

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
William L. Massey, and Nora Mead Brownell.

Western Gas Interstate Company

Docket Nos. RP00-461-001  
RP00-461-002

ORDER ON REHEARING AND COMPLIANCE FILING

(Issued September 17, 2003)

1. On March 14, 2002, the Commission issued an Order (March 14 Order)<sup>1</sup> in this proceeding accepting, with certain modifications, Western Gas Interstate's (WGI) filing to comply with Order No. 637<sup>2</sup> and directing WGI to file tariff sheets to comply with Order Nos. 587-G, 587-H, 587-I, 587-L, and 587-M.<sup>3</sup> On April 12, 2002, WGI filed a request for reconsideration, clarification, or rehearing of that Order. On May 28, 2002, WGI filed tariff sheets to comply with the directives of the March 14 Order.

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<sup>1</sup> 98 FERC ¶ 61,275 (2002).

<sup>2</sup> Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services, Order No. 637, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,091 (Feb. 9, 2000); order on rehearing, Order No. 637-A, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,099 (May 19, 2000); order on rehearing, Order No. 637-B, 92 FERC ¶ 61,062 (July 26, 2000); aff'd in part and remanded in part, Interstate Natural Gas Association of America v. FERC, 285 F.3d 18 (D.C. Cir. 2002); Order on Remand, 101 FERC ¶ 61, 127 (2002).

<sup>3</sup> Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587-G, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,062 (Apr. 16, 1998); Order No. 587-H, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,063 (July 15, 1998); order on rehearing, Order No. 587-I, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,067 (Sept. 29, 1998); Order No. 587-K, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,072 (April 2, 1999); Order No. 587-L, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,100 (June 30, 2000); Order No. 587-M, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,114 (Nov. 30, 2000).

2. For the reasons discussed below, WGI's request for reconsideration is granted. WGI's May 28 compliance filing is accepted, effective November 1, 2003, subject to the modifications and conditions discussed below. These actions benefit the public by permitting WGI to implement policies described in Order Nos. 637, 587-G, 587-H, 587-I, 587-K, 587-L, 587-M, and 587-O<sup>4</sup> which are designed to enhance competition in the natural gas industry.

#### **WGI's Request for Clarification, Reconsideration, or Rehearing**

3. In the March 14 Order, the Commission, among other things, directed WGI to comply with the requirements of Order Nos. 587-G and 587-I to implement an interactive website for such purposes as scheduling and capacity release. The Commission noted that WGI had previously requested that the Commission waive this requirement and the Commission had denied the request in a letter Order.<sup>5</sup>

4. On rehearing, WGI requests reconsideration of this ruling. WGI acknowledges that its website is not interactive as required by Order Nos. 587-G and 587-I, but states that all nominations and scheduling by shippers on the WGI system currently take place on the interactive websites of the two interstate pipelines that supply WGI, *i.e.*, Northern Natural Gas Co. (Northern) and Colorado Interstate Gas Co. (CIG). WGI asserts that these two pipelines operate fully interactive websites and, because there are no capacity constraints on the WGI system, WGI has authorized Northern and CIG to confirm automatically all nominations by its customers. Therefore, WGI states, its customers are able to nominate and schedule deliveries via the internet, consistent with the requirements of Order Nos. 587-G and 587-I.

5. WGI recognizes that there are other possible uses for interactive websites besides nomination and scheduling, but asserts that these other uses are extremely limited in the

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<sup>4</sup> Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587-O, FERC Stats. & Regs., Regulations Preambles ¶ 31,129 (May 1, 2002).

<sup>5</sup> The Commission cited Western Gas Interstate Co., 88 FERC ¶ 61,024 (1999). In that letter order, the Commission granted WGI a limited waiver of the Gas Industry Standards Board (GISB) (now the North American Energy Standards Board (NAESB)) requirements regarding electronic data interchange (EDI) and electronic delivery mechanisms (EDM), with the exception of the requirement that pipelines implement an interactive website. The Commission found that WGI had not presented sufficient support to justify a waiver of the interactive website standards of Order Nos. 587-G and 587-I. The waiver of the other EDI/EDM standards was conditioned upon WGI implementing these standards if any Part 284 customers requested transactions via EDI.

case of WGI because of the operational characteristics of its system. WGI states that it operates a small system with four customers and has an average daily throughput of only about 12,100 MMBtu. Further, WGI states, its system consists almost entirely of 4 and 6-inch diameter pipeline in two discrete, non-interconnected segments totaling approximately 265 miles in length. WGI states that the pipeline's small size, remote location, and lack of ability to make deliveries to other pipelines for further transportation inherently limits the usefulness of the capacity release and imbalance trading programs.<sup>6</sup> WGI states that no customer has ever requested WGI to accept electronic communications or implement an interactive website for capacity release or other purposes.

