

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

May 31, 2007

In Reply Refer To:  
Garden Banks Gas Pipeline, LLC  
Docket No. RP07-421-000

Enbridge Employee Services, Inc.  
1100 Louisiana Street, Suite 3300  
Houston, Texas 77002

Attention: Cynthia A. Corcoran  
FERC Chief Compliance Officer & Senior Counsel Specialist

Reference: Revised Tariff Sheets Modifying Rate Schedule FT-2

Ladies and Gentlemen:

1. On May 1, 2007, Garden Banks Gas Pipeline, LLC (Garden Banks) filed revised tariff sheets, listed in the appendix, to modify its Rate Schedule FT-2 and corresponding Rate Schedule FT-2 *pro forma* transportation service agreements. Garden Banks requests that the Commission accept the proposed tariff sheets to become effective June 1, 2007. Garden Banks also requests that the Commission grant any waivers necessary to implement the filing as submitted. As discussed below the Commission accepts the instant revised tariff sheets to become effective June 1, 2007, as proposed.

2. Public notice of the instant filing was issued on May 3, 2007, with interventions and protests due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210 (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 date of issuance 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.

3. Garden Banks states that Rate Schedule FT-2 is a flexible firm transportation service, with varying Maximum Daily Quantity (MDQ) and rates based upon the volumes that shippers nominate on an annual basis. Garden Banks states that this service is available to any shipper that agrees to commit for transportation on Garden Bank's

facilities, all natural gas produced by or for the account of the shipper from specified Committed Blocks for the economic life of the Committed Blocks. As discussed below, the rate under this rate schedule is subject to a monthly levelization feature (Revenue Bank Account) and shippers may also currently modify their Maximum Daily Quantity upon twelve (12) months' notice.

4. Garden Banks states that in order to provide additional flexibility to its Rate Schedule FT-2 shippers and to conform the term provisions of Rate Schedule FT-2 transportation service agreements and corresponding reserve commitment agreements it proposes the following revisions to its Rate Schedule FT-2 and the corresponding Rate Schedule FT-2 *pro forma* transportation service agreement:

- (1) a revision in the notice period that a Rate Schedule FT-2 shipper is required to give Garden Bank to reduce a shipper's MDQ from twelve months to three months;
- (2) a revision to the term provisions of Rate Schedule FT-2 and the FT-2 *pro forma* agreement to make the term of any Rate Schedule FT-2 service agreement that is entered into on or after June 1, 2007 be for the economic life of production blocks committed for transportation to Garden Banks, as set forth in an associated reserve commitment agreement (RCA); and
- (3) a revision to the term of the Revenue Bank Account (RBA) under Rate Schedule FT-2 to coincide with the term of the associated FT-2 service agreement to allow the credit period to extend to the economic life of the committed reserves.

5. Garden Banks states that it is proposing these changes for the benefit of its shippers, so that there is no mismatch among the term provisions of their service agreement, RBA, and RCA which may cause a shipper either to lose valuable transportation rate credits and/or transportation capacity while it still has reserves committed to the Garden Banks system.

6. For example, Garden Banks states that currently, section 1.1 of Garden Banks' Rate Schedule FT-2 requires a shipper to execute a RCA under which the shipper agrees to commit for transportation on Garden Banks all of the shipper's gas from the committed area production blocks for the economic life of the block. However, Garden Bank states that prior to the instant proposed revision, the term of the FT-2 service agreement under which the committed gas is transported may be for the economic life of the Committed Blocks or for a specific period of years. Garden Banks states that this discrepancy may

lead to a situation where a shipper's transportation service terminates while the shipper still owns commercially producing reserves in its Committed Blocks but firm transportation is no longer available. Garden Banks states that in response to requests of its customers it proposes to revise its FT-2 service agreement and Rate Schedule to make the term of any Rate Schedule FT-2 service agreement entered into after June 1, 2007 equal the economic life of the Committed Blocks and match the associated RCA.

7. Garden Banks also points out that its RBA mechanism, which levelizes a Rate Schedule FT-2 shipper's monthly bill, meets the needs of both shippers and pipelines for flexibility and revenue recovery.<sup>1</sup> However, Garden Banks asserts that a potential mismatch between service agreement and RCA terms may cause a Rate Schedule FT-2 shipper to lose valuable RBA credits that it would have otherwise been entitled to receive if the term of the RBA had been equivalent to the economic life of the Committed Blocks under the shipper's RCA. Therefore, Garden Banks proposes to revise the term of the RBA under Rate Schedule FT-2 to coincide with the term of the associated FT-2 service agreement which is revised as stated above to match the associated RCA. Garden Banks states that because the term of the FT-2 service agreement and the associated RCA will equal the economic life of the committed reserves, there is no longer any need to include a specific term of years for the Credit Period under the RBA. Garden Banks states that this change will permit shippers to use any accumulated credits in their RBA account throughout the economic life of their Committed Blocks.

