

**DEPARTMENT OF ENERGY****Federal Energy Regulatory  
Commission**

[Docket No. CP01-361-000]

**Northwest Pipeline Corporation; Notice  
of Application**

May 22, 2001.

Take notice that on May 11, 2001, Northwest Pipeline Corporation (Northwest) 295 Chipeta Way, Salt Lake City, Utah 84108, filed, in Docket No. CP01-361-000, an application pursuant to Section 7(c) of the Natural Gas Act and Part 157 of the Federal Energy Regulatory Commission's (Commission) regulations for a certificate of public convenience and necessity authorizing: (1) two taps on Northwest's mainline near Vail, Washington, (2) a 20-inch diameter 48.9-mile lateral pipeline in Thurston and Grays Harbor Counties, Washington, (3) 4700 horsepower of compression at an existing compressor station in Thurston County, (4) a delivery meter station in Grays Harbor County, all as more fully set forth in the application which is on file with the Commission and open to public inspection. This filing may be viewed at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

Specifically, Northwest requests authorization to construct the Grays Harbor Lateral to provide natural gas deliveries to Duke Energy Grays Harbor, LLC (Duke) for electricity generation at a planned new power plant in Grays Harbor County. Duke has executed a Rate Schedule TF-1 Transportation Agreement (Lateral Transportation Agreement), for the firm transportation of up to 161,500 Dth per day over the proposed Grays Harbor Lateral, for a primary term of 30 years.

Northwest requests approval of non-conforming provisions in its Lateral Transportation Agreement with Duke that include: giving Duke a preferential right to acquire any compression-only expansive capacity on the lateral for a period of ten years; an agreement by Northwest not to solicit expansion transportation commitments through a mainline expansion open season process for expansion capacity on the proposed delivery facilities and; a provision to adjust Duke's cost responsibility in the event that Northwest installs additional compression to provide expansion capacity for a third-party shipper. Northwest also requests any necessary waiver of Northwest's tariff provisions, specifically requesting waiver of Section 21.3 of its tariff's General Terms and Conditions to the extent necessary for

the Lateral Transportation Agreement provisions to supersede the otherwise applicable tariff provision for early lump sum buyouts of a cost of service charge.

The estimated cost of the proposed lateral facilities is approximately \$75.2 million with an estimated initial monthly cost-of-service charge for Duke of \$1,406,692. Pursuant to the Lateral Transportation Agreement, Duke will reimburse Northwest for all actual costs associated with the proposed facilities by paying a monthly cost-of-service charge over 30 years. In recognition of Duke's facilities reimbursement obligation, the associated Rate Schedule TF-1 reservation charge for Duke's transportation on the lateral will be discounted to zero. Northwest requests a preliminary determination on non-environmental issues by November 15, 2001, and a final certificate order no later than April 15, 2002, in order to complete the project before November 2002, the date Duke estimates it will require test gas for its new plant.

Questions regarding the details of this proposed project should be directed to Mr. Gary Kotter, Manager Certificates, Northwest Pipeline Corporation, P.O. Box 58900, Salt Lake City, Utah 84158-0900 or call (801) 584-7117.

There are two ways to become involved in the Commission's review of this project. First, any person wishing to obtain legal status by becoming a party to the proceedings for this project should, on or before June 12, 2001, file with the Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426, a motion to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (18 CFR 385.214 or 385.211) and the Regulations under the NGA (18 CFR 157.10). A person obtaining party status will be placed on the service list maintained by the Secretary of the Commission and will receive copies of all documents filed by the applicant and by all other parties. A party must submit 14 copies of filings made with the Commission and must mail a copy to the applicant and to every other party in the proceeding. Only parties to the proceeding can ask for court review of Commission orders in the proceeding.

However, a person does not have to intervene in order to have comments considered. The second way to participate is by filing with the Secretary of the Commission, as soon as possible, an original and two copies of comments in support of or in opposition to this project. The Commission will consider these comments in determining the appropriate action to be

taken, but the filing of a comment alone will not serve to make the filer a party to the proceeding. The Commission's rules require that persons filing comments in opposition to the project provide copies of their protests only to the party or parties directly involved in the protest.

