

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 1, 2006

In Reply Refer To:
Destin Pipeline Company, L.L.C.
Docket No. RP07-31-000

Destin Pipeline Company, L.L.C.
200 Westlake Park Boulevard
Houston, TX 77079

Attention: Randy R. Joseck, Vice President

Reference: Request for Limited Waiver

Dear Ladies and Gentlemen:

1. On October 23, 2006, Destin Pipeline Company, L.L.C., (Destin) filed a request for limited waiver of section 5(e) of its Rate Schedule FT-2 so that shippers can reduce their transportation demand in response to an in-kind royalty payment without the required 30-day notice period. Under section 5(e) of Rate Schedule FT-2, when a Federal lessor elects to take its gas royalty from a shipper in-kind rather than as a cash payment, the shipper may elect to reduce the transportation demand of its contract by an amount corresponding to what the lessor takes as its in-kind royalty, with 30 days written notice to Destin.¹

2. Destin states that in late September 2006, the Mineral Management Service (MMS) elected to take its royalty share from several producer leases attached to Destin's system as in-kind, effective with November 2006 production. Destin states that MMS was late in notifying shippers of its intent to take its royalty payment in-kind, and therefore several shippers on Destin's system did not have sufficient time to evaluate their firm transportation requirements and provide Destin the required 30-day notice for reducing their capacity. Destin states that to accommodate requests by certain shippers to reduce their capacity, it requests that the Commission grant a limited, one-time waiver of

¹ Section 5(e) also provides that, thereafter, when a Federal lessor elects not to take its royalty as in-kind, but rather as a cash payment, the shipper may increase the transportation demand of its contract by the corresponding in-kind amount with 30 days written notice to Destin, and subject to available capacity.

section 5(e) of its Rate Schedule FT-2 to allow shippers to reduce their transportation demand consistent with section 5(e) without the required 30-day notice. Destin requests Commission action by November 1, 2006.

3. Notice of Destin's waiver request was issued on October 26, 2006, with comments due by October 30, 2006. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2006), 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. No party filed a protest or adverse comments.

4. We grant Destin's request for limited waiver of section 5(e) of Rate Schedule FT-2. Granting waiver will benefit shippers by allowing them to utilize the full flexibility provided by Destin's tariff, and to not be harmed by MMS providing late notification to shippers of its intentions to take its royalty payments in-kind. However, it appears that Destin should have known about the need for these waivers in advance of the date on which it filed its request and, therefore, should have filed its waiver request in advance of the date it needed the waiver in order to give sufficient notice of its intended actions. Accordingly, although we will grant the subject waiver request, we expect Destin and other jurisdictional entities to file any such requests as far in advance of the date when the waiver is needed as reasonably possible, and certainly within a time frame to allow appropriate notice and comment under the Commission's regulations. Failure to do so could result in the denial of the requested waiver and possibly other Commission action. We do, however, wish to clarify that we recognize that it is not always possible to make the filing sufficiently in advance in cases of true emergencies, and that we would not expect to take punitive action in those instances.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties (continued on next page)

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