

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

May 25, 2006

In Reply Refer To:
Stingray Pipeline Company, L.L.C.
Docket No. RP06-303-001

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

Attention: Jacquelyne M. Hilsher, Senior Counsel
Stingray Pipeline Company, L.L.C.

Reference: Revised Tariff Sheets to Update Pro Forma Reserve Dedication Agreement

Ladies and Gentlemen:

1. On April 26, 2006, Stingray Pipeline Company, L.L.C. (Stingray) filed revised tariff sheets¹ to correct certain typographical errors in Exhibit B to its FTS-2 *pro forma* service agreement and to include a new termination provision in Article 2 of its *pro forma* Reserve Dedication Agreement for Rate Schedule ITS. Stingray requests that the proposed tariff sheets be included as part of its April 10, 2006 filing in Docket No. RP06-303-000, to become effective May 10, 2006. We grant waiver of the Commission's 30-day notice requirement and accept the revised tariff sheets effective May 10, 2006, as proposed.
2. On April 10, 2006, in Docket No. RP06-303-000, Stingray filed revised tariff sheets to include a form of Reserve Dedication Agreement for Rate Schedule ITS along with several other conforming changes to its tariff to reflect the addition of the new *pro forma* agreement. Stingray requested that the proposed tariff sheets become effective May 10, 2006. On May 9, 2006, the Commission issued an order conditionally accepting the tariff sheets in Stingray's April 10, 2006 filing effective May 10, 2006.²

¹ Substitute Second Revised Sheet No. 305, Substitute Original Sheet No. 321, and Original Sheet No. 321A to its FERC Gas Tariff, Third Revised Volume No. 1.

² *Stingray Pipeline Co., L.L.C.* 115 FERC ¶ 61,161 (2006). In its May 9, 2006, order the Commission stated that it would act on the instant filing in Docket No. RP06-303-001 at a later date.

3. Notice of Stingray's April 26, 2006 filing was issued on May 2, 2006,³ with interventions 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, 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 this proceeding or place additional burdens on existing parties. On May 5, 2006, Chevron U.S.A. Inc. (Chevron) filed a protest in response to the filing.

4. Stingray's updated revised tariff sheets correct certain typographical errors in Exhibit B to the FTS-2 *pro forma* service agreement and are accepted. In addition, the tariff sheets include a new termination provision in Article 2 of the *pro forma* Reserve Dedication Agreement for Rate Schedule ITS. Specifically, Stingray proposes the following termination provision in new section 2.4 of the Rate Schedule ITS *pro forma* Reserve Dedication Agreement:

Notwithstanding the provisions of section 2.1 above, in the event that Transporter has waived compliance with any of the quality specifications set forth in section 22 of the General Terms and Conditions of Transporter's Tariff for the Dedicated Reserves, but revokes such waiver due to operational considerations, this Agreement shall terminate and be of no further force and effect.

5. Chevron contends that Stingray's proposed section 2.4 is unjust and unreasonable. Specifically, Chevron requests that the provision be revised to provide that the shipper may elect to permanently terminate and be released from a Reserve Dedication Agreement or may exercise its right to temporarily release the dedicated reserves from the Reserve Dedication Agreement if Stingray revokes a waiver of gas quality specifications for operational considerations. Chevron asserts that, in such instances, Stingray's revocation of a gas quality waiver should have no affect on a shipper's discounts applicable to those reserves. Chevron asserts there is no justification for Stingray to unilaterally or automatically terminate a Reserve Dedication Agreement as a result of Stingray revoking a gas quality waiver, particularly when such revocations could be temporary or on a short-term basis.

6. In addition, Chevron asserts that Stingray should be required to clarify, in the Transportation Rate Schedule Agreement for Rate Schedule ITS, that if a Reserve Dedication Agreement is terminated or a dedicated reserve temporarily released due to the revocation of the waiver of quality specifications, any discount granted for production reserves dedicated by a shipper not be terminated. Chevron argues that, in such a case,

³ 71 Fed. Reg. 26,946 (2006).

the only impact on the shipper should be that it no longer is required to transport its reserves on Stingray, but if it does so, then the discount should continue for the original term of the Reserve Dedication Agreement.

7. The Commission finds that Stingray's proposed tariff changes are just and reasonable. We disagree with Chevron that Stingray's proposed section 2.4 should be revised as Chevron proposes. If Stingray revokes a waiver of gas quality standards granted a shipper, that shipper's transportation contract may be terminated as to that dedicated gas for failure to meet the tariff's gas quality specifications and Stingray may refuse further receipt of such gas under that contract. It would make no sense to require the retention of the dedication agreement and the associated discount provision of the transportation agreement when the portion of the transportation contract to which the discounts and dedication of gas relate has terminated. If the revocation of the waiver of gas quality specifications turns to be only "temporary" as Chevron speculates, the shipper would have to enter into a new transportation agreement to resume transportation service relative to the reserves which were terminated for failure to meet gas specifications.

8. Accordingly, the Commission will allow Stingray to include new section 2.4 in its *pro forma* Reserve Dedication Agreement. For the reasons stated above, and for good cause shown to grant waiver of the 30-day notice requirement, we accept the proposed tariff sheets effective May 10, 2006, as proposed.

By direction of the Commission.

Magalie R. Salas,
Secretary.