

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 10, 2003

In Reply Refer To:
Kern River Gas Transmission Company
Docket No. RP03-315-001

Kern River Gas Transmission Company
P.O. Box 582000
Salt Lake City, UT 84158-2000

Attention: Billie L. Tolman, Manager
Tariffs and Certificates

Reference: Order on Compliance

Dear Ms. Tolman:

1. On May 15, 2003, Kern River Gas Transmission Company (Kern River) filed supplemental information to support its proposed preferred pooling proposal in compliance with the Commission Order issued on April 30, 2003 in Docket No. RP03-315-000.¹ The April 30 Order directed Kern River to: explain and support the need for its proposed pooling provisions, how the provisions will work, and provide evidence regarding the operational impact such a pooling proposal would have on Kern River's system. The Commission finds that Kern River's supplemental information adequately explains the need for its tariff revisions and the impacts they will have on Kern River's customers. Accordingly, the Commission will permit the tariff sheets that were accepted and suspended by the April 30 Order to become effective September 15, 2003. This order is in the public interest because it enhances pooling flexibility and operational certainty on Kern River's system.

2. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and

¹Order Accepting and Suspending Tariff Sheets Subject to Refund and Conditions and Further Review, 103 FERC ¶ 61,095 (2003) (April 30 Order).

Procedure (18 C.F.R. § 385.214). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. Kern River filed an Answer to the Firm Customers' Motion of Clarification² which addressed each of the questions raised prior to the issuance of the Commission's April 30 order. No protests or comments were filed in the Docket No. RP03-315-001 proceeding.

3. The April 30 Order directed Kern River to file information and explanations with adequate support of its proposal, including information addressing the issues raised by the Firm Customers in their Motion of Clarification and concerns raised by the Commission. Kern River's compliance is discussed in detail below.

4. In its original filing, Kern River revised its tariff sheets proposing to expand the number of existing supply and market area pools in order that receipt points that are not currently included in a supply area pool can be added to the appropriate supply area pool and delivery points that are not currently included in a market area pool can be added to the appropriate market area pool.

5. The Commission had concerns whether Kern River's pooling proposal was necessary for operational purposes, either to ease points of constraint at compressor stations or to limit operational alerts or operational flow orders. The Commission questioned whether any of Kern River's customers' services might be affected by changes in its pools, including whether there are any system constraints which may hinder the flow of gas on its system if the number of pools is increased. The Commission sought clarification as to how imbalances could occur in a paper pool when there is no physical transportation. The Commission also found that Kern River did not adequately explain how the proposed pooling proposal affects compressor fuel reimbursement or how such a proposal affects system balancing.

6. In response to these concerns, Kern River states that its proposal does not establish a separate Opal pool, but rather adds the Roberson Creek receipt point to the existing Muddy Creek supply area pool. Kern River asserts that the Opal receipt point is currently included in the Muddy Creek supply area pool, and Kern River will not move the Opal receipt point to another pool. Therefore, Kern River avers the Muddy Creek pool would then include the Opal, NWP, CIG, OVT and Roberson Creek receipt points. The

²The Firm Customers' Motion for Clarification includes the following parties: Chevron U.S.A. Inc., BP America Production Company and BP Energy Company, Coral Energy Resources LP, Aera Energy, LLC and Nevada Cogeneration Associates #1 and Nevada Cogeneration Associates #2.

Commission finds Kern River's explanation of the pooling system upstream of Muddy Creek acceptable and consistent with Commission policy.

7. Kern River further addressed the Commission's concerns as to how imbalances are created and allocated on its system and how an imbalance could occur in the context of its paper pooling procedures. Kern River explained that imbalances can occur when scheduled deliveries under a transportation agreement differ from scheduled pooling quantities under a related pooling agreement. Kern River states that pooling entities pay no transportation charges, are not subject to any credit requirements, and may not be a shipper on the system. As such, its ability to resolve pooling imbalances is extremely limited. Kern River explained that pooling related imbalances under its proposal are to be accounted for and be resolved either through the operational balancing agreements of delivery point operators or through pre-determined allocations at the delivery points (see Section 22.1(b)). Effectively, this proposal requires that the pooling imbalances be resolved under the downstream transportation arrangements.

8. The Commission finds that Kern River's proposed tariff language is not overly restrictive to pooling and transportation parties who incur imbalances on the system. This tariff provision ensures that pooling imbalances are accounted for and accrue to parties involved in the transportation transaction. Therefore, the Commission accepts Kern River's justification of its imbalance procedures and finds these procedures necessary in order to maintain system balance and to provide pooling parties who are not shippers a means to resolve imbalances.

9. In response to the Commission's concerns that no evidence was given to support the need for new pools, Kern River explained that its purpose for the preferred pooling proposal was to satisfy shippers' requests for additional pooling opportunities rather than curing operational problems or to ease constraints. Kern River states that the process of aggregating gas into a supply area pool or disaggregating gas from a market area pool has no impact on system operations or constraints. Kern River further explained that its proposal enhances, and does not limit, pooling options available to shippers. It does so by establishing supply area pools for those receipt points that currently only have access to market area pools. Concurrently, the proposal also establishes market area pools for those delivery points that currently are accessible only from supply area pools. The Commission accepts Kern River's explanation as satisfactorily addressing its concern.

10. With respect to the Commission's concerns over how Kern River's pooling may impact compressor fuel, Kern River responds by stating that its proposal does not impact nor modify the current fuel reimbursement system. Kern River explained that its initial filing discussed the fuel reimbursement mechanism as a means to explain why Kern

River needs to establish pools based upon the location of its compressor stations. Similarly, Kern River explained that its pooling proposal will have no impact on system balancing. The Commission finds Kern River's response adequately addressed our concerns.

11. Based on a review of the filing, the Commission finds that the proposed provisions of Kern River's tariff have been adequately supported. Accordingly, the Commission will permit the suspended tariff sheets listed in the Appendix of the April 30 Order to become effective September 15, 2003.

By direction of the Commission.

Linda Mitry,
Acting Secretary.

cc: All Parties