

127 FERC ¶ 61,308  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

June 29, 2009

In Reply Refer To:  
Stingray Pipeline Company, L.L.C.  
Docket Nos. RP08-436-000 and  
RP08-436-001

Stingray Pipeline Company, L.L.C.  
1100 Louisiana Street, Suite 3300  
Houston, TX 77002

Attention: Susan Schwager  
Senior Legal Counsel

Reference: Order on Uncontested Stipulation and Agreement

Dear Ms. Schwager:

1. On March 25, 2009, Stingray Pipeline Company, L.L.C. (Stingray) filed a Stipulation and Agreement (Settlement) to revise Stingray's base tariff rates and to resolve all issues pending in its general section 4 rate proceeding filed on June 30, 2008.<sup>1</sup> The Settlement establishes a base rate for all jurisdictional services provided by Stingray, and provides for the establishment of an Event Surcharge Tariff mechanism, as well as a revised Event Surcharge to become effective as of the first day of the first month following the date on which an order approving the Settlement is final and non-appealable. In addition, the Settlement provides for certain other changes to Stingray's

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<sup>1</sup> See 124 FERC ¶ 61,117 (2008) in which the Commission accepted and suspended the filing subject to further review and established a hearing. After further review, the Commission accepted the proposed tariff sheets, except one which was included in the hearing proceeding. See 125 FERC ¶ 61,167 (2008). Indicated Shippers sought rehearing. In light of the subject Settlement, the issues raised on rehearing have been resolved.

tariff provisions, including implementation of a charge for free water impermissibly introduced into the Stingray system, and changes to the cash out provisions and *pro forma* reserve dedication agreements.

2. Initial comments in support of the Settlement were filed by Stingray; Anadarko Energy Services Company, Chevron U.S.A., Inc., Shell Energy North America (US), L.P. and Apache Corporation (collectively, the “Indicated Shippers”); and the Commission Trial Staff. On April 20, 2009, the Administrative Law Judge (ALJ) certified the Settlement to the Commission as an Uncontested Settlement that resolved all pending issues in this proceeding.<sup>2</sup> As set forth below, the Commission approves the Settlement without modification.

3. Article I of the Settlement sets forth the base tariff rates (“Settlement Rates”) which the settling parties agreed to be effective as of January 1, 2009. The Settlement Rates reflect a reduction of \$0.0977 from the proposed 100 percent load factor rates Stingray moved into effect and is a “black box” type settlement respecting all cost-of-service and rate issues in this proceeding.

4. Article II of the Settlement sets forth, despite the “black box” nature of the Agreement, the depreciation and negative salvage rates, effective as of January 1, 2009, applicable to Stingray’s depreciable plant. Article II provides that Stingray agrees, for the term of the Settlement, that it: (a) will not seek recovery of asset retirement costs (“ARO”) and will record the recovery of all retirement costs through its negative salvage rate; (b) will continue to reflect ARO on its books consistent with its adoption of the Statement of Financial Accounting Standard 143 and in accord with Commission Order No. 631;<sup>3</sup> and (c) will include the total accumulated negative salvage reserve in a separate sub-account in its FERC Account 108 which will be treated as a reduction to rate base. Article II further provides that Stingray reserves the right to seek recovery of ARO costs in its next general rate case filing and the Commission Trial Staff and all parties reserve the right to protest Stingray’s proposal to recover ARO costs.

5. Article III of the Settlement provides that Stingray will not seek to recover any insurance costs through the Event Surcharge and reserves the right to seek recovery of insurance costs through its base tariff rates in its next general rate case filing or to seek

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<sup>2</sup> See *Stingray Pipeline Co., L.L.C.*, 127 FERC ¶ 63,004 (2009).

<sup>3</sup> *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*, Order No. 631, 68 Fed. Reg. 19,610 (April 21, 2003) and 68 Fed. Reg. 34,795 (June 11, 2003), *FERC Statutes and Regulations, Regulations Preambles 2001-2005* ¶ 31,142 (2003), *order on reh'g*, Order No. 631-A, 104 FERC ¶ 61,183 (2003).

recovery of insurance costs through a subsequent limited section 4 filing to change the terms and conditions of the tariff mechanism for the Event Surcharge. Article III also provides that the Commission Trial Staff and all parties reserve the right to protest any Stingray proposal subsequent to the filing of this Settlement to recover insurance costs through its base tariff rates or a revised tariff mechanism for the Event Surcharge.

6. Article IV of the Settlement provides that Stingray will establish an Event Surcharge tariff mechanism to track and recover from all of its shippers, through means of a surcharge, Stingray's capital and related operation and maintenance expenditures actually incurred as a result of hurricanes or other storms. Article IV provides that the Event Surcharge will be applicable to all quantities transported, or parked or loaned, by Stingray under any of its rates schedules, including any service provided at a discount rate or under any negotiated rate agreement. Pursuant to this Article, the initial Event Surcharge will equal \$0.0145/Dth, effective as of January 1, 2009, and will remain in effect until the first day of the first full calendar month after the Effective Date of the Settlement. At that time, the Event Surcharge will be revised to equal \$0.0164/Dth ("Revised Event Surcharge").<sup>4</sup> Article IV further provides that, following approval of the Settlement, Stingray will file to place the *pro forma* tariff sheets regarding the Event Surcharge, which are attached to the Settlement, into effect as of the first day of the first full calendar month following the Effective Date. Pursuant to Article IV, the Commission Trial Staff and all parties reserve the right to protest any Event Surcharge filing (other than the Revised Event Surcharge) made after the Settlement is filed.

