FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 6, 2006

In Reply Refer To:
Guardian Pipeline, L.L.C.
Docket No. RP06-63-000

Guardian Pipeline, L.L.C.
P. O. Box 542500
Omaha, Nebraska 68154-8500

Attention: Raymond D. Neppl, Vice President
Regulatory Affairs & Market Services

Reference: Settlement Agreement and Compliance Cost and Revenue Study

Ladies and Gentlemen:

1. On October 31, 2005, Guardian Pipeline, L.L.C. (Guardian) filed a petition for approval of an uncontested Settlement Agreement (Settlement), pursuant to section 385.207(a)(5) (2005) of the Commission's regulations, and acceptance of a Cost and Revenue Study required in Guardian's Docket No. CP00-36-000, *et al*., certificate proceeding. *See Guardian Pipeline, L.L.C*., 91 FERC ¶ 61,285 at 61,982 (2000); *Order on Rehearing and Issuing Certificates,* 94 FERC ¶ 61,269 at 61,955 (2001) (the certificate orders). Essentially, Guardian requests: (i) approval of the Settlement to reduce its transmission plant depreciation rate from 3.33 percent to 2 percent; (ii) acceptance of the mandated study reflecting its actual costs and revenues for the first three years of operation; and, (iii) approval to continue use of its currently effective maximum recourse rates.

2. We approve the Settlement and accept for filing the cost and revenue study based on the discussion below.

3. Public notice of Guardian's filing issued November 3, 2005, 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. Peoples Energy Wholesale Marketing, L.L.C. filed a motion to intervene in support of Guardian's petition. No party filed a protest or adverse comments.

4. In the instant petition, Guardian requests approval of the Settlement negotiated with supporting and non-opposing customers representing 98.6 percent of its annual revenue. The parties to the Settlement (Parties) agree to Guardian's reduction to the transmission plant depreciation rate from 3.33 percent to 2 percent, and its proposal to retain its current recourse rate.

5. Article I, Cost and Revenue Study and Depreciation Rate Reduction, references the submission of Guardian's Cost and Revenue Study included as Exhibit B to the Settlement. Specifically, the Parties agree to the lower 2 percent depreciation rate effective January 1, 2005. The Parties also agree to Guardian's proposal not to increase its current recourse rate. However, the Parties indicate that they take no position with respect to the validity of Guardian's Cost and Revenue Study.

6. Article II, Effectiveness, provides that the Settlement becomes effective the date the Commission accepts and approves the Settlement without conditions or modifications, unless Guardian accepts such conditions or modifications.

7. Article III, Reservations, sets forth the reservations and limitations of the settlement. Specifically, section 3.1 provides that the Settlement is privileged, of no effect or admissible as evidence unless the Commission approves the Settlement. Section 3.2 provides that the Settlement provisions relate only to the specific matters referenced therein, and as such, do not resolve or affect any other proceedings before the Commission. Moreover, no element of the settlement constitutes precedent or a "settled practice" as interpreted and applied in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), *cert. denied*, 454 U.S. 880 (1981). Section 3.3 provides that the Settlement represents a negotiated agreement, resolved in a manner in the public interest, and no party shall be deemed to have approved, accepted, agreed, or consented to any principle of law or policy underlying or purporting to underlie any provision of the Settlement. Further, nothing shall be deemed to limit any party's right to challenge any aspect of the Settlement in a future NGA section 4 rate case or section 5 proceeding. Section 3.4 stipulates that the Commission's approval will constitute a determination that the Settlement meets the Commission's regulations, or approval of appropriate waivers, as may be necessary, to effectuate the provisions of the Settlement.

8. The Settlement includes two exhibits. Exhibit A lists the supporting and non-opposing customers. Exhibit B contains the mandated cost and revenue study based on Guardian's first three years of actual operating experience commencing December 7, 2002. The accompanying workpapers and schedules based on the twelve months ended June 30, 2005, show a $53.2 cost of service compared to $36.3 million revenue associated with Guardian's firm contracts for nearly 100 percent of the capacity (or 743,927 Mcf per day of the 750,000 Mcf per day total capacity). Guardian maintains its approved 14 percent return on equity, and uses its capital structure of 63.96 percent debt and 36.04 percent equity to calculate its 10.15 percent overall rate of return.

9. The Commission finds the uncontested Settlement to be fair and reasonable, and in the public interest. Accordingly, we approve the Settlement without modification. The Commission's approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding. The Commission retains the right to investigate the rates, terms, and conditions under the just and reasonable and not unduly discriminatory or preferential standard of section 5 of the Natural Gas Act.

10. The Commission accepts for filing Guardian's Cost and Revenue Study as complying with the underlying certificate orders, and section 154.313 of the Commission's regulations to justify its recourse rates after three years of actual operating experience. Our acceptance of Guardian's Cost and Revenue Study does not preclude any party from raising any arguments with respect to the cost and revenue data underlying the study in the next rate case.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties