SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

FULL COMMITTEE HEARING

to receive testimony regarding recent natural gas service disruptions in New Mexico and the reliability of regional energy infrastructure

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Albuquerque, New Mexico

Testimony of
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Chairman Bingaman, Ranking Member Murkowski and members of the full Committee, thank you for the opportunity to testify today.

Introduction

My name is Shelley A. Corman and I am the Sr. Vice President, Commercial & Regulatory for Transwestern Pipeline Company, LLC ("Transwestern"). I am here to offer my knowledge of the facts concerning Transwestern's transportation service and pipeline system conditions during the period of recent winter weather. Transwestern recognizes the importance of gas service reliability, and I assure this Committee that Transwestern personnel did everything in their control, and our facilities were ready, willing and able, to receive and move all supplies delivered to Transwestern and redeliver those supplies to our customers in New Mexico. Transwestern went so far as to allow significant depletion of Transwestern's "line pack," gas within its system, to facilitate deliveries to New Mexico customers.

Background of Transwestern's transportation system:

Transwestern is an interstate natural gas company operating pursuant to a certificate of public convenience and necessity issued by the Federal Energy Regulatory Commission. Transwestern transports natural gas from the San Juan, Anadarko, and Permian Basins to markets in the Midwest, Texas, Arizona, New Mexico, Nevada, and California via approximately 2,700 miles of pipeline. Transwestern's mainline capacity flowing west from the Permian Basin to the California border is approximately 1.2 Bcf/day. Additionally, our San Juan Lateral allows San Juan Basin supplies to flow South into the mainline. Transwestern has 28 delivery points in the state of New Mexico, including 10 delivery points to New Mexico Gas Company. Attached is a map of the Transwestern system. Also attached is another map showing Transwestern's New Mexico delivery points.

Transwestern is a transportation-only pipeline. Shippers purchase their own gas supplies and contract with Transwestern to receive, transport, and redeliver the gas at specified delivery points. In theory, shippers arrange to put an amount into the pipeline equal to the amount that they want to have delivered. In reality, more or less gas may be actually received on a given day and the shipper may take more or less gas at the delivery point than scheduled.

Natural gas moves through pipelines and from one system to another based on pressures maintained in the lines. Transwestern owns and operates approximately 330,000 horsepower of compression at 18 mainline compressor station locations along the mainline and on laterals. Compression is utilized to move the gas from receipt points to delivery points and to maintain operating pressures. Approximately 75% of Transwestern's compression runs on gas, while 25% of the compression is driven by electric motors with the power provided by local utilities. Gas supply will only flow into a pipeline if the interconnecting facility pressure exceeds the receiving pipeline pressure. Similarly, gas will flow onto downstream facilities at a delivery point so long as the pipeline's pressure remains higher than the downstream operating pressure.

Natural gas receipts and deliveries on gas day Feb 2-4, 2011:

Extreme weather reduced supplies delivered into Transwestern. At the very same time, shippers requested dramatically increased volumes of gas. On the gas day of February 2nd, substantially more gas was drawn out of the pipeline at delivery points than was being delivered to Transwestern at receipt points. As a result, the pressures on the pipeline were lowered and "line pack" (the volume of gas in the pipeline) was reduced as compared to operating conditions on the prior day. I also attach a chart showing hourly receipts, deliveries and pressures.

Despite these operating changes, Transwestern's line did not, at any delivery point, fall below contractual minimum operating pressures, which are intended to indicate the line pressure required to allow shippers to receive required quantities. However, operating conditions on the downstream facilities may have limited the ability to take the gas away from Transwestern at these contract pressures.

Transwestern had pipeline capacity to meet shipper delivery requests. There were no compression or pipeline outages on the Transwestern system that impeded Transwestern's ability to receive or deliver gas to shippers in New Mexico. Transwestern's compressor stations remained operational with sufficient horsepower to transport gas towards the areas of increased demand and maintain required pressures. Transwestern operated its compression to maximize the pressures in New Mexico given the quantities of gas in its pipeline. Transwestern's gas control personnel worked throughout the critical periods with their counterparts at New Mexico Gas Company to maximize deliveries to New Mexico Gas Company.

Transwestern declared and issued critical notices of underperforming receipt points, where nominated supplies were not delivered to Transwestern, and delivered such notices to receipt point operators and affected shippers. We also issued Alert Day critical notices to all shippers informing shippers of lower line pack, where gas volumes in the pipeline were depleted because volumes delivered significantly exceeded volumes received by Transwestern. In addition, Transwestern gas control personnel maintained continuous communication with shippers and operators to keep such parties up to date on line pack conditions.

Transwestern does not have first-hand knowledge of why particular supplies were not delivered to its receipt points when scheduled, nor do we know whether there were any downstream operating conditions or limitations that prevented shippers from taking gas at the

delivery points at the prevailing line pressures. The extreme cold conditions created unique difficulties for many segments of the natural gas industry and the industries that support it.

Transwestern's View of the Path Forward:

Transwestern believes that the most productive response to the weather events is to allow time and an environment for pipelines and their shippers and interconnecting parties to review operating data and develop protocols to better address future extreme weather events based on this experience.

Thank you for this opportunity to testify. I look forward to answering any questions at this time.