Persons who wish to comment only on the environmental review of this project should submit an original and two copies of their comments to the Secretary of the Commission. Environmental commenters will be placed on the Commission's environmental mailing list, will receive copies of the environmental documents, and will be notified of meetings associated with the Commission's environmental review process. Environmental commenters will not be required to serve copies of filed documents on all other parties. However, the non-party commenters will not receive copies of all documents filed by other parties or issued by the Commission (except for the mailing of environmental documents issued by the Commission) and will not have the right to seek court review of the Commission's final order.

The Commission may issue a preliminary determination on non-environmental issues prior to the completion of its review of the environmental aspects of the project. This preliminary determination typically considers such issues as the need for the project and its economic effect on existing customers of the applicant, on other pipelines in the area, and on landowners and communities. For example, the Commission considers the extent to which the applicant may need to exercise eminent domain to obtain rights-of-way for the proposed project and balances that against the non-environmental benefits to be provided by the project. Therefore, if a person has comments on community and landowner impacts from this proposal, it is important either to file comments or to intervene as early in the process as possible.

Comments, protests, and interventions may be filed electronically via the internet in lieu of paper. See, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site at <http://www.ferc.fed.us/efi/doorbell.htm>.

If the Commission decides to set the application for a formal hearing before an Administrative Law Judge, the Commission will issue another notice describing that process. At the end of the Commission's review process, a

final Commission order approving or denying a certificate will be issued.

David P. Boergers,  
Secretary.

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## DEPARTMENT OF ENERGY

### Federal Energy Regulatory Commission

[Docket No. RP01-180-000; Docket No.  
RP01-222-000]

**Before Commissioners: Curt Hébert,  
Jr., Chairman; William L. Massey, and  
Linda Breathitt San Diego Gas and  
Electric Company and The Los  
Angeles Department of Water and  
Power; Order Requesting Comments**

Issued May 22, 2001.

In response to petitions for relief concerning high natural gas prices in California, this order requests comments on whether the Commission should reimpose the maximum rate ceiling on short-term capacity release transactions into California, and the effects of such action on the California gas market.

#### Background

1. On December 7, 2000, in Docket No. RP01-180-000, San Diego Gas and Electric Company (SDG&E) filed a petition for emergency relief requesting that the Commission immediately order (1) that price-caps for short-term releases of capacity for service to the California border and to points of interconnection between interstate pipelines and California local distribution companies (LDCs) be re-imposed effective immediately and kept in effect until March 31, 2001,<sup>1</sup> and (2) that sellers be required to state separately the transportation and commodity components of the bundled rate for sales at these points so that the cap can be enforced on these transactions.<sup>2</sup> Alternatively, SDG&E

<sup>1</sup> Section 284.8(i) of the Commission's regulations, as implemented by Order No. 637, states that, "[u]ntil September 30, 2002, the maximum rate ceiling does not apply to capacity release transactions of less than one year. With respect to releases of 31 days or less under paragraph (h), the requirements of paragraph (h)(2) will apply to all such releases regardless of the rate charged."

<sup>2</sup> On May 18, 2001, in Docket No. RM01-9-000, the Commission issued an order proposing to impose certain reporting requirements on natural gas sellers and transporters serving the California market. The proposed reporting requirements are intended to provide the Commission with the necessary information to determine what action, if any, it should take within its jurisdiction. Our order today coupled with our May 18 order continues to focus on issues related to natural gas prices in

asserted that the cap could be enforced on such bundled sales through a mechanism that caps bundled sales at these points at 150 percent of the sum of a reported average commodity sales price plus the as billed rate for interstate transportation.

