FERC CERTIFICATION

University of Wyoming
The 2008 Conference
The Wyoming Pipelines:
The Territory Ahead

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Office of Energy Projects
Federal Energy Regulatory Commission
Cheyenne, Wyoming
October 31, 2008
The Gathering Exemption from the Natural Gas Act

Section 1(b) of the NGA provides that the Act does not apply to facilities used for the production/gathering of natural gas.
Gathering and the Primary Function Test

- *Farmland* - 23 FERC 61,063 (1983) In 1983, Farmland more fully articulated the Primary Function Test, specifying physical and geographic criteria to be considered:

  - Length and diameter of the pipe
  - Extension beyond the central point in the field
  - Geographic configuration of the facilities
  - Location of processing facilities and compression
  - Location of wells
  - Operating pressures
Certificate Policy Statement

Key Tenet – Any Commission Decision must give appropriate consideration to:
• the enhancement of transportation alternatives
• the possibility of unnecessary overbuilding
• subsidization by existing customers
• how unsubscribed capacity is handled
• avoiding unnecessary environmental impacts
• unneeded exercise of eminent domain
In Docket No. RM06-7-000, the Commission updated its program:

- raised the blanket certificate project cost limits for a self-implementing (or automatic authorization) project from $8.2 million to $9.6 million;
- raised the cost limit for a prior-notice project from $22.7 million to $27.4 million;
- expanded blanket certificate authority to include previously ineligible facilities such as mainlines, certain storage facilities, and pipelines receiving gas from liquefied natural gas (LNG) and synthetic gas plants;
Blanket Certificate NOPR
(expansion of the program)

(cont.)

• expanded the timeframe for landowner notification under the automatic authorization provision from 30 days to 45 days and from 45 days to 60 days for prior notice projects; and

• modified the content of the prior notice to the public to include a more detailed description of the planned construction.
Timelines: Traditional vs. Pre-Filing Process

Traditional - Applicant

Traditional - FERC

Pre-Filing – Applicant

* LNG ≥ 6 mos.: pipes, no mandatory time, generally 7-9 mos.

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28

months

Office of Energy Projects
Timeline for Pre-Filing Process

Applicant’s Activities

FERC’s Activities

(months)
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16

Start PF Review
Submit PF letter

Review Draft Resource Reports & Prepare Prelim. DEIS
Prepare Draft Resource Reports

File At FERC
Determine Application Complete

Issue Draft EIS
Issue Final EIS

Issue Order

Submit PF letter
Start PF Review
Current FERC Policy on Creditworthiness Standards

- Pipelines establish and use objective criteria.

- The Commission has no established creditworthiness standards for small entities.

- Standards are up to each pipeline.

- Pipelines are encouraged to take into account each shipper’s circumstance in making their evaluation.

- For failed shipper requirements, general Commission policy is to permit shippers to put up collateral equal to three month’s worth of reservation charges.

- Shippers are encouraged to work with the pipelines.

- If the shippers are not considered creditworthy they can receive service if they satisfy the pipeline’s collateral requirements.
Some Alternative Approaches to Creditworthiness

Producers could:

• set up a joint venture to purchase and secure capacity -- as a group, maybe they could come up with enough security to cover their collateral, or perhaps as a group a pipeline would find that they meet the credit requirements

• agree to pay for a fixed amount of transmission service up-front if the pipeline is willing to agree to let them pre-pay, especially if the risk of running imbalances is low
The following, all equal to three months of advance service:

- Payment in advance of all fees and charges;
- Standby irrevocable letter of credit;
- Security interest in collateral satisfactory to Rockies Express;
- Guarantee by an entity that satisfies credit appraisal
Kern River Gas Transmission Company

- Furnishes and maintains a written guarantee from a third party;
- Furnishes other security acceptable to lenders;
- Prepay in advance each month for one month service;
- Letter of credit in an amount equal to the estimate of providing 3 months of service;
- Provide a security interest in collateral
Colorado Interstate Gas Company

• Shipper may be required to:
  – Deposit or maintain an escrow account or furnish a letter of credit equal to two months of charges for performing such service;
  – Furnish within 15 days, good and sufficient security in an amount equal to 2 months of charges;
  – Guarantee from another entity Shipper’s obligation
## Rocky Mountain States Gas Facts 2007

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Rocky Mountains*</th>
<th>% of United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gas Consumption</td>
<td>22.9 Tcf</td>
<td>0.9 Tcf</td>
<td>4%</td>
</tr>
<tr>
<td>Total Dry Gas Production</td>
<td>19.3 Tcf</td>
<td>3.1 Tcf</td>
<td>16%</td>
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<tr>
<td>Total Proved Gas Reserves</td>
<td>237.7 Tcf</td>
<td>59.0 Tcf</td>
<td>25%</td>
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<tr>
<td>Total Storage Capacity</td>
<td>8.4 Tcf</td>
<td>0.7 Tcf</td>
<td>8%</td>
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<tr>
<td>Total Net Imports from Canada</td>
<td>3.3 Tcf</td>
<td>0.01 Tcf</td>
<td>0.3%</td>
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</tbody>
</table>

