

107 FERC ¶ 61,047
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

High Island Offshore System, L.L.C. Docket No. RP04-47-000

ORDER FOLLOWING TECHNICAL CONFERENCE

(Issued April 16, 2004)

1. On November 3, 2003, High Island Offshore System, L.L.C. (HIOS) filed proposed tariff sheets to implement a Natural Gas Liquids Bank (NGL Bank) as part of its tariff. On December 24, 2003, the Commission issued an order accepting and suspending the proposed tariff sheets, to become effective June 1, 2004, or on an earlier date specified by subsequent Commission order, subject to refund and the outcome of a technical conference.¹ The technical conference was held on February 3, 2004, and HIOS filed revised pro forma tariff sheets following the technical conference.

2. Based on the comments filed, the Commission removes the refund condition and permits the previously suspended tariff sheets to go into effect May 1, 2004,² subject to HIOS filing revised tariff sheets to reflect the changes and clarifications that it proposed in the pro forma tariff sheets. This order serves the public interest by accepting the establishment of the NGL Bank, which will help in the mitigation of inequities in gas processing economics on HIOS and provide producers a new service for developing gas supply sources rich in liquefiable hydrocarbons.

¹ High Island Offshore System, L.L.C., 105 FERC ¶ 61,364 (2003).

² The following tariff sheets, to HIOS' FERC Gas Tariff, Third Revised Volume No. 1, were conditionally accepted in the December 24, 2003 Order: Seventh Revised Sheet No. 2; First Revised Sheet No. 14; Second Revised Sheet Nos. 26, 53, and 64; and Original Sheet Nos. 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, and 236.

Background

3. HIOS stated that the purpose of filing the proposed NGL Bank was to mitigate inequities in gas processing economics that may occur as a result of commingling of gas streams that contain different liquefiable hydrocarbon compositions. The NGL Bank would also provide a service to meet the needs of producers developing sources rich in liquefiable hydrocarbons.

4. Several parties protested the filing. ExxonMobil Gas and Power and Marketing Company, A division of ExxonMobil Corporation (ExxonMobil) and Indicated Shippers³ generally contended that the proposal could adversely affect HIOS' shippers. They argued that the proposal raises many complex issues regarding how the NGL Bank would operate. They also sought certain modifications and clarifications to the proposal.

5. On December 24, 2003, the Commission accepted HIOS' proposal and suspended its effectiveness until June 1, 2004, or an earlier date specified by subsequent Commission order, subject to refund and the outcome of a technical conference where the protestors' concerns would best be addressed. At the technical conference, held on February 3, 2004, HIOS clarified certain issues and agreed to modify its proposal to reflect concerns discussed at the technical conference.

6. On March 5, 2004, HIOS filed comments together with pro forma tariff sheets reflecting certain revisions to the proposal, and ExxonMobil also filed comments. On March 12, 2004, Indicated Shippers filed a notice of withdrawal of its protest. On March 12, 2004, HIOS filed reply comments.

Comments

7. HIOS states that it and ExxonMobil have agreed upon tariff language, reflected in the pro forma tariff sheets, that addresses ExxonMobil's concerns. Thus, HIOS proposes to revise section 4.2 of the NGL Bank Agreement to specify the items that may be adjusted by the Advisory Group,⁴ and to enable any two members of that group to call a

³ The Indicated Shippers is comprised of BP America Production Company, BP Energy Company and ChevronTexaco Natural Gas, a division of Chevron U.S.A. Inc.

⁴ One of the functions of the administrator of the NGL Bank is to establish an advisory group to provide a forum to discuss material issues related to the NGL Bank. Initially, the NGL Advisory Group would consist of the top seven shippers, or their respective agents, of the largest volume of gas during the previous six months ending November 30, 2003.

meeting. Also certain references to required processing have been removed from the agreement, as reflected in revised section 5.2.

8. HIOS states there are other agreed-to changes reflected in the revised pro forma tariff sheets. Among these changes are that revised section 5.3 clarifies that the Administrator of the NGL Bank shall indicate on the settlement statement whether the Administrator used estimated data in the settlement calculations; that revised sections 6.1 and 6.2 extend the period during which any audit must be completed and the period that records must be retained; and that revised section 9.4 addresses the liability and indemnification concerns raised by ExxonMobil.

9. ExxonMobil states that the proposed revisions have satisfactorily addressed its concerns. In its reply comments, HIOS states that there are no longer any protests to the filing, and submits that the Commission should accept the proposal, together with the revised tariff sheets. HIOS states that, upon Commission acceptance of the NGL Bank, it will file the revised tariff sheets in compliance with a Commission order.

Discussion

10. As a result of the revisions reflected in the pro forma tariff sheets, ExxonMobil's comments and the withdrawal of Indicated Shippers' protest, there is no longer any opposition to the establishment of the NGL Bank on the HIOS system. The Commission finds that the proposed revisions are appropriate and satisfactorily resolve the concerns and ambiguities associated with the NGL Bank, which were raised by the protesting parties. Thus, HIOS has fully supported the proposed NGL Bank. Accordingly, the Commission will permit the previously suspended tariff sheets to become effective May 1, 2004, and will remove the refund condition established by the December 24, 2003 Order, subject to HIOS filing revised tariff provisions setting forth these clarifications.

The Commission orders:

(A) HIOS' previously accepted tariff sheets listed in footnote 2 are permitted to become effective May 1, 2004, and the refund condition established by the December 24, 2003 Order is removed, subject to the condition established below.

(B) HIOS must file revised tariff sheets to be effective May 1, 2004, within 15 days of the date of this order, to reflect the changes and clarifications proposed in the pro forma tariff sheets.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.