

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Mid-America Pipeline Company, LLC

Docket No. IS06-285-000

ORDER ACCEPTING TARIFF

(Issued May 26, 2006)

1. On May 1, 2006, Mid-America Pipeline Company, LLC (MAPL) filed FERC Tariff No. 42, issued in lieu of FERC Tariff Nos. 37 and 40, which have been withdrawn, and to cancel FERC Tariff No. 35. MAPL asks that the filing be effective May 1, 2006.
2. Williams Energy Services, LLC and Williams Power Company, Inc. (jointly, Williams) filed a motion to intervene, protest, and a request for consolidation with the ongoing proceedings in Docket Nos. IS06-238-000, IS05-260-000, and ISO5-216-000.
3. MAPL filed a response to Williams' motion to intervene, protest, and request for consolidation. MAPL contends that the protest should be dismissed for failure to raise any issue warranting suspension and investigation of FERC Tariff No. 42.
4. As discussed below, the Commission will accept FERC Tariff No. 42 to become effective May 1, 2006.

MAPL's System

5. MAPL's FERC Tariff No. 42 includes rates for its Rocky Mountain System. This system originates in Wyoming/Utah (Group 100 origin points) and continues through Colorado (Group 105 origin points) as well as through New Mexico (Group 110 origin points) to destinations at a plant in Hobbs/Gaines, Texas (Group 120 destination points). MAPL provides joint rates with its affiliate Seminole Pipeline Company (Seminole) continuing the transportation movement from Hobbs/Gaines, Texas, to a final destination point on the Gulf Coast at Mont Belvieu, Texas (Group 950 destination point).

MAPL's Filing

6. MAPL seeks a waiver under section 6(3) of the Interstate Commerce Act (ICA) to allow the tariff to be filed on less than one day's notice. MAPL states that FERC Tariff No. 42 brings forward reduced rates, additional language, and new definitions that were

included in FERC Tariff No. 40 and its supplements. MAPL also states that FERC Tariff No. 42 includes revisions to Item 128 to clarify that MAPL's demethanized mix systems provide truck line transportation only. Further, states MAPL, the wording in Item 133 has been changed to allow in-transit stoppage for separation (fractionation) for any plant within Group 100.

7. MAPL states that it has decreased the local and joint rates for movements from Group 110 to the Hobbs Fractionator and Group 950, and both its Incentive Program joint rates and its generally-applicable joint rates from Group 100 to Group 950. MAPL states that the decreased rate (91.15 cents per barrel (bbl)) is below the index ceiling (104.5 cents per bbl) for Group 110 to the Hobbs Fractionator; that its decreased joint rate for Group 110 to Group 950 (190.0 cents per bbl) is less than the sum of the local rates (217.11 cents per bbl); and that the range of decreased joint rates for Group 100 to Group 950 (257.23 to 304.0 cents per bbl for both the Incentive Program rates and generally-applicable rates, the exact rate depending on the amount of ethane in the NGLs tendered for shipment) is less than the sum of the local rates (404.8 cents per bbl).¹

Protest and Answer

8. Williams states that it ships approximately 61,000 barrels per day (BPD) of natural gas liquids (NGLs) from three gas processing plants on MAPL's Rocky Mountain system pursuant to the joint tariff of MAPL and Seminole. Williams states that the shipments originate at Group 100 and Group 105 and terminate at Group 950. According to Williams, the charges for the transportation of NGLs from Group 100 to Group 950 currently are subject to an Incentive Program offered by MAPL, which expires at the end of 2006. Williams explains that, under the program, it historically received a reduced rate for transportation from Group 100 to Group 950 in exchange for a seven-year commitment to ship all its NGLs on the MAPL system.

9. Williams contends that modification of MAPL's rate structure to allow "any shipper" to transport NGLs from Group 100 to Group 950 at the same rate Williams pays under the Incentive Program will deprive Williams of the benefit of its bargain under that program. Williams explains that, while it had to make a seven-year commitment to obtain the reduced rate, that rate will now be available to any shipper without such a commitment. Williams also asserts that the rate decrease for the transportation from Group 110 to Group 950 will make its substantial shipments from Group 105 even less economical and competitive than they currently are. Williams claims that there has been

¹ MAPL provides a joint service in connection with Seminole from origin points on the MAPL Rocky Mountain System to Group 950 on the Seminole system under the joint tariff filed by MAPL.

an unjustified and unduly discriminatory rate differential between Group 105 and Group 110 that has been increased with the instant filing without MAPL providing support for its action.²

10. In its answer, MAPL explains that, on May 1, 2006, it withdrew FERC Tariff Nos. 37 and 40 that governed rates on its Rocky Mountain System. According to MAPL, the effect of withdrawing those tariffs was to reinstate FERC Tariff No. 35, which had been in effect since March 1, 2005, without protest or other challenge. At the same time, continues MAPL, it filed FERC Tariff No. 42. MAPL states that this keeps the rates for these movements from increasing as otherwise would have occurred when the rates reverted to Tariff No. 35 levels, since FERC Tariff No. 40 had placed into effect some rates that were reduced from Tariff No. 35 levels. MAPL explains that Tariff No. 42 also reduces the rates for movements between the Group 110 origins and the Hobbs Fractionator and Group 950 destinations below Tariff No. 35 levels. Thus, MAPL emphasizes that the net effect of its tariff changes filed on May 1, 2006, is to return the Rocky Mountain System rates to levels at or below the previously unchallenged levels in FERC Tariff No. 35.

11. MAPL explains that, because both the Group 100 and Group 110 joint rates that Williams challenges are below the sum of the local rates, the Commission's joint rate policy requires acceptance of the filing.³ Moreover, continues MAPL, the ICA only permits refunds of increased rates.⁴

² Williams notes that while the distance from Group 105 to Group 120 is only approximately 10 percent more than the distance from Group 110 to Group 120, the difference in rates, before this filing, for Group 105 and Group 110 was 36 percent.

