

Gov: Deal would give Wyo natural gas more access to West Coast

State approves possible pipeline investment

By BEN NEARY - Associated Press writer | Posted: Friday, December 11, 2009 12:00 am |

CHEYENNE -- Wyoming's top statewide elected officials on Thursday gave the Treasurer's Office authority to negotiate a \$300 million state investment in a proposed natural gas pipeline that would cut across several states.

El Paso Corp. is developing the \$3 billion Ruby Pipeline to carry natural gas from the Opal Hub in western Wyoming to Malin, Ore. The 42-inch pipeline would run 675 miles, crossing Utah and Nevada on the way.

Richard Wheatley, spokesman for El Paso Corp. in Houston, said construction of the pipeline could begin as soon as next spring. He said final environmental review is pending before the Federal Energy Regulatory Commission.

The five Wyoming officials, sitting as the State Loan and Investment Board, voted Thursday to approve the investment from the state's permanent savings funds, provided the Wyoming Treasurer's Office can reach acceptable terms.

Gov. Dave Freudenthal credited State Treasurer Joe Meyer and his staff for their work on the project.

The investment would be consistent with the state elected officials' responsibility to invest state funds prudently, Freudenthal said.

He also said it has a "great kicker -- which is added natural gas production and the revenues that come from that."

Freudenthal noted that the Rockies Express Pipeline became fully operational last month. It carries natural gas from Wyoming and Colorado nearly 1,700 miles to the eastern edge of Ohio.

"The real key is that we just finished the opening of another access route into the Midwestern markets," Freudenthal said. "This would give us another access to the West Coast markets."

Natural gas prices at trading hubs in Wyoming have traditionally languished below prices paid elsewhere in the country because of limited pipeline capacity to get the gas out of the state.

"We hope over time that, as the economy comes back, it will help us capture the true value of those gas resources and help us eliminate the differential," Freudenthal said of the increase in natural gas pipeline capacity heading out of the state.

Ken Ulrich, a financial consultant with El Paso Corp., said Thursday that the company believes building the pipeline would be a good opportunity for both the company and the state.

"We're going to relieve some bottlenecking in transportation capacity for production and that may have a positive impact in the state of Wyoming's royalty and severance taxes on production," he said.

Ulrich emphasized that the company is in the early stages of discussions with the state about the possible investment.

Michael Walden-Newman, Wyoming's chief investment officer, said the pipeline bond would have to be rated as investment-grade for the state to invest in it. He said the state would not put up money for construction of the pipeline but only invest in bonds secured by its continued operation after it is built.

If the Treasurer's Office decides to proceed with the investment, Walden-Newman said the office would set aside incoming revenues and money from maturing investments. He said the state could purchase the bond from the company by the fall of 2011.

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