

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 20, 2004

In Reply Refer To:
El Paso Natural Gas Company
Docket No. RP04-61-001

El Paso Natural Gas Company
P.O. Box 1087
Colorado Springs, CO 80944

Attention: Catherine E. Palazzari
Vice President

Reference: Compliance Filing

Dear Ms. Palazzari:

1. On February 12, 2004, El Paso Natural Gas Company (El Paso) filed revised tariff sheets¹ to comply with the Commission's January 28, 2004 Order (January 28 Order)² addressing El Paso's directional transfer scheduling proposal. The Commission will accept the revised tariff sheets effective February 1, 2004, as proposed. This order will benefit customers by providing additional scheduling flexibility.

Background

2. On November 18, 2003, El Paso filed tariff sheets to propose a directional transfer scheduling (DTS) process to provide Rate Schedule FT-1 shippers greater scheduling flexibility by allowing them to use combined contractual rights at receipt and delivery

¹ Substitute Original Sheet No. 219H and Substitute Original Sheet No. 219I to Second Revised Volume No. 1-A.

² 106 FERC ¶ 61,050 (2004).

points as long as the combined rights do not exceed certain north-to-south and east-to-west directional limitations. The January 28 Order accepted El Paso's DTS proposal as an interim measure subject to the outcome of Order No. 637 proceedings and certain modifications.³

Instant Filing

3. El Paso states that it already permits its shippers to aggregate its approximately 170 receipt meters into 10 supply pools and its approximately 720 delivery meters into approximately 250 delivery codes (D-codes), giving its shippers flexibility to aggregate their receipt and delivery rights. El Paso states, however, that it will allow for combinations of receipt and delivery rights in common areas as a DTS scheduling option. El Paso further states that the identification of common areas and the aggregation of point rights is only an interim measure until Order No. 637 is fully implemented on El Paso's system. In addition, El Paso states that it will continue to explore other scheduling flexibilities with its shippers in the context of its Order No. 637 implementation.

4. El Paso proposes to modify Sheet No. 219H to allow shippers to aggregate receipt and delivery rights within common areas for DTS purposes and thus exceed individual point rights, but within the shippers' directional transfer rights. El Paso states that this right is subject to the condition that no other firm shipper is adversely affected by such action. To implement this right, El Paso has added a definition of common area to its tariff. El Paso defines a common area as a small geographic area that includes operationally similar points on a mainline or lateral which El Paso has determined can be consolidated into a single location for operational and scheduling purposes. A common area does not include points that are on separate delivery laterals. El Paso includes a list of the common areas where shippers will be able to move point entitlements between points so long as the combined rights at any point do not exceed that location's meter capacity. The majority of these locations are combined based on their geographic proximity, but two combinations have been allowed because historically there have been very small quantities of gas delivered to these points. El Paso states that permitting the shippers to exceed their individual MDQs at these locations should not have an adverse effect on system operations or on the rights of other firm shippers.

³ The January 28 Order required El Paso to file a comprehensive Order No. 637 compliance filing by April 1, 2004 in a new docket.

Public Notice and Protests

5. The filing was noticed on February 18, 2004, with comments, protests or interventions due on or before February 24, 2004. All timely motions to intervene and all motions to intervene out of time filed before the issuance of this order are granted pursuant to Rule 214 of the Commission's Rules of Practice and Procedure.⁴ Granting late intervention at this early stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

6. Phelps Dodge Corporation (Phelps Dodge) filed a protest, claiming that El Paso has failed to consolidate all appropriate D-Codes because its filing fails to allow Phelps Dodge to aggregate its Tyrone point with the common area containing its Hurley and Chino points. Phelps Dodge asserts that all three points are located on the same Silver City lateral, are geographically proximate, and should be deemed to serve a common area for scheduling. Phelps Dodge contends that there is no constraint at the entrance to the lateral and that it does not share any delivery points on the lateral with any other customer. Phelps Dodge concludes that El Paso should consolidate the three Silver City lateral delivery points in one common area.

7. El Paso filed an answer to Phelps Dodge's protest on April 9, 2004, in which it explains why it would be unreasonable to create a common area for the Tyrone, Hurley and Chino delivery points. El Paso states that Silver City lateral splits into east and west branches, like a Y, and that the Hurley and Chino points are located on the east branch while the Tyrone point is on the west branch. In addition, Public Service Company of New Mexico (PNM) has delivery points on the lateral. El Paso states that the combined entitlements for the three delivery points would exceed the capacity on the west branch for part of the year. El Paso concludes that creating a common area for these three delivery points would not only jeopardize firm service for Phelps Dodge, but would also jeopardize service to PNM's delivery points on the west branch of the Silver City lateral.

Discussion

8. El Paso's tariff modifications, to allow shippers to aggregate receipt and delivery rights within common areas but not to exceed contractual limits, comply with the directives of the January 28 Order. El Paso includes a definition of a common area and

⁴ 18 C.F.R. § 385.214 (2003).

identifies specific common areas where point entitlements may be combined. The Commission finds that El Paso's proposed tariff sheets will provide additional scheduling and service flexibility for shippers that use its system and comply with the directives of the January 28 Order. With regard to the protest, Phelps Dodge argues that El Paso has incorrectly excluded its Tyrone delivery point from the common area including its other Silver City lateral delivery points. While Phelps Dodge asserts that it does not share any delivery points on the lateral with any other shipper, El Paso clarifies that it does make deliveries to PNM at points proximate to the Tyrone delivery point. Because Phelps Dodge shares the lateral with PNM, consolidating deliveries among the three Phelps Dodge delivery points into a common area could affect service to PNM. The Commission encourages El Paso's efforts to provide additional flexibility to shippers, but not at the expense of reliability of firm service. The Commission thus will deny Phelps Dodge's protest. The Commission notes that directional transfer scheduling is an interim measure and that El Paso and the parties will continue to address directional transfer scheduling and other scheduling flexibilities in the context of El Paso's Order No. 637 proceeding, when El Paso will have the benefit of actual operating experience. In this regard, El Paso filed a revised Order No. 637 compliance filing on April 1, 2004.

By direction of the Commission. Commissioner Kelly not participating.

Linda Mitry,
Acting Secretary.