

107 FERC ¶ 61,049
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 16, 2004

In Reply Refer To:
Chandeleur Pipe Line Company
Docket No. RP03-625-000

Chandeleur Pipe Line Company
2811 Hayes Road
Houston, TX 77082

Attention: Janice E. Rogers
Attorney-In-Fact

Reference: Offer of Settlement and Stipulation and Agreement

Dear Ms. Rogers:

1. On March 15, 2004, Chandeleur Pipe Line Company (Chandeleur) submitted for filing an Offer of Settlement and Stipulation and Agreement (Settlement Agreement) of all issues raised in the captioned proceeding. In addition, Chandeleur filed a tariff sheet containing the settlement rates to be effective April 1, 2004.¹ As discussed below, the Commission finds that the proposed settlement is fair, reasonable and in the public interest with the terms and conditions to be effective April 1, 2004, as provided for in the Settlement.

Background

2. On September 30, 2003, Chandeleur filed a tariff sheet reflecting an NGA section 4 rate increase in the captioned docket. Chandeleur's proposed rates were based on an overall cost of service of \$5,972,623, which represented an increase of 116 percent over current rates. Chandeleur proposed an overall rate of return of 10.5 percent with a return on equity of 12.85 percent and a cost of debt of 6.98 percent based upon a

¹Chandeleur submitted 2nd Revised Fourteenth Rev. Sheet No. 5, to its FERC Gas Tariff, Second Revised Volume No. 1, in conjunction with its Settlement proposal. The Commission notes that Chandeleur also submitted this tariff sheet in its Motion Rate Filing of March 31, 2004, in Docket No. RP03-625-001. The Commission will act on this tariff sheet in that docket.

hypothetical capital structure of 40 percent debt and 60 percent equity. Chandeaur also proposed a change in its depreciation rates from 1.1 percent to 2.1 percent and a change in its negative salvage rate from 0.15 percent to 0.67 percent. Chandeaur requested that its rates be made effective November 1, 2003.

3. On October 31, 2003, the Commission accepted and suspended Chandeaur's tariff sheet to be effective April 1, 2004, subject to refund.² The October 31, 2003 Order recognized that Chandeluer was a small pipeline with five firm service customers and five interruptible service customers and that Chandeaur's proposal was not protested. Therefore, the Commission found that, in the interest of administrative efficiency and to avoid imposing an inordinate burden on Chandeaur, it would not set the matter for a hearing, but instead suspended the rates for five months, subject to further review of the Commission.

Details of the Settlement Offer

4. Chandeaur states that the proposed Settlement Agreement resolves all aspects of Chandeaur's cost of service and applicable rate design, and that it will result in lower rates than Chandeaur is otherwise authorized to charge and collect, subject to refund, under the October 31, 2003 Order. Chandeaur states the salient details of the settlement include: (1) depreciation rates of 1.70 percent for transmission plant and 0.54 percent for negative salvage; (2) a capital structure of 60 percent equity and 40 percent debt; (3) a return on equity of 12.25 percent, and (4) transportation rates designed utilizing a straight fixed-variable cost allocation and rate design.

5. Pursuant to Article IX, the Settlement will become effective following issuance of a final, non-appealable order, with the rates and terms and conditions to be effective April 1, 2004. The Settlement will expire upon the filing by Chandeaur of proposed revisions to Chandeaur's rates pursuant to a general rate case filed under section 4(e) of the NGA, or upon an order concluding a proceeding under section 5 of the NGA. Chandeaur agrees to make and support a general rate filing under section 4(e) of the NGA proposing rates to be effective no later than April 1, 2009.

6. The Settlement states that Chandeaur will place the settlement rates in effect as of April 1, 2004. However, in the event that the Commission fails to approve the Settlement or so modifies the Settlement such that it is no longer acceptable to Chandeaur, the Settlement states that Chandeaur may move into effect the higher

²105 FERC ¶ 61,168 (2003).

proposed tariff rates as contained in the September 30, 2003 rate application subject to refund as discussed in the Commission's October 31, 2003 Order.

Public Notice

7. Public notice of Chandeleur's filing was issued on March 18, 2004, with the initial comments due on or before March 25, 2004, and reply comments due on or before March 30, 2004. No comments were filed.

Discussion

8. The Commission recognizes that the Settlement results in lower transportation rates than those originally filed by Chandeleur as well as lower depreciation rates and a lower return on equity. Accordingly, the Commission finds the proposed Settlement appears to be fair and reasonable and in the public interest pursuant to 18 CFR §385.602 (g) (3) (2003), and approves it to be effective April 1, 2004, pursuant to its terms.

By direction of the Commission.

Linda Mitry,
Acting Secretary.