

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Pipeline Posting Requirements Under)
Section 23 of the Natural Gas Act) Docket No. RM08-2-000

REPLY AND SUPPLEMENTAL COMMENTS OF THE
NATURAL GAS SUPPLY ASSOCIATION

Pursuant to the Notice of Proposed Rulemaking issued in the above-captioned docket on December 21, 2007 (“NOPR”), the Natural Gas Supply Association (“NGSA”) respectfully submits the following reply comments to address the concerns raised by the Federal Energy Regulatory Commission (“FERC” or “Commission”) staff, the Interstate Natural Gas Association of America (“INGAA”) and the Texas Pipeline Association (“TPA”) during the April 3, 2008 Technical Conference related to the identification of a cost-effective method for the electronic bulletin board (“EBB”) posting of near real-time pipeline flow volumes.

1. **While NGSA shares the interests of TPA in a cost-effective posting requirement that minimizes burden on the industry and facilitates market transparency, the NGSA hub concept is more closely aligned with the Commission’s objective.**

NGSA was one of several commenters who suggested a “hub concept” for capturing pipeline flow information. NGSA’s hub approach requires the non-interstate pipelines feeding the thirteen hubs noted in the NOPR to post mainline and certain receipt and delivery meter flow information. This concept is an expedient, cost-

effective approach for identifying the non-interstate pipeline flows that impact the interstate natural gas market.

The NGSAs approach is different from the TPA approach. The TPA suggests the posting only the aggregate volume at the hub itself. While the TPA hub approach has merit in its simplicity, it does not address the Commission's interest in improving market transparency through flow information upstream of the hubs. These key points could shed light on capacity constraints or outages impacting market pricing conditions at the hub, and thus improve market transparency. Flow information on the major non-interstate pipelines feeding into the hubs would more cost-effectively increase transparency at key locations in the market as the Commission intended.

The Commission staff noted during the technical conference that the identification of the thirteen hubs in the NOPR was for illustrative purposes, and that there are other areas where non-interstate pipeline flows impact the wholesale natural gas market. As noted by Platts, NGSAs agrees that the challenge in adopting any hub approach is achieving regulatory certainty without limiting market dynamics. The identification of hubs for reporting purposes must be dynamic enough to allow market forces to work to develop or dissolve hubs naturally. In addition, it must be resilient enough to provide the industry with regulatory certainty around the capital investments that will be unavoidable for ongoing compliance with the new rules. Any hub approach must not chill the market's ability to create or dissolve hubs that evolve from underlying supply and demand fundamentals and infrastructure characteristics.

2. The alternative 50 Bcf per year “threshold” approach proposed by NGSAs is a cost-effective approach for expanding the posting requirement beyond the thirteen hubs.

The “threshold” approach proposed by NGSAs is an alternative to the hub approach that will cost-effectively apply the flow posting requirement to truly “major” non-interstate pipelines at key locations. In addition, this approach addresses the Commission’s interest in capturing data from areas other than the NOPR’s noted thirteen hubs. By applying the existing definition of major natural gas companies for the FERC Form No. 2 filing requirement, combined with the sole-feed exclusion¹ (see NGSAs Initial Comments, p. 6) and the Commission’s proposed exceptions for non-interstate pipelines that fall entirely upstream of a processing plant and non-interstate pipelines that deliver more than 95% of the natural gas volumes they flow directly to end-users,² the Commission will have a viable and cost-effective regulatory framework for increasing market transparency relative to the non-interstate pipelines with the potential to impact the wholesale market.

The attached additional information from the 2006 EIA Form 176 data supports NGSAs’s threshold approach. In NGSAs’s initial comments (see NGSAs Initial Comments, p. 6), an annual throughput threshold of 50 Bcf per year captures approximately 90 percent of the intrastate³ pipeline volumes and applies to only the largest 57 intrastate

¹ Under the NGSAs recommended “sole-feed” exclusion, major non-interstate pipelines delivering solely into a single non-interstate pipeline would be exempted because the flow volume on the sole-feed non-interstate pipeline would be posted by the downstream non-interstate pipeline. With this exclusion, the same level of information would be made publicly available but with a lower compliance cost to the industry.

