

According to the information submitted and the representations made, we understand the relevant facts to be as follows:

X is a limited partnership organized under the laws of State. On Date, upon consummation of a public offering of X's common units, X became a publicly traded partnership within the meaning of § 7704(b). X indirectly owns 100% of the outstanding equity interests in Y, a limited partnership organized under the laws of State. Y owns 100 percent of the outstanding equity interests in Z, a limited liability company organized under the laws of State. Z is classified as a disregarded entity for federal tax purposes.

Y owns and operates a LNG receiving terminal (the terminal) located in A. The terminal includes marine docks for ocean-going LNG tankers to offload imported LNG onshore, LNG storage/blending tanks, LNG vaporizers, and other equipment required to return LNG to its gaseous state in a process called regasification. Natural gas that is processed at the terminal is delivered to the owners of the natural gas at the tailgate of the terminal for transportation by regulated interstate pipelines.

The capacity of the terminal has been fully reserved under n long-term terminal use agreements (TUAs). Z has entered into contracts with each of the TUA customers to provide, in exchange for certain fees, marine services to the customers' vessels that call on the terminal. The marine services Z provides to the TUA customers include:

- (1) Escorting LNG vessels that have been chartered by the TUA customers;
- (2) Assisting in berthing and unberthing of LNG vessels calling on the terminal;
- (3) Standing-by the LNG vessels at all times while an LNG vessel is in berth;
- (4) Performing fire fighting, life-saving, and other emergency response services;
- (5) Conducting salvage and/or marine wreckage removal activities;
- (6) Providing picket boat services to an LNG vessel berthed at the terminal; and
- (7) Performing other related or ancillary tasks required under applicable regulatory guidelines.

Z utilizes p specially-designed tug boats to provide the marine services. X represents that these tug boats were designed specifically for these services and are not readily adaptable to other uses. X also represents that the marine services provided by Z to the TUA customers are an integral and necessary part of the terminal's operations of transporting and processing the LNG delivered to the terminal.

LAW AND ANALYSIS

Section 7704(a) provides that, except as provided in § 7704(c), a publicly traded partnership (PTP) will be treated as a corporation.

Section 7704(b) provides that, for purposes of § 7704, the term "publicly traded partnership" means any partnership if (1) interests in the partnership are traded on an established securities market, or (2) interests in the partnership are readily tradable on a secondary market (or the substantial equivalent thereof).

Section 7704(c)(1) provides that § 7704(a) does not apply to a PTP for any taxable year if the PTP meets the gross income requirements of § 7704(c)(2) for the taxable year and each preceding taxable year beginning after December 31, 1987, during which the partnership (or any predecessor) was in existence.

Section 7704(c)(2) provides that a partnership meets the gross income requirements of § 7704(c)(2) for any taxable year if 90 percent or more of the gross income of the partnership for the taxable year consists of qualifying income.

Section 7704(d)(1)(E) defines the term qualifying income to include income and gains derived from the exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil, or products thereof), or the marketing of any mineral or natural resource.

CONCLUSIONS

Based solely on the facts submitted and the representations made, we conclude that the income derived by X from the marine services provided by Z to the TUA customers is qualifying income within the meaning of § 7704(d)(1)(E).

Except as expressly provided herein, we express or imply no opinion concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, we express no opinion as to whether X meets the 90 percent gross income requirement of § 7704(c) in any taxable year.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

PLR-146095-09

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Sincerely,

/s/

Faith P. Colson
Senior Counsel, Branch 1
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
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