³MAPL cites, *e.g.*, *Texaco Pipeline, Inc.*, 72 FERC ¶ 61,313 (1995) (*Texaco*).

⁴ MAPL states that ICA section 15(7) provides in part as follows:

In the case of a proposed increased rate or charge . . . the commission may by order require the interested carrier or carriers to keep accurate account in detail of all amounts received by reason of such increase, specifying by whom and in whose behalf such amounts are paid, and upon completion of the hearing and decision may by further order require the interested carrier or carriers to refund, with interest, to the persons in whose behalf such amounts were paid, such portion of such increased rates or charges by its decision shall be found not justified.

12. MAPL asserts that, by objecting to the reduction of the Group 100 generally-applicable joint rate, Williams is seeking an unduly discriminatory preference that would require other shippers to pay higher rates, while preserving lower rates for itself. MAPL explains that, in FERC Tariff No. 40, it reduced the generally-applicable joint rate for movements from Group 100 with the hope that, by discounting the rate, it would attract additional volumes and discourage shipment of NGLs containing higher percentages of ethane. MAPL states that, in FERC Tariff No. 40, it also reduced the Group 100 Incentive Program joint rate to the same level as the generally-applicable joint rate in order to provide the same low rate to all shippers. MAPL further explains that FERC Tariff No. 42 merely brings forward from FERC Tariff No. 40 both the Group 100 generally-applicable joint rate and the Group 100 Incentive Program joint rates already in effect under FERC Tariff No. 40 so those rates would not increase upon withdrawal of FERC Tariff No. 40.

13. MAPL also maintains that Williams' claim of discrimination lacks merit. MAPL emphasizes that there is only one eligibility standard for the generally-applicable joint rate, which is available to all shippers. MAPL points out that no volume commitment is required to move under the current joint rate, while the Incentive Program allowed shippers to lock-in ceiling rates during the commitment period. Further, states MAPL, while regular shippers have a comparably low rate, they have no guarantee regarding future rates as do Incentive Program shippers. MAPL states that, while the Incentive Program rates and the generally-applicable joint rates currently are the same, this was not true for most of the Incentive Program period, which began early in 2000. MAPL explains that, for most of that period, the generally-applicable joint rate was higher, and because the Incentive Program capped the rate for movements under the program, Williams was able to ship at a substantial discount during that period. MAPL asserts that the Incentive Program does not entitle Williams to a lower rate than other shippers, but merely guarantees that the rates will be at or below the agreed ceiling during the seven-year commitment period. MAPL further emphasizes that it has even lowered the rates below the agreed-upon level.

14. MAPL next contends that reduction of the Group 110 joint rate is not discriminatory. MAPL maintains that an oil pipeline's rates need not be designed on a distance-related basis or any other type of fully-allocated cost methodology.⁵ Moreover, MAPL observes that Williams is challenging a proposed decrease in a joint rate. MAPL reasons that, even if a pipeline's rates were required to be established on a strictly distance-related basis, this would not bar a pipeline from offering discounted joint rates.⁶

⁵ MAPL cites *Williams Pipe Line Co.*, 84 FERC ¶ 61,022, at 61,103 (1998); *SFPF, L.P.*, 86 FERC ¶ 61,022, at 61,079 (1999).

⁶ MAPL cites *Texaco Pipeline, Inc.*, 72 FERC ¶ 61,313, at 62,310-11 (1995).

Discussion

15. As discussed below, the Commission will accept FERC Tariff No. 42 to become effective May 1, 2006. The Commission rejects Williams' protest and denies its request that this filing be consolidated with the ongoing proceedings in Docket No. IS05-216-000, *et al.*

16. The Commission concludes that Williams' protest of the reduced Group 100 joint rates has no merit. MAPL's tariff provides as qualification for the Incentive Program that a shipper must have entered into a prior written commitment with MAPL, on or before January 31, 2000, to ship all of its product for a period of seven years. The tariff also provides that the Incentive Program rate may never be increased above the allowed ceiling level for non-incentive general commodity rates. Here, the generally-applicable joint rate and the Incentive Program joint rate are at the same level, and both are below allowed ceiling levels. While the written commitment between MAPL and Williams required under the Incentive Program might include a guarantee to Williams that its Incentive Program rate would remain below the generally-applicable rate, there is no such requirement (or any other regarding the relative levels of the incentive and non-incentive rates) in MAPL's tariff.⁷ The Commission thus has no basis for concluding in this proceeding under section 15(7) of the ICA that the reduction in the non-incentive generally-applicable rate as proposed is unjust and unreasonable.

17. The Commission also concludes that Williams' protest of the proposed Group 110 rate has no merit. The new rate is a reduced rate that is below the applicable ceiling level, and it is acceptable on that basis alone. In this circumstance of a rate decrease, the differential between Group 110 and Group 105 rates is not an issue.

The Commission orders:

(A) FERC Tariff No. 42 is accepted for filing to become effective May 1, 2006.

(B) Waiver of the 30-day notice requirement is granted to permit a May 1, 2006, effective date because the filing places reduced rates into effect.

⁷ The agreement is not included in the record of this proceeding. However, in other cases, incentive rates have been structured to preserve the rate differential between the incentive rate and the otherwise generally-applicable rate. *See, e.g., Enbridge Energy Co.*, 110 FERC ¶ 61,211 n.5 (2005).

(C) Williams' request that FERC Tariff No. 42 be consolidated with the ongoing proceedings in Docket No. IS05-216-000, *et al.*, is denied.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.