

128 FERC ¶ 61,177
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinohoff, Chairman;
Suedeem G. Kelly, Marc Spitzer,
and Philip D. Moeller.

Stingray Pipeline Company, L.L.C.

Docket No. CP09-430-000

ORDER GRANTING PETITION FOR EXEMPTION OF
TEMPORARY ACT OR OPERATION

(Issued August 21, 2009)

1. On June 9, 2009, Stingray Pipeline Company, L.L.C. (Stingray) filed a petition pursuant to section 7(c)(1)(B) of the Natural Gas Act (NGA) and Rule 207(a)(5) of the Commission's Rules of Practice and Procedure,¹ requesting an exemption from the certificate requirements of section 7(c) of the NGA in order to deactivate a compressor unit on a temporary basis. As discussed below, the Commission finds that granting Stingray's request to temporarily deactivate a compressor unit is in the public interest because it will allow the company to avoid the expense of operating and maintaining obsolete equipment, which is unnecessary to meet the current demand for service, while preserving its ability to replace the equipment in a timely manner should demand increase.

Background

2. Stingray transports natural gas from the High Island, West Cameron, East Cameron, Vermilion, and Garden Banks areas of the Gulf of Mexico to onshore pipeline interconnections and processing plants at Holly Beach in Cameron Parish, Louisiana. Stingray operates two compressor stations, Station 701 and Station 702.² Station 701, an onshore compressor station at Holly Beach, has three compressor units totaling 13,232 horsepower (hp). Station 702, an offshore station located in West Cameron Block 509 in federal waters, has four compressor units totaling 15,800 hp. All together, these units support a certificated capacity of 650,000 Mcf/day.

¹ 18 C.F.R. § 385.207 (2009).

² See 51 FPC 1446 (1974) and 55 FPC 3109 (1976) (certificating the stations).

3. Stingray proposes to deactivate one mainline compressor unit, called Unit T-2, at Station 702 for up to 18 months. Stingray states that this unit is driven by a 3,700 hp Solar Centaur T3002R turbine that was placed in service in 1975. Stingray maintains that Unit T-2 is irreparable due to the turbine's age, lack of needed replacement parts, and most importantly, because of damage incurred by a two-month shutdown subsequent to Hurricane Ike. During the proposed 18 month deactivated period, Stingray states that it will decide whether Gulf of Mexico gas production and development justifies the replacement of the unit pursuant to section 2.55(b) of the Commission's regulations³ or whether it is appropriate to apply for permanent abandonment.

4. Stingray states that deactivating Unit T-2 will not significantly affect current service on the system. Stingray also states that its firm service obligations effective June 1, 2009 totaled 211,002 Mcf/day. As previously mentioned, Stingray's compressor units support a certificated capacity of 650,000 Mcf/day. The average daily throughput during the period of November 2008 through May 2009 was equal to or less than 375,390 Mcf/day. Furthermore, Stingray states that a third-party evaluation of its system flow model found that Stingray's existing horsepower from its seven operating compressor units was in excess of that needed to flow 650,000 Mcf/day under normal conditions. Even though Unit T-2 and one other recently repaired compressor⁴ had been inoperable since November 2008, Stingray states it did not curtail any requested service, firm or interruptible, during that time. Instead, Stingray states that it has experienced restrictions due to lateral repairs, third-party downstream constraints, and condensate take-away issues.

Interventions

5. Notice of Stingray's petition was published in the *Federal Register* on June 18, 2009 (74 Fed. Reg. 28931). On July 2, 2009, a timely unopposed motion to intervene was filed by Apache Corporation (Apache) pursuant to Rule 214 of the Commission's Rules of Practice and Procedure.⁵ Timely, unopposed motions

³ 18 C.F.R. § 2.55(b) (2009).

⁴ Unit T-5, a 4,500 hp unit of Station 702, was returned to service on June 6, 2009. The repair was estimated to cost \$538,000 and will be reported on Stingray's annual report of § 2.55(b) replacement activities for 2009.

⁵ 18 C.F.R. § 385.214 (2009).

to intervene are granted by operation of Rule 214(c) of the Commission's Rules of Practice and Procedure.⁶

6. In Apache's intervention, Apache requested additional information. Specifically, Apache requested Stingray to provide information on the upstream pressure "of the Station 702 compressor unit for the period before Hurricane Ike (January 1, 2008 through August 31, 2008), and after Hurricane Ike (September 1, 2008 through current data available)." On July 16, 2009, Stingray submitted the information requested by Apache. Satisfied with Stingray's submittal, Apache, on July 23, 2009, responded to Stingray's answer declaring no opposition to Stingray's request for temporary abandonment. No other protests or petitions in opposition to the approval of this proposal were received. The application, therefore, is unopposed. The Commission will waive Rule 213(a)(2) to allow Stingray's answer because it clarifies the issues and provides information assisting the Commission in its decision-making process.⁷

Discussion

7. Stingray's compressor Unit T-2 is used to transport natural gas in interstate commerce. Accordingly, the operation of the facility is subject to the NGA and the Commission's jurisdiction.

