FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 1, 2006

In Reply Refer To:
Nautilus Pipeline Company, LLC
Docket No. RP07-54-000

Nautilus Pipeline Company, LLC
1100 Louisiana Street, Suite 3300
Houston, TX 77002

Attention: Cynthia A. Corcoran
Chief Compliance Officer and Senior Counsel

Reference: New Tariff Sheets Listing Non-conforming Agreements

Ladies and Gentlemen:

1. On November 1, 2006, Nautilus Pipeline Company, LLC (Nautilus) submitted for filing original and revised tariff sheets reflecting 57 currently effective non-conforming and potentially non-conforming agreements for inclusion in its FERC Gas Tariff, Original Volume No. 1.[1] Nautilus requests that the Commission accept and make these tariff sheets effective December 1, 2006. Nautilus has also filed the 57 non-conforming and potentially non-conforming agreements. Nautilus requests that the Commission, to the extent it finds any of the agreements non-conforming, accept and make them effective as of their respective effective dates, and permit them to remain in effect in accordance with their respective terms. The Commission will accept the tariff sheets, to become effective December 1, 2006, as proposed, subject to further review and order of the Commission. The Commission will also accept all of the accompanying agreements, effective on their respective effective dates, subject to further review and order of the Commission.

2. Nautilus was acquired by Enbridge, Inc. on December 31, 2004. Nautilus states that Enbridge, Inc. and Enbridge Energy Partners, L.P. (Enbridge) are working to standardize and clarify Nautilus' tariff provisions and procedures for implementing discounted rate transactions. Nautilus states that it has completed a review of all of the

[1] The tariff sheets Nautilus filed are: Sixth Revised Sheet No. 3, Eighth Revised Sheet No. 69, and Original Sheets Nos. 219-244.

discount and reserve dedication agreements, service agreements, and other agreements that were in effect as of October 25, 2006. It is filing the agreements as non-conforming agreements "out of an abundance of caution."[2] Nautilus acknowledges that the attached agreements contain various non-conforming provisions. Nautilus notes, however, that to the extent it discovered an agreement with a shipper that has a provision that deviates in any way from the applicable form of service agreement and/or Nautilus' FERC Gas Tariff, Nautilus has included in its filing all of the agreements between it and the shipper that relate to the deviating agreement, even if a particular agreement has no deviating provisions.

3. Nautilus provided the Commission with a two volume set of binders containing the agreements. Nautilus also provided Appendices A through H to aid the Commission in its review. According to Nautilus, Appendix A contains a detailed narrative outlining the deviating terms in each agreement, their effects on the parties' rights, and arguments why the Commission should accept them. Appendices B through H are organized according to the type of agreement (*e.g.*, service agreements, FT-1 discount agreements, Reserve Dedication and Discount Agreements (RDDRAs)) and purport to show the deviating terms in each agreement, the terms of each agreement, the effects of each deviating term, and arguments showing that the deviations present no risk of undue discrimination. Nautilus states that most of these agreements have been in effect for a long period of time, and that its shippers have made significant long-term commercial decisions in reliance on these agreements.

4. Nautilus explains that it red-lined the enclosed service agreements in late 2005 against its then-current pro forma service agreements. Nautilus received Commission approval, however, to make minor changes to its pro forma agreements effective March 22, 2006.[3] According to Nautilus, it had already done extensive work on the instant filing by March 22, 2006, and the March 22, 2006, modifications were ministerial, largely superceding and replacing exhibits to the agreements. As a result, Nautilus chose to proceed with its previously red-lined agreements, rather than further delay the instant filing by comparing the agreements to the March 22, 2006, forms. Nautilus realizes that the instant agreements deviate from the modified form of service agreement, but it claims that the deviations are either immaterial or do not change the conditions under which it provides the service. In support of its decision, Nautilus recites the March 22, 2006, modifications to the pro forma service agreements for Rate Schedules FT-2, IT-1 and PSH as follows:

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[2] Nautilus' Filing at 1.

[3] *See Nautilus Pipeline Company, LLC,* Docket No. RP06-229-000 (March 20, 2006) (unpublished letter order).

