

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

David P. Boergers,
Secretary.

[FR Doc. 01-13359 Filed 5-25-01; 8:45 am]

BILLING CODE 6717-01-M

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, 2001,¹ 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.² Alternatively, SDG&E

¹ 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."

² 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/day³ (an Mcf is roughly equal to an MMBtu) and the intrastate equal capacity (takeaway capacity) is approximately 6,675,000 Mcf/day.⁴ Therefore, the volume of capacity

³ 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).

⁴ See, 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).

releases above the maximum tariff rate as compared to the interstate capacity into California ranges from a low of .09 percent for December 2000 to a high of 1.2 percent for April 2001.

In light of this information, the Commission requests comment on whether section 284.8(i), which states “[u]ntil September 30, 2002, the maximum rate ceiling does not apply to capacity release transactions of less than one year,” should not apply to capacity release transactions into California, that is, the maximum rate ceiling would be reimposed on short term capacity release transactions into California prior to September 30, 2002.

As part of this inquiry, the Commission requests comment on the following questions: (1) Would reimposition of the maximum rate

ceiling on short-term capacity release transactions into California have any significant effect on the price of gas at the California border; (2) Should the reimposition of the maximum rate ceiling on short-term capacity release transactions be limited to California or extended to pipelines delivering into the Western Systems Coordinating Council (WSCC) region; (3) What effect do capacity release transactions have on wholesale electric prices; (4) What would be the effect of reimposing the maximum rate ceiling on short-term capacity release transactions into California given firm shippers' ability to make bundled sales at the California border; and (5) How will reimposing the maximum rate ceiling for short-term capacity release transactions into

California impact shippers' ability to obtain short-term firm capacity.

Any person interested in responding to the questions discussed above should file comments with the Commission within 20 days of the date of this order. The comments will be used in determining what further actions should be taken by the Commission in response to the petitions filed in this proceeding.

The Commission Orders

Interested persons are directed to file comments in response to the questions posed above within 20 days of the date of this order.

By the Commission.

David P. Boergers,
Secretary.

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APPENDIX
 Transportation Release Transactions Above The Maximum Rate On Pipelines Serving California
 November 2000 Through April 2001

November 2000						
Pipeline	Releasing Shipper	Release Price (\$/MMBtu/day)	Maximum Rate (\$/MMBtu/day)	Amount Above Maximum Rate (\$/MMBtu/day)	Transaction Count	Volume (MMBtu/day)
El Paso Natural Gas Company Total	BHP Copper Inc.	1.4795	0.2910	1.1885	1	12,500
	Chemical Lime Company of Arizona	0.4900	0.2910	0.1990	1	2,000
	Southwest Gas Corp.	1.9726	0.2910	1.6816	1	19,300
					3	33,800
Kern River Gas Transmission Company Total					0	0
Mojave Pipeline Company Total					0	0
PG & E Gas Transmission - NW Total					0	0
Pacific Gas Transmission Company Total					0	0
Transwestern Pipeline Company Total					0	0
Grand Total					3	33,800

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December 2000							
Pipeline	Releasing Shipper	Release Price (\$/MMBtu/day)	Maximum Rate (\$/MMBtu/day)	Amount Above Maximum Rate (\$/MMBtu/day)	Transaction Count	Volume (MMBtu/day)	
El Paso Natural Gas Company Total	Chemical Lime Company of Arizona MGI Supply, Ltd	0.4994	0.2910	0.2084	2	4,000	
		1.0192	0.2910	0.7282	1	3,000	
Kern River Gas Transmission Company Total					0	0	
Mojave Pipeline Company Total					0	0	
PG& E Gas Transmission - NW Total					0	0	
Pacific Gas Transmission Company Total					0	0	
Transwestern Pipeline Company Total					0	0	
Grand Total					3	7,000	

APPENDIX
Transportation Release Transactions Above The Maximum Rate On Pipelines Serving California
November 2000 Through April 2001