* Rocky Mountain States include Wyoming, Montana, Colorado and Utah

Source: Data from EIA Natural Gas Monthly February 2008 and US Crude Oil; EIA Advanced Summary Natural Gas, and Natural Gas Liquid Reserves 2007 Report; ICF International’s July 2008 Compass Report and Data Base; and National Energy Board of Canada’s Table 7, Natural Gas Exports by US Region.
Rocky Mountain Pipeline Projects Certificated
January 2000 to October 2008

Certificated Rocky Mountain Region Projects (MMcf/d)

1. CIG (282, 92)
2. CIG (85, 133, 118, 105, 899)
3. TransColorado (125, 300, 250)
4. WIC (120, 116, 675, 350, 556, 330)
5. El Paso (140)
6. Rendezvous (300)
7. Entrega (1,500)
8. Northwest (450)
9. Rockies Express West (1,800)
10. White River Hub (2,565)
11. Kern River (135, 886)
12. Questar (272, 102, 175)
13. Questar Overthrust (550, 750)
14. Northwest (191)
15. WBI (80)
16. Trailblazer (324)
17. Cheyenne Plains (560, 170)

15.49 Bcf/d Total
3,756 Miles
Rocky Mountain Pipeline Projects Certificated
January 2005 to October 2008

10.98 Bcf/d Total
1,827 Miles

Certificated
Rocky Mountain Region Projects (MMcf/d)

1. CIG (105)
2. CIG (899)
3. TransColorado (300, 250)
4. WIC (350, 556, 330)
5. Rendezvous (300)
6. Entrega (1,500)
7. Northwest (450)
8. Rockies Express West (1,800)
9. White River Hub (2,565)
10. Questar (102, 175)
11. Questar Overthrust (550, 750)
## Certificated Rocky Mountain Pipeline Projects (2000-2004)

<table>
<thead>
<tr>
<th>Year Certificated</th>
<th>Company/Project</th>
<th>Capacity (MMcf/d)</th>
<th>Miles of Pipe</th>
<th>Compression (HP)</th>
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<tbody>
<tr>
<td>2000</td>
<td>Wyoming Interstate Company (Medicine Bow Lateral Expansion)</td>
<td>120</td>
<td>6</td>
<td>7,170</td>
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<tr>
<td>2001</td>
<td>Wyoming Interstate Company (Medicine Bow Lateral Expansion)</td>
<td>675</td>
<td>155</td>
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<td>2001</td>
<td>Kern River Gas Transmission Company (California Action Project)</td>
<td>135</td>
<td>0</td>
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<td>2001</td>
<td>Colorado Interstate Gas Company</td>
<td>133</td>
<td>53</td>
<td>2,850</td>
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<td>2001</td>
<td>Questar Pipeline Company (Mainline 104 Project)</td>
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<td>76</td>
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<td>2001</td>
<td>Trailblazer Pipeline Company</td>
<td>324</td>
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<td>2001</td>
<td>Colorado Interstate Gas Company</td>
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<td>69</td>
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<td>Kern River Gas Transmission Company</td>
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<td>717</td>
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<td>2002</td>
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<td>119</td>
<td>4,450</td>
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<td>2002</td>
<td>Northwest Pipeline Corporation (Rockies Displacement Project)</td>
<td>191</td>
<td>91</td>
<td>24,924</td>
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<td>2003</td>
<td>El Paso Natural Gas Company (Bondad Expansion Project)</td>
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<td>0</td>
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<td>2003</td>
<td>Colorado Interstate Gas Company</td>
<td>92</td>
<td>0</td>
<td>9,575</td>
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<td>2003</td>
<td>Williston Basin Interstate Pipeline Company (Grasslands Pipeline Project)</td>
<td>80</td>
<td>253</td>
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<tr>
<td>2004</td>
<td>TransColorado Gas Transmission Corp.</td>
<td>125</td>
<td>0</td>
<td>20,120</td>
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<td>2004</td>
<td>Wyoming Interstate Company, Ltd. Echo Springs Project</td>
<td>116</td>
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<td>2,370</td>
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<td>2004</td>
<td>Cheyenne Plains Gas Pipeline Co.</td>
<td>560</td>
<td>387</td>
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<td>2004</td>
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<td>118</td>
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<td>Cheyenne Plains Gas Pipeline Co., LLC Cheyenne Plains 2005 Expansion</td>
<td>170</td>
<td>0</td>
<td>10,310</td>
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</table>
## Certificated Rocky Mountain Pipeline Projects (2005-2008)