6. Upon further consideration, the Commission concludes that because of the limited size and operation of WGI's facilities, because WGI's customers are able to nominate and schedule on interactive websites, and because no customer has requested that WGI implement an interactive website, a limited waiver of the requirement to establish an interactive website is appropriate.<sup>7</sup> This waiver is conditioned upon WGI complying with the interactive website requirements at such time as a Part 284 customer requests that WGI provide additional internet transaction capacity.<sup>8</sup> WGI also requested clarification and rehearing of the May 14 Order with regard to an interactive website, and for additional time to comply with these standards if their requests were denied. Because, on reconsideration, the Commission is granting WGI's request for a limited waiver of the interactive website requirements, we need not address these other requests.

#### **WGI's Compliance Filing**

7. On May 28, 2002, WGI filed tariff sheets in compliance with the March 14 Order to: (1) incorporate nomination cycles and comply with the Commission's directives on scheduling equality; (2) change its tariff to permit shippers to add or change primary points; (3) modify its discount provisions; (4) change references to "Electronic Bulletin

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<sup>6</sup> WGI states that since the inception of its capacity release program, there has been only one capacity release transaction, through a prearranged deal.

<sup>7</sup> The Commission has granted limited waivers of the interactive website requirement for other small pipeline systems conditioned upon the pipeline complying with the interactive website requirements at such time as a Part 284 customer requests that the pipeline offer transactions via its website. *E.g.*, Sumas International Pipeline, Inc., 90 FERC ¶ 61,055 (2000); Steuben Gas Storage Co., 88 FERC ¶ 61,107 (1999).

<sup>8</sup> This ruling is consistent with the July 10, 2003 delegated letter order in WGI's Docket No. RP03-525-000.

Board” to “Internet Web site;” (5) implement imbalance trading and netting; and (6) implement Version 1.5 of the NAESB standards. WGI is not proposing to implement NAESB standards that relate to EDI/EDM, including standards for conducting business through EDI/EDM on its Internet Web site, pending Commission action on its April 12 request for clarification, reconsideration or rehearing.

8. Public notice of WGI’s May 28 compliance filing was issued on June 4, 2002. Interventions and protests were due as provided in Section 154.210 of the Commission’s regulations (18 C.F.R. § 154.210 (2002)). No interventions or protests were filed.

**A. Scheduling Equality**

9. The March 14 Order directed WGI to comply with Section 284.12(c)(1)(ii) of the Commission’s regulations by, at a minimum, revising its filing to comply with Standard 5.3.2 (Version 1.5) of the NAESB Standards. In addition, the Commission directed WGI to incorporate Standard 1.3.2. In its March 14 filing, WGI has incorporated these standards on Revised Sheet Nos. 136A, 137, 142, 143, 230A and 230C. The Commission finds that the revised sheets satisfactorily comply with the Commission’s directives, with the following exception. A portion of Sections 19.2 and 19.3 of the General Terms and Conditions appears on Sheet Nos. 230B and 230C. WGI is directed to file revised tariff sheets to remove the duplication.

**B. Flexible Point Rights**

10. The March 14 Order directed WGI to permit shippers to add or change primary points consistent with the Commission’s Texas Eastern/El Paso policy.<sup>9</sup> Under this policy, the releasing and replacement shippers are both able to choose primary points consistent with their mainline contract demand. WGI has modified Sheet No. 225 to comply with the March 14 Order. The Commission finds that WGI’s proposed revisions satisfactorily comply with the Commission’s directives.

**C. Discount Policy**

11. The March 14 Order directed WGI to file tariff sheets implementing the rebuttable presumption policy described in CIG/Granite State,<sup>10</sup> along with a procedure for

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<sup>9</sup> Order No. 637, FERC Stats. & Regs., Regulations Preambles (July 1996 – December 2000) ¶ 31,091, at 31,304.

