



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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and CP03-11-006

NEWS MEDIA CONTACT

Tamara Young-Allen - 202.502.8680

## **FERC Clarifies Jurisdiction for Gathering Facilities in Onshore, Offshore Louisiana**

The Federal Energy Regulatory Commission today clarified its jurisdiction over natural gas facilities in the Gulf of Mexico region in decisions responding to proceedings remanded by two federal appellate courts.

In today's orders, FERC determined that certain previously regulated natural gas facilities operated by Jupiter Energy Corporation (Jupiter) are non-jurisdictional gathering facilities, and that certain facilities operated by Transcontinental Gas Pipe Line Corp. (Transco) primarily perform transmission services that are subject to FERC jurisdiction.

The decisions concern proceedings that were remanded twice by the U.S. Court of Appeals for the District of Columbia Circuit and the U.S. Court of Appeals for the Fifth Circuit for further review of their jurisdictional status.

"Today's orders will help clarify the Commission's gathering jurisdiction," FERC Chairman Joseph T. Kelliher said. "We reaffirmed our determination in the Transco proceeding and responded to the court's concerns in both cases."

By applying its primary function test, which evaluates the physical and non-physical characteristics of facilities to determine their jurisdictional nature, FERC today reversed its previous finding and determined the Jupiter facilities -- which consist of a 10.2-mile long, 10.75 inch diameter pipeline and a 3.2-mile long, 8.265-inch diameter pipeline located offshore Louisiana -- function primarily as gathering facilities that are not subject to FERC jurisdiction.

Jupiter had sought authority to transfer its facilities to its parent company, Union Oil Company of California (Unocal) to use as part of its gathering system. Jupiter appealed FERC's determination that the facilities perform a jurisdictional transmission function before the Fifth Circuit U.S. Court of Appeals.

FERC today also reaffirmed its ruling that a 24-inch pipeline that Transco proposed to transfer to its gathering affiliate, Williams Gas Processing-Gulf Coast Company LP, should remain jurisdictional. Initially, FERC had determined that 12.3 miles of the 24-inch pipeline, along with approximately 380 miles of two- to 24-inch diameter pipeline located onshore and offshore Louisiana, performed primarily a gathering function. FERC reversed that finding after discovering that the 12.3-mile line was downstream of Jupiter's transmission facilities. Transco challenged that ruling before the U.S. Court of Appeals for the District of Columbia Circuit, arguing its entire system was used for non-jurisdictional gathering.

FERC today determined that the 12.43-mile segment of Transco's pipeline is really a portion of one continuous 37-mile long, 24-inch diameter pipeline.





In reaching this determination, FERC applied its primary function test to the 37 miles of 24-inch pipeline to evaluate the physical characteristics of the facilities. The large diameter and the length of Transco's pipeline is typical of a shallow-water transmission facility, FERC said. While other, longer pipelines can be considered to perform a gathering function, FERC noted that longer lines sometimes are needed for access to deep water production. That was not the case for this pipeline.

FERC further evaluated whether the pipeline extends beyond the central field point, or, with reference to offshore pipelines, whether the facilities extend beyond the central point of aggregation. FERC noted the 24-inch pipeline interconnects with a 12-inch diameter pipeline at the Vermilion 22 offshore platform. At this point, the production from numerous gatherers' pipelines, ranging in diameter from four to 12 inches, converges and is aggregated for delivery into the 24-inch pipeline.

The increase in diameter makes the 24-inch pipeline capable of transporting a significantly larger volume of gas than the interconnecting gathering lines. Gas gathered at this point is then transported through the 37-mile long, 24-inch diameter pipeline for processing onshore, FERC added. Therefore, the interconnection at that junction is equivalent to a central point of aggregation where gathering ends and transmission begins.

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