



Black Marlin Pipeline Company  
2800 Post Oak Boulevard (77056)  
P.O. Box 1396  
Houston, Texas 77251-1396  
713/215-3031

October 31, 2006

Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Black Marlin Pipeline Company  
Docket No. RP07- \_\_\_\_\_

Dear Secretary Salas:

Pursuant to Section 4 of the Natural Gas Act and Subpart D of Part 154 of the regulations of the Federal Energy Regulatory Commission (the "Commission"), Black Marlin Pipeline Company ("Black Marlin") tenders for filing and acceptance an original and twelve copies of the accompanying general rate change filing and revised tariff sheet listed below to its FERC Gas Tariff, Original Volume No. 1, to be effective December 1, 2006:

Fifteenth Revised Sheet No. 4

For reasons stated below, Black Marlin respectfully requests that the above tariff sheet be made effective December 1, 2006, after 30 days notice and nominal suspension. Alternatively, in the event the Commission denies Black Marlin's request and suspends the above tariff sheet for the full 5-month suspension period, Black Marlin requests that the revised, alternate tariff sheet listed below, reflecting only a portion of the proposed rate increase, be placed into effect, subject to refund, for the interim period December 1, 2006 through April 30, 2007, after which, the tariff sheet listed above, reflecting the full increase in its rates will be made effective.

Alternate Fifteenth Revised Sheet No. 4

**Statement of Nature, Reasons and Basis for Filing (18 CFR Section 154.7(a)(6))**

Black Marlin's maximum transportation rate is currently \$0.09 per MMBtu and has been in effect since January 1, 1999. This rate was established via a "black box" settlement of

Black Marlin's last rate case filed in Docket No. RP98-274<sup>1</sup>, during an era when production in the offshore corridor served by Black Marlin was more robust. Annual transportation quantities have ranged from 20 million to 40 million MMBtu during much of the period that this rate has been in effect. Unfortunately, over the last two years, the production into Black Marlin has dropped precipitously due to the natural depletion of the attached reserves. As a result, Black Marlin is not recovering its costs. The underrecovery has become so severe that Black Marlin is not even collecting its operating and maintenance costs. Currently, Black Marlin is losing approximately \$170,000 per month. The only recourse Black Marlin has, other than terminating service, is to raise its rates – *significantly* – to a level that stops this financial hemorrhage. Therefore, Black Marlin is proposing to increase its rates from \$0.09 to \$1.0622 per MMBtu. As reflected in this filing, revenues at current rates are inadequate to recover Black Marlin's cost of service and result in a revenue deficiency of \$2.8 million.

Black Marlin must be fully and fairly compensated in order to continue operations. Black Marlin realizes that the rate increase being proposed herein is extraordinary; however, Black Marlin can no longer sustain its financial losses. Black Marlin is willing to continue providing service to the remaining shippers on its system for as long as they are willing to pay a rate that restores Black Marlin to solvency; however, if the current shippers are unwilling to pay the necessary rate to allow Black Marlin to recover the costs of operating this system, Black Marlin will be compelled to commence abandonment proceedings.

The cost of service underlying the rates proposed herein is based upon twelve months actual data ended June 30, 2006 (the "Base Period") adjusted for known and measurable changes through March 31, 2007 (the "Test Period"). Black Marlin is not proposing any changes in rate design, depreciation rates or any other changes in its tariff besides revising its rates under its existing rate schedules.

The filed cost of service in this case (\$2,966,836) is slightly lower than that filed in RP98-274 (\$3,216,560). It is readily apparent that the significant decline in throughput is driving the rate increase being filed herein. Black Marlin is acutely aware of the significant rate increase it is proposing. It is nonetheless a rate increase that is necessary and supportable under cost of service regulation, and one that Black Marlin is compelled to make to ensure that it is no longer in a net loss situation and that it can continue to provide transportation service to its customers.

As further explained in the prepared testimony filed herewith, the significant decline in throughput is predominantly related to declines in deliverability and the termination of production activity in certain production blocks attached to its system. In addition, the prospect of attaching additional supply to Black Marlin's system is questionable. Nor is it likely that discounting its rates will encourage additional throughput. The simple fact is that because of the natural depletion and decline in deliverability associated with the mature gas fields attached to its system, as experienced in general by production wells in

---

<sup>1</sup>. See Black Marlin Pipeline Company, Letter Order, Docket. No. RP98-274 (Dec. 30, 1998)

the older, near-shore production regions along the Gulf Coast, Black Marlin must raise its rates.

