UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

May 30, 2006

In Reply Refer To:
Vector Pipeline, L.P.
Docket No. RP06-328-000

John & Hengerer
1200 17th Street, N.W., Suite 600
Washington, D.C. 20036-3013

Attention: Kim M. Clark
Counsel for Vector Pipeline L.P.

Reference: Non-Conforming Negotiated Rate Agreements

Ladies and Gentlemen:

1. On April 28, 2006, Vector Pipeline, L.P. (Vector) filed tariff sheets, listed in the Appendix, to reflect numerous currently effective, non-conforming negotiated rate agreements. Vector's filing also includes the non-conforming negotiated rate agreements. Vector requests that the proposed tariff sheets become effective June 1, 2006. For the reasons discussed below, the Commission will accept the tariff sheets and agreements, to be effective June 1, 2006, as proposed, subject to further review and order of the Commission.

Background

2. Vector's instant filing is in response to the findings and recommendations in the Final Audit Letter issued in Docket No. PA05-67-000 on April 20, 2006 with respect to several existing negotiated rate transportation service agreements entered into by Vector with various shippers. Vector agreed in the context of the audit proceeding to: (i) file with the Commission under sections 154.1(d) and 154.112(b) seven contracts for review as non-conforming agreements, (ii) withdraw the existing tariff sheets that summarize those contracts, and (iii) submit a new tariff sheet that lists all agreements that do not conform to the applicable form of service agreement in Vector's tariff. In addition,

Vector is withdrawing Substitute First Revised Sheet No. 172 because the underlying negotiated rate contract with Northern Indiana Public Service Company expired according to its terms on February 28, 2006.

Description of the Filing

3. Vector has filed seven non-conforming contracts containing various material deviations from its form of service agreement. Vector seeks waiver of the Commission's policy that pipelines submit redline/strike-out versions of negotiated rate contracts, as required in the *Modification of Negotiated Rate Policy*, which provides that the pipeline must show the "differences between its negotiated contractual terms and that of its form of service agreement in redline and strikeout."[1] Vector asserts that providing a redline/strike-out version would be unduly burdensome on Vector and serve to make the Commission's review more difficult since the format and language of these contracts differ so substantially from its form of service agreement. In the alternative, Vector has set forth a description of the seven negotiated rate agreements and the reasons why it believes the contracts should be accepted and allowed to continue in effect under the terms agreed to by the respective shippers.

4. Vector's non-conforming negotiated rate contracts fall roughly into two categories: (1) "legacy" contracts that were entered into in the months preceding Vector's commencement of operations on December 1, 2000, and before the Commission issued its November 8, 2000, Order accepting the proposed Vector tariff[2] and (2) a "no-fee" facility lease agreement that provided a 59-mile segment of pipe that was needed for the operation of the Vector pipeline.

5. Vector states that the six legacy contracts are based primarily on Precedent Agreements agreed to by the parties to support the Vector pipeline project.[3] Vector states a *pro forma* version of the Precedent Agreement was submitted to the Commission as Exhibit I to the original certificate application filed on December 15, 1997, in Docket No. CP98-133-000, *et al.* Vector concedes that the format of the legacy contracts is not consistent with the tariff form of service agreement. However, Vector asserts that the terms of the legacy contracts are consistent with Commission policy and, thus, the

---

[1] Modification of Negotiated Rate Policy, 104 FERC ¶ 61,134 (2003). *See also*, section 154.201(a) of the Commission's regulations.

[2] *See Vector Pipeline L.P.*, 93 FERC ¶ 61,129 (2000).

[3] In executing the Precedent Agreements, the contracting parties to the legacy contracts each were given the option of a negotiated rate or a recourse rate. All shippers elected the negotiated rate option.

deviations in the legacy contracts should not be viewed as material. Vector also asserts the formatting and language differences do not result in any undue discrimination in favor of the legacy shippers.

6. Vector's no-fee facility lease agreement is a firm backhaul agreement between Vector and Michigan Consolidated Gas Company (MichCon). Pursuant to the agreement, MichCon leased to Vector a 59-mile section of 36-inch pipeline, known as the Belle River Loop, to be utilized as part of Vector's mainline. The agreement requires Vector to provide firm backhaul transportation service for MichCon from Belle River to Milford at a reservation rate of $0.00 per Dth. Vector agrees that the no-fee contract differs from the tariff form of service agreement in several aspects. However, Vector contends that the deviations contained in the agreement are permissible and have been approved by the Commission in *Vector Pipeline L.P., Preliminary Determination on Non-Environmental Issues*, 85 FERC ¶ 61,083 (1998).

Notice, Interventions, and Comments

7. Public notice of the instant filing was issued 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. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed. On May 10, 2006, DTE Energy Trading, Inc. and Michigan Consolidated Gas Company filed comments in support of Vector's instant filing.

Commission Determination

8. The Commission has not completed its review of these non-conforming provisions and changes. Accordingly, the Commission will accept the proposed tariff sheets (listed in the Appendix) and accompanying non-conforming service agreements to be effective June 1, 2006, as proposed, subject to further review and order of the Commission.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

Appendix

Vector Pipeline, L.P.
FERC Gas Tariff, Volume No. 1

Tariff Sheets Effective June 1, 2006

Fifth Revised Sheet No. 3
Second Revised Sheet No. 165
Substitute First Revised Sheet No. 166
Substitute First Revised Sheet No. 167
Substitute First Revised Sheet No. 168
Substitute First Revised Sheet No. 169
Substitute First Revised Sheet No. 170
Substitute Second Revised Sheet No. 171
Substitute First Revised Sheet No. 172
Original Sheet No. 176