January 2001

Pipeline	Releasing Shipper	Release Price (\$/MMbtu/day)	Maximum Rate (\$/MMbtu/day)	Amount Above Maximum Rate (\$/MMbtu/day)	Transaction Count	Volume (MMBtu/day)
El Paso Natural Gas Company Total	BHP Copper Inc.	0.6904	0.2887	0.4017	1 1	12,500 12,500
Kern River Gas Transmission Company Total					0 0	0 0
Mojave Pipeline Company Total					0 0	0 0
PG& E Gas Transmission - NW Total					0 0	0 0
Pacific Gas Transmission Company Total					0 0	0 0
Transwestern Pipeline Company Total	Southern California Gas Company Southern California Gas Company	1.0015 0.7011	0.4006 0.4006	0.6009 0.3005	2 1 3	5,762 2,004 7,766
Grand Total					4	20,266

APPENDIX
Transportation Release Transactions Above The Maximum Rate On Pipelines Serving California
November 2000 Through April 2001

February 2001							
Pipeline	Releasing Shipper	Release Price (\$/MMBtu/day)	Maximum Rate (\$/MMBtu/day)	Amount Above Maximum Rate (\$/MMBtu/day)	Transaction Count	Volume (MMBtu/day)	
El Paso Natural Gas Company Total	BHP Copper Inc. Southern California Gas Company	0.5096	0.2887	0.2209	1	12,500	
		0.7189	0.3594	0.3595	2	6,769	
					3	19,269	
Kern River Gas Transmission Company Total					0	0	
Mojave Pipeline Company Total					0	0	
PG& E Gas Transmission - NW Total					0	0	
Pacific Gas Transmission Company Total					0	0	
Transwestern Pipeline Company Total					0	0	
Grand Total					3	19,269	

APPENDIX
 Transportation Release Transactions Above The Maximum Rate On Pipelines Serving California
 November 2000 Through April 2001

March 2001						
Pipeline	Releasing Shipper	Release Price (\$/MMBtu/day)	Maximum Rate (\$/MMBtu/day)	Amount Above Maximum Rate (\$/MMBtu/day)	Transaction Count	Volume (MMBtu/day)
El Paso Natural Gas Company	Chemical Lime Company of Arizona Southwest Gas Corp. Southwest Gas Corp. Southwest Gas Corp.	0.3058	0.2899	0.0159	2	3,600
		0.9863	0.2970	0.6893	1	10,000
		1.9989	0.2970	1.7019	1	20,460
		1.8740	0.2970	1.5770	1	506
Total				5	34,566	
Kern River Gas Transmission Company					0	0
Total					0	0
Mojave Pipeline Company					0	0
Total					0	0
PG& E Gas Transmission - NW					0	0
Total					0	0
Pacific Gas Transmission Company	Barrett Resources Corporation Barrett Resources Corporation CXY Energy Marketing (U.S.A.) Inc. CXY Energy Marketing (U.S.A.) Inc.	0.1649	0.1601	0.0048	4	7,409
		0.2703	0.2624	0.0079	3	6,039
		1.4974	0.1601	1.3373	4	7,409
		2.4533	0.2624	2.1909	3	6,039
Total				14	26,896	
Transwestern Pipeline Company					0	0
Total					0	0
Grand Total					19	61,462

APPENDIX
Transportation Release Transactions Above The Maximum Rate On Pipelines Serving California
November 2000 Through April 2001

April 2001							
Pipeline	Releasing Shipper	Release Price (\$/MMBtu/day)	Maximum Rate (\$/MMBtu/day)	Amount Above Maximum Rate (\$/MMBtu/day)	Transaction Count	Volume (MMBtu/day)	
El Paso Natural Gas Company	Chemical Lime Company of Arizona Southwest Gas Corp. Southwest Gas Corp. Southwest Gas Corp. Southern California Gas Company Southern California Gas Company	0.3058	0.2899	0.0159	1	1,800	
		1.9989	0.2970	1.7019	2	24,460	
		3.5671	0.2970	3.2701	1	37,000	
		4.0767	0.2970	3.7797	2	440	
		0.3630	0.3594	0.0036	24	8,545	
		3.5907	0.3594	3.2313	8	11,668	
					38	83,913	
		Total					
Kern River Gas Transmission Company					0	0	
Total					0	0	
Mojave Pipeline Company					0	0	
Total					0	0	
PG& E Gas Transmission - NW					0	0	
Total					0	0	
Pacific Gas Transmission Company	PG& E Gas Procurement	1.9679	0.2624	1.7055	1	7,323	
Total					1	7,323	
Transwestern Pipeline Company					0	0	
Total					0	0	
Grand Total					39	91,236	