² Pipeline Posting Requirements Under Section 23 of the Natural Gas Act, 73 Fed. Reg. 1116 (Jan. 7, 2008), paragraph 49.

³ The term “intrastate” is used for consistency with the terminology used by EIA in the publication of the Form 176 data.

pipelines. By comparison, the Commission's proposed 10 Bcf per year threshold captures almost twice as many intrastate pipelines while only increasing the amount of intrastate flow data by 9 percent. While clearly some of the intrastate pipelines listed in the EIA Form 176 data may be excluded from the posting requirement because they meet the Commission's proposed exceptions and NGSAs sole-feed exclusion, the 57 pipelines and the associated annual throughput that meet the 50 Bcf per year threshold⁴ are illustrative of just how comprehensive even a much higher throughput threshold would be in implementing the flow posting requirement. In other words, the EIA Form 176 data demonstrates that the "sweet spot" for determining a volumetric threshold that minimizes burden on the industry without significant data loss is well above 10 Bcf per year. Based on the EIA Form 176 data, a 50 Bcf per year threshold appears reasonable for two reasons: 1) a lower threshold would not add significantly more information to the market but the implementation cost would increase, and 2) it is in line with the Form 2 filing requirements.

3. Cost-effectively implemented, pipeline flow data posting will further transparency in the robust U.S. natural gas market.

NGSA is an avid supporter of market-driven solutions for increasing market transparency. Further, NGSAs continues to believe that the market acts to increase transparency when needed and that the U.S. natural gas market is robust, functions

⁴ NGSAs did not attempt to exclude those intrastate pipelines that may be exempted from the "sole-feed exclusion" set forth in NGSAs initial comments. This information is provided to illustrate that the threshold can be raised considerably without a commensurate loss of data.

well and is among the most transparent of all commodity markets in the world. This market confidence underpins the NGLSA member company participation in the market.

Nevertheless, pipeline flow information will improve market transparency by shedding light on underlying supply and demand fundamentals. This will be particularly beneficial to market stakeholders tasked with ensuring market health and quickly assessing market conditions. By increasing the amount of market fundamentals data available to the public and regulators, the flow data posting requirement will facilitate a rapid response by FERC and other regulators to inquiries about market reactions.

Without near real-time flow data, the market's response to supply and demand fundamentals can be difficult to assess, particularly if the market response appears anomalous to weather or a *force majeure* event and can take months for a regulator to evaluate because of the time it takes to gather information. With pipeline flow information, market participants and stakeholders will have the ability to understand the impact of a variety of factors on a particular market, including weather and *force majeure* events, but also other factors that impact response to supply and demand fundamentals like storage inventory, pipeline line pack conditions, flow peaks, no-notice services, unscheduled flows and seasonality. All of these factors and more affect market conditions because they impact the ability for supply to move to the market to meet demand.

Contrary to the pipeline views expressed at the technical conference, actual natural gas flows, particularly if they differ from those scheduled, impact the market by

impacting the level of capacity that is available to move additional supplies. Shedding light on underlying supply and demand fundamentals requires capturing certain physical flow information as well as scheduled flow information. Further, check meter volumes and SCADA information are ideally suited to meet the Commission's objective. While NGS's experience suggests that the variation between SCADA information and custody transfer information is not as significant as noted in the conference, SCADA and check meter information is in fact the fundamental information that is relevant to the market because it is the information that is used for operations. Any inaccuracy in such information can be dealt with by disclaimers or safe harbors for posting pipelines. As such, flow data is the reality behind supply and demand fundamentals.