2. On February 1, 2001, the Los Angeles Department of Water and Power (LADWP) filed a petition that requests that the Commission immediately rescind the portion of Order No. 637 that removed the price cap for short-term capacity release and pipeline capacity transactions for service to the California border and to points of interconnection between interstate pipelines and California LCDs until March 31, 2001. LADWP further requests that the Commission initiate a proceeding that will allow the Commission to determine by March 31, 2001, whether the removal of the price cap on short-term transactions associated with California is warranted.

#### Public Notice and Interventions

Public notice of SDG&E's filing was issued on December 8, 2000. Interventions and protests were due by December 13, 2000. Public notice of LADWP's filing was issued on February 26, 2001. Interventions and protests were due by March 2, 2001. Pursuant to Rule 214 (18 CFR 385.214 (2000)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

With respect to SDG&E's petition, a number of California entities, including the Public Utilities Commission of the State of California (CPUC), California local distribution companies (LDCs), municipalities, and various business concerns, filed comments in support of granting the requested relief. Comments in opposition to SDG&E's petition were filed by various parties, mainly by gas marketers. Certain other commenters such as the Indicated Shippers and the Natural Gas Supply Association (NGSA) supported reimposition of the price cap on short-term capacity release transactions but opposed any price cap on bundled sales of gas or the gas commodity. Since LADWP's request for relief is the same as SDG&E's fewer comments were filed in response to LADWP's petition. As with the SDG&E

California and actions we may take to address capacity release transactions and bundled sales (i.e., the "gray market").

petition, California entities support the request for relief.

#### Discussion

SDG&E and LADWP request that the Commission re-impose the price cap for short-term releases of capacity for service to the California border and to points of interconnection between interstate pipelines and California LCDs. Their request for relief is based on the assumption that high prices of gas delivered at the California border are due, in part, to the ability of persons selling to the California market to charge above the interstate pipeline's maximum tariff rate for the release of pipeline capacity. SDG&E points to the spot price at the California border of \$50 per MMBtu for November and December 2000 as evidence of significant market distortions requiring Commission action.

In response to the requests filed by SDG&E and LADWP, the Commission Staff has been analyzing the capacity release information pipelines are required to maintain pursuant to section 284.13 of the Commission's regulations. The Commission Staff has examined capacity release information for pipelines serving California for the period from November 2000 through April 2001. The Commission Staff's analysis in the attached Appendix shows that there were very few capacity transactions release transactions into California that were above the pipelines' maximum rates. For the period November 2000 through April 2001, the pipelines' capacity release information shows that releases above the pipelines' maximum rates ranged from a high of 91,236 MMBtu/day for April 2001 to a low of 7,000 MMBtu/day in December 2000. The interstate capacity into California is approximately 7,435,000 Mcf/day<sup>3</sup> (an Mcf is roughly equal to an MMBtu) and the intrastate equal capacity (takeaway capacity) is approximately 6,675,000 Mcf/day.<sup>4</sup> Therefore, the volume of capacity

<sup>3</sup> Energy Information Administration 1999 Report on California Interstate Natural Gas Pipeline Capacity Levels. The Commission has also recently approved an additional 485,000 Mcf/day of capacity into California. See, Questar Southern Trails Pipeline Company, Docket No. CP99-163-001, et al., 92 FERC ¶ 61,110 (2000); Kern River Gas Transmission Company, Docket No. CP01-106-000, 95 FERC ¶ 61,022 (2001); and E1 Paso Natural Gas Company, Docket No. CP00-422-000, et al., 95 FERC ¶ 61,176 (2001).

<sup>4</sup> See, [www.cpuc.ca.gov/static/industry/gas/gas+workshop.htm](http://www.cpuc.ca.gov/static/industry/gas/gas+workshop.htm). April 17, 2001 presentation of the California Energy Commission at CPUC Natural Gas Infrastructure Workshop. An analysis done by Economists Incorporated for the Interstate Natural Gas Association of America shows that the interstate takeaway capacity is 5,853,000 Mcf per day. See, "Calif. Utilities Spurred Pipeline Projects" in *The Electricity Daily* (May 18, 2001).