
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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COMMISSION REAFFIRMS AND CLARIFIES OPEN-SEASON RULES FOR ALASKA NATURAL GAS TRANSPORTATION PROPOSALS

The Federal Energy Regulatory Commission today reaffirmed and clarified its rules establishing requirements governing the conduct of open seasons for capacity for future Alaska natural gas pipeline projects.

The Order No. 2005 rules, designed to promote competition, exploration, development and production of Alaska natural gas, establish standards for creating open seasons for potential shippers to compete for and acquire initial capacity and future expansion capacity on any potential Alaska pipeline. The rules also provide standards for allocating the capacity to ensure nondiscriminatory access to any Alaska transportation projects.

The State of Alaska, Enbridge Inc., Chevron/Texaco Natural Gas, a division of Chevron U.S.A. Inc., and a joint filing by North Slope Producers – ExxonMobil Corporation, BP Exploration (Alaska) Inc. and ConocoPhillips – requested either clarification or repeal of certain aspects of the open season rules, issued February 9, 2005.

The Commission clarified that the Commission may require design changes necessary to ensure that some portion of a proposed voluntary expansion will be allocated to new shippers, or shippers seeking to transport gas from areas other than the Prudhoe Bay or Point Thomson areas, provided they agree to sign qualifying, long-term transportation contracts.

Parties had maintained the rules erred by allowing Commission-mandated design changes at the conclusion of the open season process and that design changes would be an illegal extension of FERC authority. But the Commission rejected those arguments, citing legal precedent that any design change would not constitute a mandatory expansion of any project and that the Natural Gas Act provides FERC authority to attach to any certificate of public convenience and necessity any conditions it deems necessary to meet the public interest.

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Among other things, the Commission:

- expanded criteria for evaluating late bids for capacity and the requirement that any late bid contain a good-faith showing. Parties had asserted the rule needed additional standards to encourage participation in the initial open season and to address late bidding for capacity;

- clarified that the open-season plan must contain the actual open-season notice and eliminates the 30-day advance notice requirement that applicants must file open-season procedures to FERC. Parties had contended the original 90-day advance filing time frame could potentially result in unnecessary delays in FERC's processing of their request;

- clarified that applicants must establish a separate entity to conduct the open season; and

- clarified that open season notices need not include a cap on contract terms.

Revisions to Order No. 2005 will become effective on the date the order is published in the Federal Register.