In compliance with 18 CFR Section 154.7(a)(6), the following table sets out the cost of service, rate base and throughput underlying this filing. However, given the "black box" nature of the settlement in Docket No. RP98-274, the comparable information underlying the most recent Commission-approved rate of \$0.09 per MMBtu in that proceeding is not available. The following table does show, however, the corresponding information underlying Black Marlin's proposed rate of \$0.2162 per MMBtu, as originally filed in that proceeding.

	<u>Cost of Service</u>	<u>Rate Base</u>	<u>Annual Throughput</u> <u>(MMBtu)</u>
RP98-274 (as filed)	\$3,216,560	\$5,089,070	19,331,916
This Filing	\$2,966,836	\$1,581,671	2,793,051

**List of Tariff Sheets (18 CFR Section 154.7(a)(5))**

Fifteenth Revised Sheet No. 4  
Alternate Fifteenth Revised Sheet No. 4

**Proposed Effective Date (18 CFR Section 154.7(a)(3) and (9))**

As stated above, Black Marlin requests that the proposed rate increase be approved and made effective on December 1, 2006, after 30 days notice and a nominal suspension. Although the Commission's policy is generally to suspend the effectiveness of rate increases for the full statutory period of 5 months, it recognizes that a shorter suspension may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. Such conditions exist here. As stated previously, Black Marlin is losing approximately \$170,000 per month. Based upon its continuing decline in throughput, such losses will grow. Black Marlin is in real need of rate relief now. Recognizing the potentially significant impact of this rate increase on its shipper customers, over the past six months Black Marlin has been in communication with its shippers to provide them advance notice of this substantial need for rate relief.

However, in the event the Commission does not grant Black Marlin's request for nominal suspension of its proposed rate increase, in the alternative, Black Marlin requests that the Commission allow a portion (a rate of \$0.6768 per MMBtu) of its proposed rate increase to go into effect, subject to refund, for the period December 1, 2006 through April 30, 2007. The implementation of this partial, interim increase will allow Black Marlin an opportunity to recover certain "out-of-pocket expenses" which consist of operation and maintenance expense, administrative and general costs, and taxes other than income. Then, effective May 1, 2007, after full suspension of its proposed full rate increase, Black Marlin will place into effect the full extent of its proposed rate increase. Black Marlin further requests that the Commission allow it to defer recognition of its depreciation

expense and allowance for negative salvage for the period that such partial, interim rate increase is in effect. In the event that the Commission elects to accept and suspend the tariff sheets submitted herein as requested, Black Marlin hereby moves to place such tariff sheets into effect at the end of the applicable suspension period in accordance with Section 154.7(a)(9) of the Commission's regulations.

### **Exhibit P**

The enclosed Statement P contains Prepared Direct Testimony setting forth the evidence that supports Black Marlin's case-in-chief. The testimony of Black Marlin's witnesses supports the following components of Black Marlin's proposed rates:

<b>Witness</b>	<b>Description</b>
Timothy D. Brennan	Reasons for Black Marlin's rate filing, general overview of the filing and introduction of other witnesses
Kevin M. Dixon	Historical and projected throughput
Charles E. Olson	Return on Equity and Capital Structure
Robert W. Neustaedter	Cost of Service and Rate Design

### **Material Submitted with Filing (18 CFR Section 154.7(a)(1))**

In accordance with the Commission's regulations, Black Marlin is submitting the following materials with its filing:

- This transmittal letter;
- In accordance with 18 CFR Section 154.209, a proposed form of notice suitable for publication in the Federal Register and a computer diskette labeled "NT103106.doc" containing the form of notice;
- The revised tariff sheets being filed and, in accordance with 18 CFR Section 154.4, a computer diskette labeled "TF103106.asc" containing the tariff sheets in ASCII format;
- A "redlined" version of such tariff sheets in accordance with 18 CFR Section 154.201(a);
- The Statement of Black Marlin's Chief Accounting Officer in compliance with 18 CFR Section 154.308;

- In accordance with Part 154, Statements A through J, L, M, O, P and related schedules, including, in accordance with 18 CFR Section 154.201(b), documentation in the form of workpapers or otherwise sufficiently detailed to support the changes proposed herein; and
- In accordance with 18 Section CFR 154.4, a computer diskette labeled “Black Marlin- Rate Case Filing” containing an electronic copy of the all statements and schedules contained herein in the same format generated by the spreadsheet software used in developing the statements.

