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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:01
PLR-139335-15

Date:
May 26, 2016

Legend

X =

Y =

Date =

State =

Processing Agreement =

Supplier 1 =

Supplier 2 =

n1 =

Dear :

This responds to your letter dated December 3, 2015, submitted on behalf of X by its authorized representative, requesting a ruling under § 7704(d)(1)(E) of the Internal Revenue Code (Code).

FACTS

X is a limited partnership organized on Date under the laws of State. Upon consummation of an initial public offering (IPO), X became a publicly traded partnership within the meaning of § 7704(b).

X owns indirectly all of the outstanding equity interests of Y, a limited partnership that is treated as a disregarded entity for Federal tax purposes. Y owns and operates a liquefied natural gas (LNG) receiving and regasification terminal (Terminal). Under a Processing Agreement with Supplier 1 and Supplier 2, Y receives LNG from Supplier 1 and Supplier 2 and processes it into gas for further transport. Supplier 1 and Supplier 2 retain legal title to the natural gas delivered to the Terminal at all times; however, possession and control of the LNG transfers to Y upon delivery and remains with Y during the processing of the LNG into gas and during the transportation of the gas to customers' delivery point. Pursuant to the Processing Agreement, Supplier 1 and Supplier 2 subscribe n1% of the available LNG into gas processing capacity of the Terminal. Supplier 1 and Supplier 2 pay Y a fixed monthly capacity fee for regasification services.

LNG is natural gas that has been cooled until it condenses into a liquid in a process referred to as liquefaction. The liquefaction process includes the removal of certain components from the natural gas stream, such as water, carbon dioxide, sulfur, mercury, and heavy hydrocarbons. The purified natural gas is condensed into a liquid at close to atmospheric pressure by cooling it to a cryogenic temperature of approximately minus 260 degrees Fahrenheit. The liquefaction process reduces the volume of the molecules to 1/600th of their original size. The reduction in volume makes natural gas considerably more cost effective to transport over long distances where pipelines do not exist. LNG transportation to an LNG receiving terminal typically occurs by ocean-going LNG tankers that are designed with a special containment system to keep the appropriate atmospheric pressure and cryogenic temperature.

Regasification is the inverse process of liquefaction. It involves warming the LNG through a series of vaporizers until the LNG is converted into pipeline quality natural gas. Unloaded LNG is pumped through various components, including vaporizers, to convert or warm the LNG into natural gas. The vaporizers use either air or seawater to warm the LNG (ambient temperature systems) or burn fuel to generate heat to indirectly warm the LNG (above-ambient temperature systems).

LAW AND ANALYSIS

Section 7704(a) provides that, except as provided in § 7704(c), a publicly traded partnership shall be treated as a corporation. Section 7704(b) provides that the term "publicly traded partnership" means any partnership if (1) interests in that partnership are traded on an established securities market, or (2) interests in that partnership are readily tradable on a secondary market (or substantial equivalent thereof).

Section 7704(c)(1) provides that § 7704(a) shall not apply to any publicly traded partnership for any taxable year if such partnership met the gross income requirements of § 7704(c)(2) for such 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) explains that a partnership meets the gross income requirements of § 7704(c) for any taxable year if 90 percent or more of the gross income of such partnership for that taxable year is qualifying income.

Section 7704(d)(1)(E) provides that the term “qualifying income” means income or 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 (including fertilizer, geothermal energy, or timber).

CONCLUSION

Based solely on the facts submitted and representations made, we conclude that the income derived by Y for regasification under the Processing Agreement is qualifying income within the meaning of § 7704(d)(1)(E).

Except as expressly provided herein, no opinion is expressed or implied concerning the federal tax consequences of any transaction or item discussed or referenced in this letter. In particular, no opinion is expressed as to whether Company meets the 90 percent gross income requirement of § 7704(c)(1) in any taxable year for which this ruling may apply.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

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. However, in the event of a technical termination of X under § 708(b)(1)(B), the resulting partnership may continue to rely on this ruling in determining its qualifying income under § 7704(d)(1)(E).

Pursuant to the power of attorney on file with the office, a copy of this ruling will be sent to X's authorized representatives.

Sincerely,

Laura C. Fields
Laura C. Fields
Senior Technician Reviewer, Branch 1
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this Letter
Copy for § 6110 purposes

cc: