

153 FERC ¶ 61,196
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

November 19, 2015

In Reply Refer To:
Zydeco Pipeline Company LLC
Docket Nos. IS14-607-000
IS14-608-000
IS14-609-000
IS14-610-000

Post & Schell
Attention: Christopher J. Barr
607 14th St. N.W.
Washington, DC 20005

Dear Mr. Barr:

1. On August 14, 2015, and as corrected October 1, 2015,¹ Zydeco Pipeline Company LLC (Zydeco), Anadarko Petroleum Corporation, ConocoPhillips Company, and Pioneer Natural Resources USA, Inc. (Liquids Shippers Group) filed a proposed offer of settlement in the above-captioned dockets. This proceeding was initiated by Shell Pipeline Company LP (Shell Pipeline), Zydeco's predecessor in interest, on December 10, 2013, when Shell Pipeline filed three tariffs to establish initial rates for the transportation of petroleum on its pipeline system from Houston, Texas to Houma, Louisiana (Ho-Ho System) after the pipeline's flow was reversed. The tariffs were accepted and suspended subject to refund and the outcome of settlement procedures and a hearing.² The Ho-Ho System was acquired by Shell Pipeline's affiliate, Zydeco, and as a result Shell Pipeline cancelled its tariffs. Zydeco subsequently made four tariff filings in the captioned proceedings which adopted Shell Pipeline's rates and also established new non-contract rates for transportation from Nederland, Texas to various points in Louisiana.³

¹ The October 1, 2015 motion to file the errata corrections was unopposed by all participants to this proceeding.

² *Shell Pipeline Company LP*, 146 FERC ¶ 61,009 (2014).

³ *Zydeco Pipeline Company LLC*, 148 FERC ¶ 61,124 (2014).

2. On October 14, 2015, the Presiding Administrative Law Judge (ALJ) certified the settlement to the Commission as uncontested.⁴ The settlement resolves all outstanding issues in the above-captioned proceedings. The Commission finds that the settlement appears to be fair and reasonable, and in the public interest, and is hereby approved. The details of the settlement are summarized below.
3. Article I of the settlement sets forth the pertinent procedural background of the proceeding. Article II describes the scope of the settlement and states that the settlement agreement resolves or provides procedures for resolution of all issues in the proceeding.
4. Article III sets out the settlement rates and terms. Article III.A establishes the effective date of the Settlement. Article III.B provides that the maximum uncommitted rates for uncommitted shippers on the Ho-Ho system are attached as Appendix A of the settlement. Article III.C provides that the existing depreciation rates for the Zydeco system remain in effect as set forth in Appendix B of the settlement.
5. Article III.D provides that refunds will be made within 60 days of the effective date with interest. Refunds will be calculated as the difference between the rates filed on July 16, 2014 (as subsequently increased by index filings) and the settlement rates for the period from the first day the filed rates went into effect until the first day on which the settlement rates become effective.
6. Article III.E states that Zydeco's oil loss retention percentage for uncommitted shipments shall remain 0.2% during a moratorium period as set out in Article III.F. The parties retain their rights to seek prospective changes to the oil loss retention rates following the end of the moratorium period.
7. Article III.F defines the moratorium period as two years beginning on the settlement effective date. During this period, Zydeco will be prohibited from filing increases to the settlement rates, fees, penalties, charges, etc. Likewise, no party may file a complaint seeking to reduce the settlement rates. Article III.F also provides that following the conclusion of the moratorium period, there will be no retroactive application of index-rate increases applicable to the moratorium period for purposes of calculating the ceiling levels applicable to future rates filed after the end of the moratorium period. Zydeco may, however, apply for prospective index adjustments under 18 C.F.R. § 342.3.
8. Article III.G provides that Zydeco will implement reporting and other transparency-related filing obligations consistent with the Commission's final determination in Docket No. RM15-19-000.

⁴ *Zydeco Pipeline Company*, 153 FERC ¶ 63,004 (2015).

9. Article III.H sets forth several provisions generally included in settlement agreements regarding the Commission's action on the settlement. In particular, subsection 2 provides the standard of review. For any changes proposed by non-parties or the Commission acting *sua sponte*, the standard of review shall be the most stringent standard permissible under applicable law. For any changes proposed by a party, the standard of review shall be the *Mobile-Sierra*⁵ public interest application of the just and reasonable standard.

10. Article IV provides reservations that are generally included in settlement agreements, including reservations on severability and admissibility.

11. This letter order terminates Docket Nos. IS14-607-000, IS14-608-000, IS14-609-000 and IS14-610-000 upon fulfillment of the conditions in the Liquids Shippers Group's August 14, 2015 Conditional Notice of Withdrawal of Protest.⁶

12. The Commission directs Zydeco to file revised tariff records in eTariff format⁷ as necessary to implement the settlement. The Commission's approval of this settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵ *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956); *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348 (1956) (*Mobile-Sierra*).

⁶ The conditions are the Commission's approval of the settlement and Zydeco's certification to the Commission that refunds have been paid pursuant to the settlement's terms.

⁷ *Electronic Tariff Filings*, Order No. 714, FERC Stats. & Regs. ¶ 31,276 (2008).