In addition, Black Marlin has included two additional paper copies of this filing to be date stamped and returned to Black Marlin.

### **Service of Filing and Communications**

A copy of this filing is available for public inspection during normal business hours at Black Marlin’s offices located at 2800 Post Oak Boulevard, Houston, Texas 77056. Pursuant to 18 CFR Section 154.2(d), Black Marlin is serving copies of this filing on its customers, interested state commissions, and other interested parties.

Communications concerning this filing and service of all documents should be addressed to the following:<sup>2</sup>

Larry Jensen  
Regulatory Affairs Manager  
Black Marlin Pipeline Company  
2800 Post Oak Boulevard  
Houston, Texas 77056  
(713) 215-3034  
(713) 215-3050 (facsimile)  
[Larry.Jensen@Williams.com](mailto:Larry.Jensen@Williams.com)

Mari Ramsey, Esq.  
Senior Attorney  
Black Marlin Pipeline Company  
One Williams Center, MD- 47  
Tulsa, Oklahoma 74172  
(918) 573-2611  
(918) 573-4503 (facsimile)  
[Mari.Ramsey@Williams.com](mailto:Mari.Ramsey@Williams.com)

James McManus, Esq.  
Wright & Talisman, P.C.  
1200 G Street, N.W. Suite 600  
Washington, D.C. 20005-3802  
(202) 393-1200  
(202) 393-1240 (facsimile)  
[mcmanus@wrightlaw.com](mailto:mcmanus@wrightlaw.com)

---

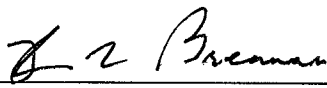
<sup>2</sup> Persons designated to receive service pursuant to Rule 2010 of the Commissions’ Rules of Practice and Procedure. Black Marlin requests that the Commission waive Rule 203(b)(3) to permit three persons to be designated to receive service.

Pursuant to 18 CFR Section 154.7(a)(2), any questions regarding this filing should be directed to Larry Jensen.

Pursuant to 18 CFR Section 385.2011, the undersigned states that the paper copies of this filing contain the same information as is contained on the electronic media, that the undersigned knows the contents of the paper copies and the electronic media, and that the contents as stated in the copies and the electronic media are true to the best knowledge and belief of the undersigned. Please acknowledge receipt of this letter and the enclosures by stamping and returning the enclosed copies of this letter.

Respectfully submitted,

BLACK MARLIN PIPELINE COMPANY

By:   
Timothy D. Brennan *by [initials]*  
Manager, Commercial Development

Enclosures

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Black Marlin Pipeline Company )

Docket No. RP07-\_\_\_\_\_

NOTICE OF FILING

(\_\_\_\_\_, 2006)

Take notice that on October 31, 2006, Black Marlin Pipeline Company tendered for filing and acceptance the following revised tariff sheets in its FERC Gas Tariff, Original Volume No. 1, to be effective December 1, 2006:

Fifteenth Revised Sheet No. 4  
Alternate Fifteenth Revised Sheet No. 4

Black Marlin states that the purpose of this filing is to implement a general rate change. Black Marlin further states that copies of the filing have been mailed to each of its customers, interested State Commissions and other interested persons.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed in accordance with the provisions of Section 154.210 of the Commission's regulations (18 CFR 154.210). Anyone filing an intervention or protest must serve a copy of that document on the Applicant. Anyone filing an intervention or protest on or before the intervention or protest date need not serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, D.C. There is an "eSubscription" link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Magalie R. Salas  
Secretary

**Docket No. RP07-\_\_\_\_\_**  
**Black Marlin Pipeline Company**  
**Notice of Rate Change**

**TARIFF SHEETS**



STATEMENT OF RATES

Currently Effective Rates  
For Transportation of Natural Gas  
Under Rate Schedules Contained in This  
FERC Gas Tariff, First Revised Volume No. 1

(Rates - ¢ per MMBtu)

Rate Schedule	Section	Description	Currently Effective Rates
T-1	3	Reservation Fee	106.22
		Commodity Rate	0.00
		Authorized Over-Run Rate	106.22
FTS	3	Reservation Fee	
		Maximum	106.22
		Minimum	0.00
		Commodity Rate	
		Maximum	0.00
		Minimum	0.00
		Authorized Over-Run Rate	
		Maximum	106.22
		Minimum	0.00
ITS	3	Commodity Rate	
		Maximum	106.22
		Minimum	0.00
ACA	3	Annual Charge Adjustment	0.16

