SEA ROBIN PIPELINE COMPANY, LLC

Statement of the Nature, Reasons and Basis for the Filing
Including Summary of Changes or Additions to Tariff
and Explanation of Need for Changes

Sea Robin Pipeline Company, LLC ("Sea Robin") has included herein tariff changes to its Second Revised Volume No. 1 of its FERC Gas Tariff the tariff sheets identified in Appendix A which reflect a general rate increase applicable to gathering and transmission transportation services.

A. Nature of the Filing

The changes in rate levels in this filing are designed based on the filed billing determinants and throughput levels for transportation services. The principal factors supporting the increase in cost of service are:

(a) an increase in rate base resulting from additional plant; and

(b) an increase in rate of return and related taxes.

The primary reason for the filing of the Revised Tariff Sheets is to adjust Sea Robin's rates for gathering and transmission transportation services. The computed cost of service herein, when compared with the cost of service underlying the currently effective rates, indicates an annual increase of approximately $1.038 million; however, projected transportation revenues total $22.0 million, an annual increase of $13.5 million.

In compliance with Section 154.7(a)(6) of the Commission's regulations, 18 CFR §154.7(a)(6), the following table compares the cost of service, rate base and throughput underlying this filing with the same information underlying the last rate found just and reasonable by the Commission:

	Instant Filing	CP95-168[1]
Transport Revenues	$21,974,686	$20,961,729
Cost of Service	$21,999,861	$20,961,729
Rate Base	$51,792,395	$39,053,120
Throughput (MMBtu)		
Gathering	129,543,586	207,470,442[2]
Transmission	180,541,057	209,560,703[2]

Sea Robin's overall cost-of-service, as detailed in Statement A, for the Base Period ending February 28, 2007, adjusted for known and measurable changes through November 30, 2007, justify the rate increase. Sea Robin is controlling expenses, and taking

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[1] Docket No. CP95-168-006 was settled.

[2] Throughput shown reflects Sea Robin's as filed throughput.

a conservative approach in its rate proposals, while striving to match cost incurrence with cost causation.

1. Unchanged Rate Components

A number of components of Sea Robin's proposed rates represent a continuation of existing practices. Sea Robin generally has retained the methods of cost classification and rate design that underlie its currently effective rates. As more fully explained in Sea Robin's testimony:

a. Straight-fixed Variable Method. Sea Robin continues to design rates using the Commission-preferred straight fixed variable ("SFV") method.

b. Discount adjustment. Sea Robin calculates its billing determinants by making a discount adjustment which utilizes the iterative methodology preferred by the Commission. Such adjustment is made in accordance with the goals and directives of the Commission's Rate Design Policy Statement[3] that allows a pipeline to seek a reduction in the volumes used to design its maximum rates, if it obtained those volumes by offering discounts to meet competition.

c. IT Rate Design. Sea Robin has continued the design of its interruptible transportation rate for service under Rate Schedule ITS on a 100 percent load factor equivalent of the basic FTS firm gathering and transmission transportation rate. Sea Robin recognizes the Commission's preference for a 100 percent load factor interruptible rate, and believes that circumstances continue to exist to warrant such design.

2. Proposed Changes

Sea Robin's proposed rates are supported by the statements and schedules enclosed with this filing pursuant to Section 154.312 of the Commission's regulations, including the prepared testimony of Sea Robin's witnesses. As more fully explained therein, Sea Robin's proposed changes include the following:

a. Cost of capital. The proposed rates incorporate an overall cost of capital of 10.71 percent, based on the Test Period capitalization of its parent, Panhandle Eastern Pipe Line Company, LP ("Panhandle"). This cost of capital reflects the decision by Sea Robin to file for an equity return commensurate with Sea Robin's risks in the highly competitive market environment in which it operates. Thus, Sea Robin's filed cost of capital is as follows:

Capital Component	Weight	Cost	Wgtd. Cost
Long-Term Debt	39.85%	6.51%	2.59%
Cost of Common Equity Requested by Sea Robin	60.15%	13.50%	8.12%
Overall Cost of Capital Requested by Sea Robin			10.71%

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3 *Policy for Selective Discounting by Natural Gas Pipelines*, 111 FERC ¶ 61,309 (2005).

