**U.S. SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES**
**FULL COMMITTEE FIELD HEARING**
**Monday, February 21, 2011**
**Albuquerque, New Mexico**

Good Morning, Chairman Bingaman. My name is Janice Parker, and I am the Vice President of Customer Service for El Paso Natural Gas Company (EPNG). Thank you for the opportunity to testify today before the Senate Energy and Natural Resources Committee regarding the recent natural gas service disruptions in New Mexico and the reliability of regional energy infrastructure as it relates to El Paso Natural Gas Company's pipeline system.

EPNG is an interstate natural gas pipeline company regulated by the Federal Energy Regulatory Commission. As an interstate natural gas pipeline company, our role, since 1993, is to receive, transport and deliver to our customers the natural gas supplies that they purchase from third parties. We do not sell natural gas to our customers. Instead, our customers purchase natural gas from third parties who then cause the natural gas supplies to be delivered into our pipeline system at a variety of locations. All of these locations where we receive gas from our customers' suppliers are after the gas has been produced, gathered, treated, and processed by other companies. The gas may also come from other pipelines or storage facilities.

Our pipeline system primarily receives gas that our customers purchase from the Permian Basin in West Texas and Southern New Mexico, and the San Juan Basin in Northern New Mexico and Colorado. Our pipeline then transports and delivers the gas to our customers located in West Texas, New Mexico, Arizona, Nevada, California and at the U.S. border with Mexico. In New Mexico, one of our customers is New Mexico Gas Company, along with other municipalities, electric utilities and industrials. EPNG has a north pipeline system with delivery locations to New Mexico Gas in the Albuquerque area and a south pipeline system with delivery locations to New Mexico Gas in the Alamogordo area. In New Mexico, EPNG owns and operates approximately 2,800 miles of pipelines and 20 compressor stations, and we have over 110 employees who maintain our facilities in New Mexico.

Today, I am here to testify about our pipeline operations from January 31- February 4, 2011:

- On January 31, temperatures were cold across the EPNG system and the demand for natural gas was growing. Colder temperatures were predicted for the next couple of days and on the night of January 31, we made sure our pipeline was packed with natural gas for a heavy morning demand. EPNG keeps gas in the pipeline ("linepack") to allow us to deliver gas to our customers on a real-time basis while the customers' suppliers put their natural gas into the system to replace the linepack.

- Early on the morning of February 2, we saw that the natural gas our customers had arranged for delivery into our pipeline from the Permian Basin was not materializing. Later that morning we found out that this lack of supply was due to problems at third party processing plants and well freeze-offs in the production area. Because of the cold weather, however, customers continued to take deliveries of significantly more volumes of natural gas from EPNG's system than was being delivered into our pipeline by their suppliers. As a consequence, our linepack on the south system serving cities such as El

Paso, Texas, Alamogordo, New Mexico, and Tucson, Arizona, was being depleted at a rapid rate and was not being replaced.

- On February 2, EPNG issued operational notices to our customers at 7:24 a.m. Mountain Time (MT), 9:31 a.m. MT, 10:07 a.m. MT, 10:20 a.m. MT, and then at 11:51 a.m. MT as conditions worsened. The Notices laid out the severity of the situation, provided action items that customers should take, and potential consequences if customers continued to take more gas off our system than was delivered on their behalf. We also posted a list of all third-party supply locations that were delivering insufficient gas into our system, so that our customers could try to find other locations with natural gas available for them to purchase. Market demand for natural gas continued to increase.

- To offset the lack of supply, EPNG was operating its Washington Ranch storage facility near Carlsbad, New Mexico, on its south system to withdraw as much gas as we could from the storage field. This facility performed well during the outage and was on maximum withdrawal. The gas withdrawn from our storage field helped to replace some, but not all, of the produced gas that was not being delivered to our pipeline. We also used the available linepack to support deliveries on February 2.

- By the afternoon of February 2, the lack of sufficient supply to meet the high level of market demand for natural gas on the EPNG south system caused the pressure in our south system to start falling. Customers continued to try to purchase gas, but the processing plant outages and well freeze-offs in the Permian Basin continued to limit the availability of supply to meet the market demand on the south system. There were also some supply freeze-offs in the San Juan Basin from February 1 to February 2 but the pipeline pressures on our north system serving the Albuquerque area did not experience any significant change.

- By the morning of February 3, pressures on our south system were lower than normal in most locations. There were some locations where our customers needed a specific pressure to allow them to deliver the natural gas to the far ends of their systems.

- EPNG did not start seeing recovery until late in the day of February 3 when customers were able to locate some additional supply at pipeline interconnects and demand started to lessen. Normal operating pressures to New Mexico Gas in the Alamogordo area returned the afternoon of February 3 which allowed them to start their relight strategy. By mid-day February 4, pressures were back to normal everywhere on the EPNG system.

Specific to the question of reliable infrastructure, I would like to point out the following highlights:

- EPNG redelivered all of the natural gas supplies that its customers purchased that were received into our pipeline system during this event. In fact, through the use of our linepack and our Washington Ranch storage facility, we were able to deliver significantly more gas than we took into our system from third-party suppliers. Available pipeline capacity on EPNG's system was not an issue.

- While we lost power supplied by our local utility at some compressor stations for a short time, we were able to restore operations at the critical units through back-up generators and the expertise of our maintenance and reliability team. We did experience issues caused by the cold weather but we staffed the critical compressor stations 24 hours per day during this event to ensure that the units continued to run as needed.

- We were in constant communication with our customers**.** New Mexico Gas, in particular, was very proactive in its outreach to us to ensure that the locations where we delivered their gas were the best locations for them operationally.

To conclude, what New Mexico experienced in the first week of February 2011, was a highly unusual, weather-driven event involving *both* natural gas supply shortages *and* extremely high natural gas demand. That significant supply-demand imbalance resulted in too little natural gas being delivered into our system and too much gas being taken out. While the natural gas supply function is not within our control, we are very committed to working closely with our customers to evaluate system performance and to improve reliability to the more distant parts of their systems.

Thank you for opportunity to testify and I look forward to answering any questions.