

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Sea Robin Pipeline Company

Docket No. RP07-513-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS SUBJECT TO  
REFUND AND ESTABLISHING HEARING PROCEDURES

(Issued July 30, 2007)

1. On June 29, 2007, Sea Robin Pipeline Company (Sea Robin) filed revised tariff sheets<sup>1</sup> pursuant to section 4 of the Natural Gas Act (NGA) proposing a general increase in its firm and interruptible transportation rates. Sea Robin proposes an effective date of August 1, 2007, for its tariff sheets. The Commission accepts and suspends Sea Robin's revised tariff sheets to become effective January 1, 2008, subject to refund and the outcome of a hearing established by this order.

**Background**

2. Sea Robin is a jurisdictional offshore interstate pipeline company. It owns and operates about 450 miles of pipeline that stretches from the Ship Shoal area of the central Gulf of Mexico to the East Cameron area of the western gulf. Sea Robin is capable of delivering about 1.0 Bcf per day to onshore markets. Sea Robin's currently effective rates were effectuated by a Commission letter order approving a settlement, issued on March 13, 2002, in Docket No. CP95-168-006.<sup>2</sup>

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<sup>1</sup> Third Revised Sheet No. 5, Third Revised Sheet No. 6, Third Revised Sheet No. 7, and First Revised Sheet No. 8 to its FERC Gas Tariff, Second Revised Volume No. 1.

<sup>2</sup> *Sea Robin Pipeline Co.*, 98 FERC ¶ 61,263 (2002).

### **Details of Filing**

3. Sea Robin proposes to increase its rates for jurisdictional transportation service under Rate Schedules FTS, FTS-2, ITS, and GPS.<sup>3</sup> In general, Sea Robin proposes to increase its Rate Schedules FTS and FTS-2 transmission base rates by 600 percent; its Rate Schedules FTS and FTS-2 volumetric gathering rate by 233 percent; its Rate Schedule ITS transmission rate by 587 percent; its Rate Schedule ITS gathering rate by 233 percent; and its Rate Schedule GPS parking rate by 587 percent. Sea Robin asserts it is proposing new rates to reflect current market conditions related to throughput on its system. Sea Robin contends that, following Hurricanes Katrina and Rita in 2005, throughput on its system fell dramatically and has been slow to return. Sea Robin states it designed its proposed rates using the straight-fixed variable method, and designed its Rate Schedule ITS rates using a 100-percent load factor equivalent of its basic Rate Schedule FTS firm gathering and transmission rates.

4. Sea Robin bases its rates on a proposed \$22.00 million cost of service, an increase from the \$20.96 million cost of service underlying its currently effective rates. Sea Robin calculates its cost of service using the twelve-month base period ending February 28, 2007, incorporating adjustments made during a test period ending November 30, 2007. Sea Robin's cost of service includes \$10.61 million in operation and maintenance expenses, \$4.33 million in depreciation expenses, \$2.68 million in taxes, and \$5.55 million in return. Sea Robin's proposed cost of service also includes \$1.17 million in revenue credits.

5. Sea Robin proposes a \$51.79 million rate base, an increase from the \$39.05 million rate base underlying its currently effective rates. Sea Robin states that this increase is the result of capital additions and repairs for damage sustained during the 2005 hurricane season, net of insurance recovery periods. Sea Robin also proposes an overall rate of return of 10.71 percent, which includes a proposed 13.50-percent return on equity. Sea Robin designs its rates using a capital structure of 60.15 percent equity and 39.85 percent debt, which it states is the capital structure of its parent company, Panhandle Energy.

6. Sea Robin calculates its proposed rates using a gathering throughput of 129,543,586 MMBtu and a transmission throughput of 180,541,057 MMBtu. These figures represent decreases from the gathering and transmission throughputs underlying Sea Robin's currently effective rates, which are 207,470,442 MMBtu and 209,560,703, respectively. Sea Robin states that contracts which began during the base period or test period, and which will continue beyond the test period, have been annualized. It adds that contracts which expired and were not renewed during the base period, or are known

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<sup>3</sup> Rate Schedule GPS is a gas parking service.

to expire during the test period, have been eliminated for purposes of calculating the billing determinants.

### **Notice**

7. Notice of Sea Robin's filing was issued on July 3, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. §154.210. Pursuant to rule 214, 18 C.F.R. § 385.214, 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. ExxonMobil Gas and Power Marketing Company, a Division of Exxon Mobil Corporation (ExxonMobil); Chevron U.S.A., Inc., (Chevron); and Excelerate Gas Marketing, L.L.C., (Excelerate) filed protests. All protesting parties request that the Commission suspend Sea Robin's tariff sheets for the full five-month period and establish an evidentiary hearing to further explore Sea Robin's proposed rates.

### **Discussion and Suspension**

8. Protesters raise numerous concerns with Sea Robin's proposal. They include, but are not limited to the: (1) size of Sea Robin's proposed rate increase; (2) increased cost of service; (3) rate of return (including return of equity); (4) size of rate base; (5) operation and maintenance expenses; (6) negative salvage rates; (7) inclusion of asset retirement obligation depreciation and accretion expenses in its cost of service; and (8) fuel rate.

9. The Commission shares the concerns that the protesters raise. Based upon a review of the filing, we find that Sea Robin has not shown its proposed rates to be just and reasonable, and the proposed rates may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, we accept Sea Robin's proposed tariff sheets for filing and suspend their effectiveness for the period set forth below, to become effective January 1, 2008, subject to the conditions set forth in this order. Further, we find that Sea Robin's proposed tariff sheets raise issues that require further investigation at a hearing before an Administrative Law Judge. Therefore, we will set all issues in the subject filing for hearing.

10. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.<sup>4</sup> It is recognized, however, that

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<sup>4</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶61,293 (1980) (five-month suspension).

shorter suspensions may be warranted in circumstances where suspensions for the maximum period may lead to harsh and inequitable results.<sup>5</sup> Such circumstances do not exist here. Accordingly, the Commission will suspend the revised tariff sheets for five months and will permit them to take effect January 1, 2008, subject to refund and subject to the conditions set forth in the body of this order and the ordering paragraphs below.

The Commission orders:

(A) The revised tariff sheets are accepted and suspended, to become effective January 1, 2008, subject to refund and conditions and subject to the outcome of the hearing established in this proceeding.

(B) Pursuant to the authority of the NGA, particularly sections 4, 5, 8 and 15, a public hearing will be held in Docket No. RP07-513-000 concerning the lawfulness of Sea Robin's filing.

(C) A Presiding Administrative Law Judge, to be designated by the Chief Administrative Law Judge for that purpose pursuant to 18 C.F.R. § 375.304, must convene a prehearing conference in this proceeding to be held within twenty (20) days after this order issues, in a hearing or conference room of the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington D.C. 20426. The prehearing conference will be held for the purpose of establishing a procedural schedule. The Presiding Administrative Law Judge is authorized to conduct further proceedings in accordance with this order and the Commission's rules of practice and procedure.

By the Commission.

Kimberly D. Bose,  
Secretary.

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<sup>5</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶61,197 (1980) (one-day suspension).