b. Depreciation Rate. Sea Robin has filed to continue its gathering and transmission depreciation rates of 0.80 percent, which is the same as the gathering and transmission depreciation rates that were included in Sea Robin's Stipulation and Agreement in Docket No. CP95-168-006, as approved by the Commission on March 13, 2002. Sea Robin has made an adjustment to its General Plant – Computer Equipment depreciation rates to better reflect the useful life of such assets and is proposing to utilize a 20 percent annual depreciation rate for those facilities.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Sea Robin adopted the new rules on asset retirement obligations ("ARO") on January 1, 2003. In March 2005, the FASB issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143," which clarified the rules related to ARO accounting. Sea Robin adopted FIN No. 47 in December 2005.

Section 154.315 of the Commission's regulations, 18 CFR §154.315, addresses a natural gas company's rate case filing requirements related to AROs. Under those requirements, a company may seek to recover non-rate base costs related to AROs, but all ARO cost components that would impact the calculation of rate base must be removed from the rate base calculation. In the instant filing, Sea Robin has complied with Section 154.315 of the Commission's regulations, and has reflected ARO depreciation expenses of $89,574 and accretion expenses of $329,408 for its gathering and transmission facilities.

B. Reasons for the Filing

Sea Robin is submitting this rate filing to incorporate into its gathering and transmission rates the current market conditions related to throughput on its system. Over the past several years and prior to Hurricanes Katrina and Rita in 2005, Sea Robin experienced a decrease in the throughput on its system. After the hurricanes, throughput fell dramatically and has been slow to return. The revised rates reflect: (1) increases in rate base; and (2) increases in overall rate of return and related taxes.

1. Increased Rate Base

The revised tariff sheets reflect a rate base of $51.8 million. This is an increase of $12.7 million, or 32.6%, over the rate base underlying the 2002 Settlement rates. Sea Robin's rate base has increased as a result of capital additions and repairs and replacements for damage sustained during the 2005 hurricane season, net of insurance recovery proceeds.

2. Increased Rate of Return

The revised tariff sheets reflect an overall rate of return on rate base of 10.71 percent. Sea Robin has utilized the actual capital structure of its parent, Panhandle, for the purposes of calculating Sea Robin's rate of return allowance. Using Panhandle's capital structure (consisting of 60.15 percent equity and 39.85 percent debt) is appropriate because Sea Robin does not issue its own non-guaranteed debt, has no bond rating separate from its parent. Sea Robin has based its return allowance on its weighted average cost of debt, which is 6.51 percent. Sea Robin is requesting a return on equity of 13.50 percent, which reflects Sea Robin's risks which justify the requested return on equity.

3. Billing Determinants

The billing determinants used in this filing reflect actual volumes for the twelve months ended February 28, 2007, as adjusted for known and measurable changes in contract demand and usage throughput, through the end of the Test Period ending November 30, 2007. Contracts which began during the Base Period or Test Period, and will continue beyond the Test Period, have been annualized. Likewise, contracts which expired and were not renewed during the Base Period, or are known to expire during the Test Period, have been eliminated for purposes of calculating the billing determinants.

C. Basis for the Filing

The basis for Sea Robin's proposed changes are fully detailed in Statements A through J, L, M and O, submitted as part of this rate filing, and as described in Section 154.312 of the Commission's regulations [18 CFR §154.312]. In addition, Statement P, submitted herewith, contains prepared direct testimony setting forth the evidence that supports Sea Robin's case-in-chief. The testimony of Sea Robin's witnesses are as follows:

Witness	Testimony
Michael T. Langston	Background Information Related to Filing, Capital Structure, Including Selection of Equity Return, Proposed Base Rates, Commercial and Market Issues, Throughput Volumes, Test Period Adjustments for Reservation Billing Determinants, Commodity Billing Determinants and Overall Business Risks
Lawrence J. Biediger	Overall Cost of Service, Rate Base, Accumulated Deferred Income Taxes, Operating Costs, Depreciation Expense, Income Taxes, Revenue Credits, and Gas Balance
Rickey J. Brocato	Gas Plant, Accumulated Provision for Depreciation, Working Capital and Other Taxes
William W. Grygar	Classification, Cost Allocations and Rate Design for Transportation Services, and Discount Adjustment
Robert B. Hevert	Range of Return on Equity