- Revised section 4.3 (Second Revised Sheet No. 259) and Exhibit C (First Revised Sheet Nos. 266A-B) of the pro forma service agreement for Rate Schedule FT-2 to provide for the sequential numbering of Exhibit C ("C-1", "C-2", "C-3", etc.) in the event that a shipper, after receiving its initial discounted rate (with the initial discounted rate to be listed in Exhibit C-1), requests and receives a discounted rate for additional quantities of natural gas or production reserves;

- Revised section 4.3 (Second Revised Sheet No. 292) and Exhibit B (First Revised Sheet Nos. 299-300) of the pro forma service agreement for Rate Schedule PSH and section 4.4 (Second Revised Sheet No. 282) and Exhibit B (First Revised Sheet Nos. 289A-B) of the pro forma service agreement for Rate Schedule IT-1 to provide for the sequential numbering of Exhibit B ("B-1", "B-2", "B-3", etc.) in the event that a shipper, after receiving its initial discounted rate (with the initial discounted rate to be listed in Exhibit B-1), requests and receives a discounted rate for additional quantities of natural gas or production reserves.

- Removed the attestation lines from the signature page of the pro forma service agreement for Rate Schedule FT-2 (First Revised Sheet No. 264), Rate Schedule IT-1 (First Revised Sheet Nos. 287-88), and Rate Schedule PSH (First Revised Sheet No. 297);

- Added the following language to Exhibit A of the pro forma service agreement for Rate Schedule FT-2 (First Revised Sheet No. 265):

  "Signed for Identification
  Transporter: ______________________________
  Shipper: _________________________________
  Supersedes Exhibit "A" Dated_______________"; and

- Revised the format of the Chart in Exhibit B of the pro forma service agreement for Rate Schedule FT-2 (Second Revised Sheet No. 266) to match the format that has historically been used.

5. Nautilus places the accompanying agreements into five categories. The first category of agreements includes 30 service agreements and related amendments: 11 are FT-2 service agreements, 14 are IT-1 service agreements, and 5 are PSH service agreements. Nautilus contends that the deviations in these agreements can generally be explained as either due to the fact that the agreement was consistent with a previous form of service agreement in the tariff under which it was originally executed, or due to a formatting reorganization in the form of the service agreement. Nautilus maintains that

none of the changes constitute a material deviation from the pertinent form of service agreement.

6. The second category is comprised of 5 FT-2 discount agreements with shippers who agreed to dedicate specified reserves subsequent to the original Nautilus open season. Nautilus states that the discounts are effective for as long as the service agreements are in effect, which is for the life of the dedicated reserves. Nautilus explains that several of these discount agreements have a provision obligating Nautilus, at its expense, to provide the necessary facilities to accept dedicated gas and associated liquid hydrocarbons at the point of receipt. Nautilus states this provision conforms to section 28 of its General Terms & Conditions (GT&C) and is more like an interconnection agreement, than a service agreement under its tariff. Several agreements provide that all increases in the MDTQ under the service agreement for gas dedicated to Nautilus shall qualify for the discounted rate, as applicable, but that Nautilus is not required to expand its system to accommodate any such increased MDTQ. Nautilus cites two orders where the Commission previously approved similar provisions.[4] Several agreements also have a provision that Nautilus, under certain conditions, will establish and maintain a natural gas liquids (NGL) bank. Nautilus states that it does not currently have an NGL bank and that there is not a current need for one. Nautilus further states that if it does establish an NGL bank for its system, it will apply to all similarly situated shippers on its system. Moreover, Nautilus claims that its pre-service obligation to attempt to establish a new point of delivery with Columbia Gulf Transmission Company is now moot. Nautilus argues that the Commission has typically found that pre-service commencement date conditions are either conforming, or represent no risk of undue discrimination and should be approved. Finally, Nautilus states that several of these discount agreements contain standard contract provisions, such as a merger clause, and are not the type of provisions the Commission usually considers material deviations.

7. Nautilus claims that these discount agreements, as well as all other agreements that make a discount contingent upon a shipper's dedication of reserves to Nautilus, is consistent with and conforms to section 27.1(a) of Nautilus' GT&C. Section 27.1(a) became effective in June 2005.[5] Nautilus contends that it has always been its practice to provide similarly situated shippers discounts based on a dedication of reserves, and that Enbridge revised Nautilus' GT&C by adding the language in section 27.1(a) to ensure this practice conformed to the tariff.

