
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

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FOR IMMEDIATE RELEASE

September 18, 2002
Docket No. RP00-336-000

COMMISSION ACTS TO IMPROVE WESTERN DELIVERIES OF NATURAL GAS; EL PASO NATURAL GAS COMPANY ORDERED TO CHANGE TREATMENT OF CUSTOMERS, EASE BOTTLENECKS

The Federal Energy Regulatory Commission today ordered El Paso Natural Gas Company to change its treatment of customers to assure greater certainty to natural gas shippers serving California, Arizona and other western states.

Acting to ensure more balanced market rules and better infrastructure, the Commission established the methodology to be used by El Paso to allocate its pipeline capacity to its firm requirements customers and contract demand customers. In a May 2002 ruling, the Commission found El Paso's allocation methodology to be unjust and unreasonable because it created uncertainty among shippers holding firm transportation contracts to receive natural gas service at crucial entry points to markets in the western United States.

The Commission's action is designed to satisfy complaints from shippers that El Paso does not live up to its contract obligations and to ease bottlenecks on the company's system. The Commission directed El Paso to convert full requirements customers to contract demand customers by May 1, 2003. This extends a November 1, 2002, deadline established by the Commission and will avoid transition uncertainty during the upcoming winter heating season.

The Commission also directed El Paso to allocate available capacity to their full requirements customers based on the customer's monthly demand over the past 12 months, ending August 31, 2002. The methodology will determine each shipper's monthly pro rata share of El Paso's available capacity.

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Recognizing that the postponement of the conversion date to May 1, 2003 may result in pro rata reductions in firm service to contract demand customers during the winter heating season, the Commission directed El Paso to provide partial demand charge credits to be paid during the interim period, November 1, 2002 to May 1, 2003. This, along with the postponement of the conversion date to May 1, 2003 strike an appropriate balance among the various interests in this proceeding, the Commission concluded.

El Paso operates a gas pipeline system that delivers gas from three southwestern production basins--San Juan, Permian, and Anadarko--to various delivery points located primarily in the west. The Commission found that El Paso has not assigned its customers specific capacity rights at receipt and delivery points, although Commission orders have held that a pipeline should assign such rights where operationally feasible. Shippers, in attempting to serve the rapidly increasing demand for gas service to California and the western U.S., complained of being inadequately served by El Paso.

If shippers' requirements exceed the physical capacity of a specific receipt point, El Paso's tariff provides for pro-rata allocation based on a requested amount. This results in cuts in shippers' nominations. At the same time, contract demand customers, who have already paid for the capacity, do not receive the service for which they have paid.

The Commission concluded the frequent pro rata allocation of firm capacity on El Paso's system, among other issues, are unjust and unreasonable and not in the public interest.

The Commission directed El Paso to use for allocation, its system-wide capacity of 5.4 million dekatherms per day. El Paso reported these volumes will be available with the addition of its new Power Up expansion project which the Commission anticipates will be operating by summer 2003.

El Paso must file a report by December 2, 2002 detailing the results of the capacity allocation and receipt point allocation process. The company must file tariff sheets within 15 days of the Commission order to provide for use of the California delivery points as receipt points.