<table>
<thead>
<tr>
<th>Year Certified</th>
<th>Company/Project</th>
<th>Capacity (MMcf/d)</th>
<th>Miles of Pipe</th>
<th>Compression (HP)</th>
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</thead>
<tbody>
<tr>
<td>2005</td>
<td>Colorado Interstate Gas Company</td>
<td>105</td>
<td>102</td>
<td>1,770</td>
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<tr>
<td></td>
<td>Questar Pipeline Company</td>
<td>102</td>
<td>19</td>
<td>15,600</td>
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<tr>
<td></td>
<td>TransColorado Gas Transmission Co.</td>
<td>300</td>
<td>0</td>
<td>4,081</td>
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<tr>
<td></td>
<td>Rendezvous Gas Service, LLC</td>
<td>300</td>
<td>21</td>
<td>0</td>
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<tr>
<td>2005</td>
<td>Wyoming Interstate Company, Ltd</td>
<td>350</td>
<td>142</td>
<td>1,850</td>
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<tr>
<td></td>
<td>Entrega Gas Pipeline, Inc.</td>
<td>1,500</td>
<td>327</td>
<td>55,000</td>
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<tr>
<td>2006</td>
<td>Questar Pipeline Company (Overthrust to Opal Pipeline Project)</td>
<td>550</td>
<td>27</td>
<td>0</td>
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<tr>
<td></td>
<td>Northwest Pipeline Corporation (Parachute Lateral Project)</td>
<td>450</td>
<td>38</td>
<td>0</td>
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<td>2007</td>
<td>Questar Overthrust Pipeline Company (Wamsutter Expansion Project)</td>
<td>750</td>
<td>77</td>
<td>45,000</td>
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<td>2007</td>
<td>Questar Pipeline Company (Southern System Expansion II)</td>
<td>175</td>
<td>59</td>
<td>1,200</td>
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<td>2007</td>
<td>TransColorado Gas Transmission Co. (Blanco to Meeker Project)</td>
<td>250</td>
<td>0</td>
<td>15,390</td>
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<td>2007</td>
<td>Wyoming Interstate Company, Ltd (Kanda Lateral &amp; Mainline Expansion)</td>
<td>556</td>
<td>123</td>
<td>20,620</td>
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<td>2007</td>
<td>Rockies Express Pipeline, LLC</td>
<td>1,800</td>
<td>718</td>
<td>173,380</td>
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<td>2007</td>
<td>Wyoming Interstate Company, Ltd (Medicine Bow Expansion Project)</td>
<td>330</td>
<td>0</td>
<td>24,930</td>
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<tr>
<td>2008</td>
<td>Colorado Interstate Gas</td>
<td>899</td>
<td>164</td>
<td>0</td>
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<td>2008</td>
<td>High Plains Expansion Project</td>
<td>2,585</td>
<td>10</td>
<td>0</td>
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<td>Grand Total</td>
<td></td>
<td>15,486</td>
<td>3,756</td>
<td>788,533</td>
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</table>
Rocky Mountain Pipeline Projects
Pending (MMcf/d)
October 2008

0.23 Bcf/d Total
0 Miles

Office of Energy Projects
Rocky Mountain Pipeline Projects
Pre-Filing (MMcf/d)
October 2008

3.71 Bcf/d Total
1,654 Miles
Rocky Mountain Pipeline Projects
On The Horizon (MMcf/d)
October 2008

- Greasewood Lateral (Northwest) (200)
- Eastern & Western Flow Path (Questar) (2,000)
- White River Lateral (Questar) (810)
- Grassland Expansion (Williston Basin) (40)
- Raton Expansion (CIG) (130)
- Sunstone Pipeline (Williams) (1,200)
- Bronco Pipeline (Spectra) (1,000)
- Kern River (500)
- WIC (255)

6.13 Bcf/d Total
1,301 Miles
Rocky Mountain Natural Gas Storage
Rocky Mountain Storage Activities
2004 through 2008
(Capacity in Bcf)

- **SourceGas** (10.4)
- **Unocal Windy Hill** (6.0)
- **CIG** (7.0)

- **Certificated Since 1/1/04**
- **Currently Pending**
- **Pre-Filing**
- **On The Horizon**

Office of Energy Projects
Rockies Natural Gas Production

Source: Based on data from ICF International July 2008 database.
Major Rocky Mountain Pipelines in 2007

The average take-away capacity in 2007 was 6.3 Bcf/d.

Pipeline Export Capacity vs. Production in 2007

Source: Based on data from ICF International July 2008 database.
Rocky Mountain Pipelines in 2010

With the additional 1.8 Bcf/d of capacity from the Rockies Express, the projected take-away capacity in 2010 will increase to 8.1 Bcf/d.

Rocky Mountain Pipelines

Pipeline Export Capacity vs. Production in 2010

Source: Based on data from ICF International July 2008 database.
Rocky Mountain Pipelines in 2011

By 2011, with the additional 2.4 Bcf/d of capacity from Ruby and Pathfinder pipelines, the projected take-away capacity will increase to 10.5 Bcf/d.

Pipeline Export Capacity vs. Production in 2011

Source: Based on data from ICF International July 2008 database.
Conclusions

• The Rockies region is a net exporter of gas
• The Rockies region has potential to increase gas exports
• New infrastructure is usually supported by firm contracts
• FERC has programs/policies to site new infrastructure to meet market requirements

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