<sup>10</sup> Colorado Interstate Gas Company, 95 FERC ¶ 61,321 (2001); Granite State Gas Transmission, Inc., 96 FERC ¶ 61,273 (2001), reh’g denied, 98 FERC ¶ 61,019 (2002). Under this policy, there is a rebuttable presumption that a shipper holding a discount at a

processing requests to retain discounts at each scheduling opportunity provided by the pipeline. WGI revised Sheet No. 224 to provide that all requests for discounts received prior to 3:00 pm on a Business Day shall be deemed granted unless WGI notifies the shipper within two hours that the secondary point transaction is not similarly situated to the transaction receiving the discount. WGI states that revised Sheet No. 224 does not include any reference to the retention of a discount in the case of a shipper that segments capacity since the March 14 Order found that segmentation is not operationally feasible on WGI's system.

12. The Commission finds that WGI's revised Sheet No. 224 generally complies with the Commission's discount policy with the following exception. The Commission's policy provides that pipelines must act on overnight requests to retain discounts received after 4:00 pm by no later than 8:30 am CCT the next business day. WGI is directed to revise Sheet No. 224 to change 3:00 pm to 4:00 pm and to provide that requests received after 4:00 pm will be acted on by 8:30 am CCT the next business day.

#### **D. Imbalance Netting and Trading**

13. The March 14 Order found that WGI had not complied with Order Nos. 587-G and 587-L which require pipelines to provide for imbalance netting and trading. WGI revised Sheet No. 231 to permit shippers to trade and net imbalances occurring on either of WGI's two pipeline segments with any other shipper on that segment. Because WGI's system consists of two discrete, non-interconnected segments, with no ability for WGI to move gas between the two segments, WGI states that imbalance trading between segments is not operationally possible and is not authorized by the tariff. The Commission finds that WGI's revised tariff satisfactorily complies with the Commission's directives.

#### **E. NAESB Compliance**

14. In the March 14 Order, the Commission found that WGI had not complied with Order Nos. 587-G, 587-H, 587-I, 587-K, 587-L, and 587-M and directed WGI to comply with these orders. WGI has filed revised tariff sheets to comply with those orders and also to comply with Order No. 587-O, which implemented Version 1.5 of the NAESB Standards. WGI states that it did not propose to implement NAESB standards that relate to EDI/EDM, including standards for conducting business through EDI/EDM on its Internet Web site, pending Commission action on WGI's request for clarification,

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point will retain a discounted rate if it chooses to segment, release capacity, or use its flexible receipt and delivery point rights to move gas to another point at which the pipeline has granted discounts for its firm or interruptible transportation services.

reconsideration, or rehearing on this issue. As is discussed above, the Commission is granting WGI a limited waiver of these standards and, therefore, will not require WGI to implement standards relating to EDI/EDM at this time. The Commission therefore finds that the revised tariff sheets satisfactorily comply with the Commission's directives, with the following exceptions.

15. WGI has incorporated by reference on Sheet No. 247 a portion of the NAESB Wholesale Gas Quadrant (WGQ) standards. Many of the remaining standards are included in WGI's tariff. A number of required standards, however, are not incorporated by reference or included in WGI's tariff. They include WGQ Standards 1.3.66 through 1.3.78 (relating to Title Transfer Tracking), 2.3.40 through 2.3.43 (relating to netting and trading), and 5.3.37 through 5.3.39 (relating to email notification). WGI is directed to either file revised tariff sheets that include those standards, in the tariff or by reference, or explain why it should not be required to comply with those standards.

16. Subsequent to its May 28 filing, WGI filed in Docket No. RP03-525-000 to implement Version 1.6 of the NAESB standards to comply with Order No. 587-R.<sup>11</sup> By unpublished letter Order dated July 10, 2003, the Commission accepted the filing. Certain of the tariff sheets accepted in that July 10 letter Order supersede tariff sheets submitted in the May 28 filing. The superseded sheets, listed in Appendix B, are therefore rejected as moot.

The Commission orders:

(A) WGI's request for reconsideration is granted as discussed above, and its request for rehearing is dismissed as moot.

(B) WGI's May 28 compliance filing is accepted subject to the conditions in the body of this Order.

(C) The tariff sheets listed in Appendix A are accepted effective November 1, 2003, subject to further revisions as required by this Order. The tariff sheets listed in Appendix B are rejected as moot.

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<sup>11</sup> Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587-R, FERC Stats. & Regs., Regulations Preamble ¶ 31,141 (March 12, 2003).

(D) WGI is directed to make a filing to comply with the tariff modifications set forth in this Order within 30 days of the issuance of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

APPENDIX A

Accepted Effective November 1, 2003  
Fourth Revised Volume No. 1

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APPENDIX B

Rejected As Moot  
Fourth Revised Volume No. 1

Second Revised Sheet No. 137  
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Fourth Revised Sheet No. 247