8. Section 7(c)(1)(B) of the NGA provides that the Commission may exempt from the requirements of section 7 temporary acts or operations for which the issuance of a certificate will not be required by the public interest. In the past, the Commission has granted exemptions to allow minor operations of a temporary nature that have not affected the ratepayer, the quality of service provided by the pipeline, or the public as a whole.⁸

9. The Commission concludes that granting Stingray's request under the circumstances described is appropriate and reasonable. Stingray states that the Unit T-2 compressor is antiquated, expensive, and difficult to operate and

⁶ *Id.* at § 385.214(c) (2009).

⁷ *See, e.g., Williston Basin Interstate Pipeline Company*, 127 FERC ¶ 61,045, at P 9 (2009).

⁸ *See Central New York Oil and Gas Company, LLC*, 89 FERC ¶ 61,006 (1999); *Universal Resources Corporation*, 76 FERC ¶ 61,002 (1996); *Avoca Natural Gas Storage*, 67 FERC ¶ 61,337 (1994); *Transco Energy Ventures Company*, 50 FERC ¶ 61,220 (1990); and *Caterpillar Tractor Company*, 11 FERC ¶ 61,076 (1980).

maintain. This is especially true because of the damage incurred by the two-month shutdown subsequent to Hurricane Ike. In the future, should market developments dictate, Stingray indicates that it may decide to replace this unit instead of abandoning it. However, at this time, Stingray cannot justify, on an economic basis, replacing the compressor.

10. Currently, Stingray states that mature fields in the western Gulf of Mexico connected to Stingray's system are still recovering from Hurricanes Rita in 2005 and Ike in 2008. Some of these fields have not resumed production, and Stingray has received notices of intent to abandon platforms at multiple blocks. Stingray notes, however, that in the near future new field development in the Garden Banks area might create a need for additional capacity thereby justifying replacement of the Unit T-2 compressor turbine. Additionally, Stingray intends to compete for new opportunities and to expand its system capability to transport incremental volumes when it is economical to do so. In the event that replacement of the Unit T-2 compressor becomes economically feasible, Stingray proposes to implement replacement activity pursuant to section 2.55(b) of the Commission's regulations. Most importantly, Stingray has demonstrated that its firm commitments do not now and have not, since November 2008, required the compression provided by this unit. Thus, deactivation of the compressor unit will not adversely affect Stingray's current shippers.

11. Stingray is not seeking permanent abandonment of the compressor unit at this time because it prefers to keep the replacement option available during the next 18 months. After this time, Stingray will either file for permanent abandonment or will replace the unit. The Commission finds that keeping the replacement option open would result in less regulatory burden and will allow Stingray to react more quickly to market signals. If Stingray were granted section 7(b) abandonment authority now and then later decided that some portion of the abandoned capacity were needed, the pipeline would have to file a section 7(c) application at that time to obtain authority for installation of what would otherwise be a replacement unit. Moreover, the Commission has previously granted exemptions involving temporary deactivation of compressors.⁹ For the foregoing reasons, the Commission finds that Stingray's proposal to deactivate the compressor unit for a period not to exceed 18 months constitutes a temporary act or operation within the meaning of section 7(c)(1)(B) of the NGA that may be exempted from the certificate requirements of section 7.

⁹ See *Stingray Pipeline Company*, 108 FERC ¶ 61,058 (2004); *Midwestern Gas Transmission Company*, 94 FERC ¶ 61,192 (2001); *Koch Gateway Pipeline Company*, 80 FERC ¶ 61,287 (1997).

12. The Commission, on its own motion, received and made a part of the record in this proceeding, all evidence, including the application and exhibits thereto, submitted in support of the authorization sought herein and upon consideration of the record,

The Commission orders:

(A) Pursuant to section 7(b)(1)(B) of the NGA, Stingray is granted an exemption from the certificate requirements of that section and shall be permitted to temporarily deactivate the Unit T-2 compressor at its Station 702 for a period not to exceed 18 months from the date of this order, as described above and more fully in Stingray's petition.

(B) Stingray shall notify the Commission within ten (10) days of deactivation of the compressor unit.

(C) The exemption granted above in Ordering Paragraph (A) is effective upon issuance of this order.

(D) Stingray shall notify the Commission two months before the 18 months expiration date of its intended path, either abandonment or replacement.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.