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[4] *See Gulf South Pipeline Co., LP*, 98 FERC ¶ 61,321 (2002); *ANR Pipeline Co.,* 97 FERC ¶ 61,252 (2001).

[5] *See Nautilus Pipeline Company, LLC,* Docket No. RP05-371-000 (June 28, 2006) (unpublished letter order).

8. The third category of agreements includes 15 IT-1 discount agreements with shippers who have committed reserves to Nautilus under separate reserve commitment agreements. The fourth category of agreements includes 5 PSH service agreements with shippers who have committed reserve to Nautilus under separate reserve commitment agreements. Nautilus states that several of the 15 IT-1 discount agreements contain a provision obligating the shipper to commit to transport on Nautilus, 100 percent of its natural gas production originating from the Bayou Sale or Garden City gathering lines provided that Nautilus may temporarily release such gas from commitment during any time that Nautilus cannot accept such volumes due to force majeure or lack of capacity. Nautilus states that this condition was necessary to receive the discount. Nautilus states that several of the 15 IT-1 discount agreements and the 5 PSH service agreements contain standard contract provisions that do not affect the terms or conditions of service under the agreement or Nautilus' tariff, do not affect the quality of service of other shippers on Nautilus' system, and are not the type of provisions the Commission considers material deviations.[6]

9. Finally, the fifth category includes 2 RDDRAs[7] that provide for discounted rates, the dedication of potential production from a number of specific leases to the Nautilus system, and agreement on the dedication of any production from leases acquired by the producer subject to the RDDRA or any affiliate of the producer within an "Area of Mutual Interest." Nautilus states that the RDDRAs were critical in establishing the need for the original Nautilus project under the Commission's public convenience and necessity analysis, and continue to provide an essential economic underpinning for the project.

10. Nautilus also states that the RDDRAs establish the anchor commitments necessary to support investment in the system and provide the market showing necessary to obtain Commission authorization for the project. In Nautilus' certificate application, Shell Offshore and Marathon each submitted a commitment letter dedicating the production from numerous offshore blocks to Nautilus. Nautilus states that the Commission relied on these commitments in certificating the original Nautilus project.[8]

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[6] *See CenterPoint Energy Gas Transmission Co.*, 104 FERC ¶ 61,280 (2003); *Columbia Gas Transmission Corp.*, 97 FERC ¶ 61,221 (2001); *Gulfstream Natural Gas System, L.L.C.*, 108 FERC ¶ 61,294 (2004).

[7] The RDDRAs are with the following shippers: Marathon Oil Corporation (Marathon) dated January 17, 1997, and Shell Offshore Inc. (Shell Offshore), dated January 19, 1997.

[8] Nautilus directs the Commission to *Nautilus Pipeline Co.*, 78 FERC ¶ 61,325 at 62,380 (1997).

11. Nautilus further states that both RDDRAs are associated with several service agreements. Nautilus notes that its tariff does not have a form of reserve dedication agreement. Nautilus contends that RDDRAs are consistent with section 3 of Rate Schedule FT-2, which requires a shipper requesting the service to dedicate reserves to the Nautilus system.

12. Notice of the instant filing was published in the *Federal Register*.[9] No interventions, comments, or protests were filed.

13. Nautilus has presented the Commission with original and revised tariff sheets, and 57 non-conforming and potentially non-conforming service agreements. These agreements contain various deviations from Nautilus' tariff. The Commission has not completed its review of these tariff sheets and service agreements. The Commission will accept the tariff sheets, to become effective December 1, 2006, as proposed, subject to further review and order of the Commission. Since the Commission has yet to complete its review of the service agreements, and because they have been in effect for a significant period already, the Commission will also accept all of the service agreements accompanying the instant filing, effective on their respective effective dates, subject to further review and order of the Commission.

By direction of the Commission.

Magalie R. Salas,
Secretary.

[9] 71 Fed. Reg. 66,509 (2006).