

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Stingray Pipeline Company, L.L.C.

Docket No. CP04-149-000

ORDER GRANTING PETITION FOR EXEMPTION OF
TEMPORARY ACT OR OPERATION

(Issued July 13, 2004)

1. On April 27, 2004, Stingray Pipeline Company, L.L.C. (Stingray) filed a petition pursuant to section 7(c)(1)(B) of the Natural Gas Act (NGA) and Rule 207(a)(5) of the Commission's Rules of Practice and Procedure,¹ requesting an exemption from the certificate requirements of section 7(c) of the NGA in order to deactivate certain compressor units on a temporary basis. As discussed below, the Commission finds that granting Stingray's request to temporarily deactivate certain compressor units is in the public interest because it will allow the company to avoid the expense of operating and maintaining obsolete equipment which is unnecessary to meet the current demand for service, while preserving its ability to replace the equipment in a timely manner should demand increase.

Background

2. Stingray transports natural gas from approximately 53 fields in the High Island, West Cameron, East Cameron, Vermilion, and Garden Banks areas of the Gulf of Mexico to onshore southern Louisiana connections. Stingray operates two compressor stations, Station 701 onshore and Station 702 offshore. The compressor units at Stations 701 and 702 were installed in 1974, 1976, and 1977, and certificated by the Commission in Docket Nos. CP73-27 and CP76-96² to support a certificated maximum throughput of 1.12 billion cubic feet per day (Bcf/d). Stingray states that some of the turbine engines driving the compressors at both Stations 701 and 702 are now in need of repair and/or replacement.

¹18 C.F.R. §385.207 (2003).

²51 FPC 1446 (1974) and 55 FPC 3109 (1976).

3. Stingray proposes to idle three of seven compressors at Station 701 and four of eight compressors at Station 702 for a period of three years. Stingray states that these units are driven by Solar Centaur T3002R turbines that are now antiquated. Stingray maintains that spare parts for the compressors which are to be idled are difficult to obtain and that some control systems necessary for the operation of these compressors are no longer supported by the manufacturer. Temporarily deactivating these seven compressor units would reduce Stingray's maximum capacity by approximately 320 million cubic feet per day (MMcf/d), (or approximately 28 percent of Stingray's certificated capacity), to 800 MMcf/d.

4. However, Stingray avers that deactivating these seven compressors will not affect current service on its system. Stingray's current firm commitments total only 100 dekatherms per day (Dth/d), far below Stingray's certificated capacity of 1.12 Bcf/d. Stingray states that over the past year the average throughput on Stingray's system has been 458,000 Dth/d. Thus far in 2004, throughput has averaged 538,000 Dth/d. Stingray states that it does not anticipate that throughput will increase significantly in the next few years, and that the temporary deactivation of the compressors will not affect its ability to serve its shippers.

Interventions

5. Notice of Stingray's petition was published in the Federal Register on May 10, 2004, 69 Fed. Reg. 25,888. No motions to intervene, notices of intervention or protests to the granting of Stingray's petition were filed.

Discussion

6. Stingray's system, including the compressor units at Stations 701 and 702, is used to transport natural gas in interstate commerce. Accordingly, the operation of the facilities is subject to the NGA and the Commission's jurisdiction.

7. Section 7(c)(1)(B) of the NGA provides that the Commission may exempt from the requirements of section 7 temporary acts or operations for which the issuance of a certificate will not be required by the public interest. In the past the Commission has

granted exemptions to allow minor operations of a temporary nature that have not affected the ratepayer, the quality of service provided by the pipeline, or the public as a whole.³

8. The Commission concludes that granting Stingray's request under the circumstances described is appropriate and reasonable. Stingray points out that these compressors have exceeded their design life and are expensive and difficult to operate and maintain. In the future, should market developments dictate, Stingray may decide to replace these units rather than abandon them. At this time, however, Stingray cannot justify, on an economic basis, replacing these compressors.

9. Stingray notes that in the next three years, development of natural gas supplies in the West Cameron continental shelf area and in the Garden Banks deepwater Gulf of Mexico area may dictate a need for additional capacity, thereby justifying replacement of the compressor turbines. Additionally, an application was recently filed with the United States Coast Guard for a license for a deepwater LNG terminal in the vicinity of Stingray's system. Stingray is evaluating the impact these potential shelf and deepwater developments may have on its throughput, but states that it will be at least three years before the supply picture is sufficiently clear to support a determination of permanent abandonment or economic replacement of the compressor units. In the event that replacement of this compressor unit becomes economically feasible, Stingray proposes to implement replacement activity pursuant to section 2.55(b) of the Commission's regulations. Most importantly, Stingray has demonstrated that its firm commitments do not now and have not, over the last two years, required the compression provided by these units. Thus, deactivation of the compressor unit will not adversely affect Stingray's current shippers.

10. Stingray is not seeking permanent abandonment of the compressor units at this time because it prefers to keep the replacement option available during the next three years. After that time, Stingray will either file for permanent abandonment or will replace the units. The Commission finds that keeping the replacement option open would result in less regulatory burden and will allow Stingray to react more quickly to market signals. If Stingray were granted section 7(b) abandonment authority now and then later decided that some portion of the abandoned capacity were needed, the pipeline would have to file a section 7(c) application at that time to obtain authority for installation of what would otherwise be a replacement unit, requiring the pipeline and the Commission

³See *Universal Resources Corporation*, 76 FERC ¶ 61,002 (1996); *Avoca Natural Gas Storage*, 67 FERC ¶ 61,337 (1994); *Transco Energy Ventures Company*, 50 FERC ¶ 61,220 (1990); *Central New York Oil and Gas Company, LLC*, 89 FERC ¶ 61,006 (1999), and *Caterpillar Tractor Company*, 11 FERC ¶ 61,076 (1980).

to expend their respective resources. Moreover, as Stingray points out, the Commission has previously granted exemptions involving temporary deactivation of compressors.⁴ For the foregoing reasons, the Commission finds that Stingray's proposal to deactivate the compressor units for a period not to exceed 36 months constitutes a temporary act or operation within the meaning of section 7(c)(1)(B) of the NGA that may be exempted from the certificate and abandonment requirements of section 7.

11. At a hearing held on July 7, 2004, the Commission made a part of the record in these proceedings all evidence, including the application, supplements, and exhibits thereto, submitted in support of the authorization sought herein, and in consideration thereof,

The Commission orders:

(A) Pursuant to section 7(c)(1)(B) of the NGA, Stingray is granted an exemption from the certificate requirements of that section and shall be permitted to temporarily deactivate three compressor units at its Station 701 and four compressor units at its Station 702 for a period not to exceed three years from the date of this order, as described above and more fully in Stingray's petition.

(B) Stingray shall notify the Commission within ten (10) days of deactivation of each compressor unit.

(C) The exemption granted above in Ordering Paragraph (A) is effective upon issuance of this order.

By the Commission.

(S E A L)

Linda Mitry,
Acting Secretary.

⁴See *Midwestern Gas Transmission Company*, 94 FERC ¶ 61,192 (2001); *Koch Gateway Pipeline Company*, 80 FERC ¶ 61,287 (1997).