next Business Day after Sabine commences service.

Unless Sabine executes and files a Non-conforming Service Agreement, such tariff sheet will contain a statement that the Negotiated Rate Service Agreement does not deviate in any material aspect from the Form of Service Agreement in Sabine’s FERC Gas Tariff for the applicable Rate Schedule.”

- Section 26.6 clarifies that Sabine does not have the authority to negotiate terms and conditions of service.
- Section 26.7 provides that Sabine shall have the right in a future general rate case to seek a discount-type adjustment for negotiated rate agreements.

3. Public notice of the instant filing was issued with interventions, comments, and protests 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. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

4. We find Sabine's proposed tariff revisions generally satisfy the Commission's Policy Statement requirements and Commission precedent;<sup>2</sup> therefore, the tariff sheets are accepted effective June 19, 2006, as proposed.

By direction of the Commission.

Magalie R. Salas,  
Secretary.

---

<sup>2</sup> See *ANR Pipeline Co.*, 87 FERC ¶ 61,241 (1999), *order on rehearing*, 88 FERC ¶ 61,308 (1999); *Northwest Pipeline Corp.*, 79 FERC ¶ 61,416 (1997), *order on rehearing*, 84 FERC ¶ 61,109 (1998); *Tennessee Gas Pipeline Co.*, 76 FERC ¶ 61,224 (1996), *order on rehearing*, 77 FERC ¶ 61,215 (1996); and *Questar Pipeline Co.*, 89 FERC ¶ 61,091 (1999), *order on rehearing*, 90 FERC ¶ 61,047 (2000).

**APPENDIX**

**Sabine Pipe Line Company LLC**

Docket No. RP06-363-000

Original Volume No. 1

Effective June 19, 2006

Second Revised Sheet No. 101A

First Revised Sheet No. 121

Fourth Revised Sheet No. 201

Third Revised Sheet No. 202C

Third Revised Sheet No. 203

Third Revised Sheet No. 204A

Third Revised Sheet No. 206

Third Revised Sheet No. 249

Third Revised Sheet No. 250

Second Revised Sheet No. 272

First Revised Sheet No. 311

Original Sheet No. 312

Original Sheet No. 313

Original Sheet No. 314

Original Sheet No. 315

Third Revised Sheet No. 405