



## **NEWS RELEASE**

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### **FOR IMMEDIATE RELEASE**

January 22, 2004  
Docket No. PR03-17-000

## **COMMISSION ENCOURAGES NEW CONSTRUCTION IN GIVING MARKET-BASED RATES TO TEXAS GAS STORAGE FACILITY**

The Federal Energy Regulatory Commission today approved market-based rates for natural gas storage and hub services provided by Unocal Keystone Gas Storage, LLC in Winkler County, Texas.

The action underscores the Commission's desire to encourage construction of new natural gas storage facilities and allow applicants to obtain market-based rates where appropriate. Approval of the proposal will benefit the customers in the southwest U.S by providing current and potential customers additional market-based rate storage and hub services, the Commission noted.

In today's decision, the Commission ruled that Keystone's market analyses adequately demonstrated that it does not hold market power in its relevant geographic markets, that its market shares are relatively small so that Keystone is unable to hold prices above competitive levels, and that there are numerous alternatives available for storage services. Additionally, the Commission said that there are no constraints barring others from entering the Waha production area market, noting there are at least five storage projects and pending applications to provide storage services from the same area.

For the same reasons, the Commission also approved market-based rates for Keystone's interruptible wheeling service. The Commission said its approval of market-based rates for Keystone is subject to re-examination if a significant change occurs to the company's market power status.

Keystone, a Hinshaw pipeline also subject to the jurisdiction of the Texas Railroad Commission, operates two underground salt caverns with working gas capacity of approximately 2 billion cubic feet (Bcf). It plans to add three more salt caverns for gas storage services by 2006. When all five caverns are developed, Keystone will operate them on an integrated basis, with approximately 5 Bcf of working gas capacity and 400,000 Mcf per day of deliverability. Keystone also operates 3.8 miles of pipeline connecting the storage facility to the interstate and intrastate pipelines.