STATEMENT OF RATES

Currently Effective Rates  
For Transportation of Natural Gas  
Under Rate Schedules Contained in This  
FERC Gas Tariff, First Revised Volume No. 1

(Rates - ¢ per MMBtu)

Rate Schedule	Section	Description	Currently Effective Rates
T-1	3	Reservation Fee	67.68
		Commodity Rate	0.00
		Authorized Over-Run Rate	67.68
FTS	3	Reservation Fee	
		Maximum	67.68
		Minimum	0.00
		Commodity Rate	
		Maximum	0.00
		Minimum	0.00
		Authorized Over-Run Rate	
		Maximum	67.68
		Minimum	0.00
ITS	3	Commodity Rate	
		Maximum	67.68
		Minimum	0.00
ACA	3	Annual Charge Adjustment	0.16

**Docket No. RP07-\_\_\_\_\_**  
**Black Marlin Pipeline Company**  
**Notice of Rate Change**

**RED-LINED TARIFF SHEETS**

STATEMENT OF RATES

Currently Effective Rates  
For Transportation of Natural Gas  
Under Rate Schedules Contained in This  
FERC Gas Tariff, First Revised Volume No. 1

(Rates - ¢ per MMBtu)

Rate Schedule	Section	Description	Currently Effective Rates
T-1	3	Reservation Fee	<del>8.93</del> <u>106.22</u>
		Commodity Rate	<del>0.0700</del>
		Authorized Over-Run Rate	<del>9.00</del> <u>106.22</u>
FTS	3	Reservation Fee	<del>8.93</del> <u>106.22</u>
		Maximum	<del>0.00</del>
		Minimum	<del>0.00</del>
		Commodity Rate	<del>0.0700</del>
		Maximum	<del>0.0700</del>
		Minimum	<del>0.0700</del>
		Authorized Over-Run Rate	<del>9.00</del> <u>106.22</u>
		Maximum	<del>0.0700</del>
		Minimum	<del>0.0700</del>
ITS	3	Commodity Rate	<del>9.00</del> <u>106.22</u>
		Maximum	<del>0.0700</del>
		Minimum	<del>0.0700</del>
ACA	3	Annual Charge Adjustment	0.16

STATEMENT OF RATES

Currently Effective Rates  
For Transportation of Natural Gas  
Under Rate Schedules Contained in This  
FERC Gas Tariff, First Revised Volume No. 1

(Rates - ¢ per MMBtu)

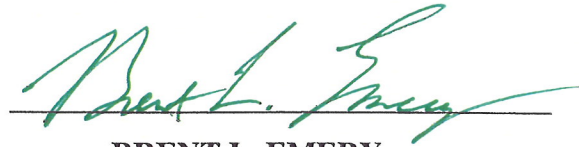
Rate Schedule	Section	Description	Currently Effective Rates
T-1	3	Reservation Fee	<del>8.93</del> 67.68
		Commodity Rate	0.0700
		Authorized Over-Run Rate	<del>9.00</del> 67.68
FTS	3	Reservation Fee	<del>8.93</del> 67.68
		Maximum	0.00
		Minimum	0.00
		Commodity Rate	0.0700
		Maximum	0.0700
		Minimum	0.0700
		Authorized Over-Run Rate	<del>9.00</del> 67.68
		Maximum	0.0700
		Minimum	0.0700
ITS	3	Commodity Rate	<del>9.00</del> 67.68
		Maximum	0.0700
		Minimum	0.0700
ACA	3	Annual Charge Adjustment	0.16

**STATEMENT OF PRINCIPAL ACCOUNTING DIRECTOR  
OF  
BLACK MARLIN PIPELINE COMPANY**

**DOCKET NO. RP07-\_\_\_\_**

**TO THE FEDERAL ENERGY REGULATORY COMMISSION:**

**I, Brent L. Emery, Accounting Manager of Black Marlin Pipeline Company (“Black Marlin”), do hereby represent that the cost statements and supporting data submitted as part of the above-identified filing by Black Marlin, as well as the working papers included therewith, do in fact reflect and set forth the results as shown on Black Marlin’s books.**



**BRENT L. EMERY**

**Dated: October 26, 2006**

**Tulsa, Oklahoma**