7. Article V of the Settlement provides that Stingray agrees to revise its terms and conditions of service regarding (a) its monthly imbalance cash-out mechanism, (b) a charge for free water impermissibly injected into Stingray's system, and (c) the reserve dedication agreements associated with its Rate Schedules ITS and FTS-2. The revisions are contained in *pro forma* tariff pages attached to the Settlement. Also, attached to the Settlement is the provision that Stingray will seek to add to its liquids transportation agreements to facilitate implementation of the free water charge and a *pro forma* tariff sheet that corrects the erroneous reference to "Fahrenheit," as required by the Commission's November 13, 2008 order in the captioned docket. Stingray will file to

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<sup>4</sup> The Revised Event Surcharge is based upon the information attached as Appendix D to the Settlement. The Revised Event Surcharge reflects costs incurred by Stingray from September 1, 2008 through February 28, 2009, related to Hurricane Ike, less any amounts collected through the initial Event Surcharge in effect January 1, 2009, plus carrying costs at the applicable Commission-approved interest rate(s). The information regarding the Revised Event Surcharge attached to the Settlement reflects a format agreed upon by the active participants as the format to be used in connection with future Event Surcharge filings.

place the *pro forma* tariff sheets into effect as of the first day of the first full calendar month following the Effective Date.

8. Article VI of the Settlement provides that, in light of the order of the Chief ALJ approving the Settlement Rates as interim rates effective January 1, 2009, no refunds are due as a result of the Settlement.

9. Article VII of the Settlement provides that: (a) the Settlement will terminate on the earliest of the date on which new base tariff rates become effective under: (i) a superseding general rate case filing under section 4 of the Natural Gas Act (NGA) ; or (ii) a modification of any of Stingray's base tariff rates in a proceeding instituted under section 5 of the Natural Gas Act; (b) the tariff sheets placed into effect under Articles IV and V of the Settlement will remain in full force and effect unless and until changed pursuant to a tariff filing by Stingray under section 4 of the NGA, or a modification ordered by the Commission pursuant to section 5 of the NGA; and (c) the semi-annual Event Surcharge filings made pursuant to the tariff sheets placed into effect under Article IV will not operate to terminate any aspect of the Settlement. Article VII also provides that Stingray will file its next general rate case such that the rates will become effective no later than January 1, 2012, and that there is no restriction on the Commission ordering, or any party requesting, initiation of a section 5 inquiry prior to such rate case filing. Article VII further provides that there is no restriction on Stingray filing a change to its base tariff rates, its Event Surcharge mechanism, or any of its terms and conditions of service prior to January 1, 2012. Pursuant to Article VII, the Commission Trial Staff and all parties reserve the right to protest any such filed changes.

10. Article VIII provides that the various provisions of the Settlement are not severable, and will be effective on the date of the Commission order that approves the Settlement becomes final and non-appealable without material modification(s), reservation(s) or condition(s), unless such is accepted under the further provisions of Article VIII. If the Commission approves the Settlement with a modification materially adverse to any non-contesting party, then the party will be deemed to have accepted such modification unless within 14 days such party files a notice of its refusal to accept the Settlement as modified. If a non-contesting party gives notice of its refusal to accept the Settlement as modified, then the Settlement will be deemed contested as of the end of such 14-day period. If the Settlement is contested and such contest is not withdrawn within fifteen days after the original filing of such contest, then Stingray may withdraw the Settlement which will be of no further force or effect.

11. Article IX of the Settlement provides that the Settlement will constitute all authority necessary for the Settlement Rates to become effective as of January 1, 2009, and to continue in effect for the term of the Settlement. Commission approval will (a) constitute all authority necessary to place into effect the Initial Event Surcharge, the Revised Event Surcharge and the *pro forma* tariff sheets attached to the Settlement, (b) resolve all issues pending on rehearing of the Order On Tariff Issues and render

action on such rehearing moot, and (c) constitute any and all waivers of the Commission's rules and regulations that may be necessary to effectuate the Settlement.

12. Article X of the Settlement describes certain reservation of rights concerning: (a) the Settlement being a negotiated resolution of all disputed facts and issues; (b) no party being deemed to have waived any claim or right as to matters not addressed herein; (c) the Settlement representing the entire agreement of the parties; (d) the Commission's approval of the Settlement constituting a finding that the Settlement is fair and reasonable and in the public interest, but not constituting a determination on the merits of the specific provisions of the Settlement; (e) no party being deemed to have approved, accepted, agreed to or consented to any rate making principle or methodology or any concept, policy or principle purported to underlie the provisions of the Settlement; (f) the settling parties having the same rights under the NGA that they would have had absent approval of the Settlement; and (g) nothing in the Settlement constituting a "settled practice." Article X also states the applicable standard of review for the supporting parties and the Commission is the just and reasonable standard.

13. The Commission finds the Settlement is fair, reasonable and in the public interest and is hereby approved. Commission approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue involved in this proceeding.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.