8. Finally, Garden Banks states that its shippers have discovered that the annual MDQ nominations currently allowed under its tariff do not provide sufficient flexibility

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<sup>1</sup> Garden Banks states that section 5 of Rate Schedule FT-2 provides for the calculation of a Rate Schedule FT-2 shipper's monthly bill and establishment and operation of a RBA. Garden Banks states that if the total quantities of gas transported under a shipper's FT-2 Service Agreement during any month equal or exceed eighty percent (80%) of the effective MDQ for the month, that shipper will be billed the applicable reservation rate on the basis of the actual quantities transported. However, if such quantities are less than eighty percent the shipper will be billed the applicable reservation rate for eighty percent (80%) of the MDQ. Amounts paid that are attributable to capacity not used are "banked" in the RBA and are available for credit against quantities transported in future months in excess of eighty percent (80%) of the shipper's MDQ. Garden Banks states that that term of the RBA referred to as the "Credit Period" is defined as each consecutive twelve year period during the term of an associated FT-2 service agreement or shorter if the term of the service agreement is shorter. Any amounts left in the RBA at the end of a Credit Period are retained by Garden Banks.

to allow the MDQ to track the production curve of Committed Blocks as originally envisioned under the FT-2 Rate Schedule. Garden Banks asserts that this problem may be exacerbated by its proposal to extend the *pro forma* service agreement term to equal the economic life of reserves, since production curves can decline rapidly in later production years. Garden Banks proposes to modify its notice period that a Rate Schedule FT-2 shipper is required to give Garden Bank to reduce a shipper's MDQ from twelve (12) months to three (3) months in order to allow shippers more frequent opportunities to reduce their MDQ and thereby more accurately reflect declining production curves and to protect shippers from harm that might otherwise occur from the proposed change in the term provision of the *pro forma* service agreement.

9. Garden Banks states that in order to ensure that these proposed revisions will be available to all shippers on a non-discriminatory basis it proposes to allow all current Rate Schedule FT-2 shippers a one-time election, during the period June 1, 2007 through September 1, 2007, to revise currently effective FT-2 service agreements consistent with the instant proposed revisions.

10. Garden Banks asserts that the election to change the term of an existing FT-2 service agreement is completely voluntary on the part of the current Rate Schedule FT-2 shippers. However, to the extent that any current shipper elects one or more of the above-described changes during the prescribed period, Garden Banks states that it will execute a restated and amended FT-2 service agreement with such shipper. Garden Banks contends that the restated agreements will mirror the previously approved non-conforming agreements, except as amended in accordance with the one-time discretionary elections by the Rate Schedule FT-2 shippers.

11. Furthermore, Garden Banks recognizes that its proposal does not require current shippers electing to modify their existing agreements to follow the procedures for requesting new service as outlined in section 6 of its tariff, even though those shippers that elect the term change might be considered to have received an award of new capacity.<sup>2</sup> Garden Banks contends, that in the instant circumstance, when all of the

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<sup>2</sup> Currently, section 6 of Garden Banks' tariff provides that any person desiring new transportation service under Rate Schedule FT-2 must submit a completed Service Request Form which includes information regarding Gas Quantities, Receipt/Delivery Point, the term of the proposed transportation commencement and termination dates, Shipper Certification that all necessary upstream and downstream arrangements will be in place, an identification and location of any facilities to be constructed or installed by any party and the identification of the Committed Block(s) and the Shipper's interest therein.

affected shippers hold existing service agreements and no prospective shippers are in Garden Banks' queue to receive firm service, its proposal poses no risk of undue discrimination. Therefore, Garden Bank submits it is appropriate to allow the proposed changes to be made without burdening the existing shippers with the requirements of section 6 of its tariff and therefore requests that the Commission grant waiver of the requirements of section 6 of Garden Banks' tariff to implement the existing shipper elections.

12. The Commission finds that the proposed changes to Rate Schedule FT-2 and the FT-2 *pro forma* service agreement will provide Rate Schedule FT-2 shippers with greater flexibility in managing their Rate Schedule FT-2 service. In addition, these proposed changes will result in a better matching of the terms of transportation service agreements and related reserve commitments on the Garden Banks' system. Also, the revision to the Revenue Bank Account provision will allow shippers to use any accumulated credits in the Revenue Bank Account throughout the economic life of the Committed Block. Therefore, the Commission accepts the revised tariff sheets, effective June 1, 2007. Additionally, for good cause shown, the Commission grants waiver of section 6 of Garden Bank's tariff in order to permit shippers the opportunity to efficiently elect the changes under Rate Schedule FT-2.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.

**Appendix**

**Garden Banks Gas Pipeline, LLC  
FERC Gas Tariff, Original Volume No. 1**

*Tariff Sheets Effective June 1, 2007*

Second Revised Sheet No. 19

Second Revised Sheet No. 23

First Revised Sheet No. 23A

First Revised Sheet No. 23B

Third Revised Sheet No. 25

Second Revised Sheet No. 221

First Revised Sheet No. 226