Further, the near real-time (24 hour lag) posting of flow information is essential to making the information a true enhancement to market transparency. To improve transparency, market participants must have the information quickly enough to allow the market to react to the information. The 24 hour lag proposed by the Commission will improve transparency by improving market efficiency. Professor Peter Locke noted in his October 2006 paper "Natural Gas Price Transparency and Liquidity" that "...price transparency allows all traders [market participants] to judge immediately whether these prices are in line with their expectations or information, and to trade appropriately."⁵ Thus, to improve transparency, flow information must allow market

⁵ "Natural Gas Price Transparency and Liquidity" by Peter Locke, Professor of Finance, George Washington University and Texas Christian University, Prepared for the Natural Gas Supply Association, October 2006, p. 12.

reaction time. Recognizing the costs involved in posting live information, a 24 hour lag (with the quality caveat or safe harbor) is a cost-effective solution.

Several commenters expressed the view that flow information and no-notice services (or unscheduled services) do not impact the market. NGSAs disagree. In fact, the mere existence of no-notice services in certain market areas, because it carries a high priority and is unscheduled, impacts the ability to flow additional supplies in response to demand. However, the debate regarding the relevance of no-notice service to underlying market fundamentals extends beyond no notice service to include any unscheduled flow and unauthorized overruns. The bottom line is that when unscheduled volumes are flowing, the potential for the delivery of additional supplies to respond to demand is diminished. This ability or inability to flow additional supplies in response to demand is reflected in the delivered price of natural gas downstream. Thus, physical pipeline flows are market fundamentals data.

Although natural gas is generally scheduled a day ahead, actual flow volumes are a critical missing link to underlying market fundamentals. In addition to improving market transparency, flow posting may also facilitate the development of new services to meet changing load requirements that result from new uses of natural gas and higher customer efficiencies.

Conclusion

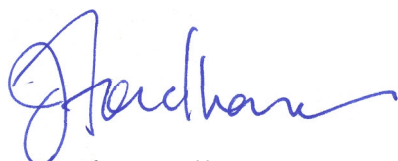
NGSA respectfully requests that the Commission employ a cost-effective and efficient means for requiring the posting of interstate and non-interstate pipeline flow

data. There are two ways the Commission can accomplish this goal: 1) a hub approach or a 2) threshold approach. Regardless of the approach adopted, the posting requirement must be implemented in a way that is commensurate with its cost while protecting the aim of increasing market transparency. Check meter or SCADA data can be used, with appropriate protections to the pipelines, to provide near real time flow information as an indicator of underlying supply and demand fundamentals. Market participants and stakeholders will be able to see for themselves the flows that may have led to a market response or identify capacity availability that can be more efficiently utilized.

In addition to ensuring a benefit that is commensurate with cost, the Commission must recognize that there is no substitute for near real time flow information as an indicator of underlying supply and demand fundamentals. In fact, it is our understanding that scheduled flow information may not even be updated to reflect *force majeure* outages. Further, the information that is most indicative of underlying supply and demand fundamentals is in fact the check meter and SCADA information relied upon by the pipeline to maintain system integrity and operations. Yes, flow information is complex and somewhat imperfect, which is why the “not billing quality” caveat noted in NGSAs’ initial comments is so important. Nevertheless, with flow information, market participants and stakeholders will be able to see for themselves the constraints that may have led to a market response or capacity availability that can be more efficiently utilized. Ultimately, in addition to being the final government step toward improving transparency, the availability of flow information in the market may

have the added benefit of spurring new innovative services, more efficient pipeline grid utilization and infrastructure development decisions and shipper commitments, thus completing the Commission's vision for Order 636.⁶

Respectfully submitted,



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⁶ Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation Under Part 284 of the Commission's Regulations; and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol, Order No. 636, 57 FR 13267 (April 16, 1992), III FERC Stats & Regs. 30,939 (1992).

NGSA Reply and Supplemental Comments (RM08-02)

APPENDIX

Intrastate Pipeline Flows as Reported on EIA Form 176

RANK	COMPANYNAME	ST	VOLUME (MCF)
1	PACIFIC GAS AND ELECTRIC COMPANY	CA	1,445,799,058
2	KINDER MORGAN TEJAS PIPELINE LLC	TX	976,380,272
3	KINDER MORGAN TEXAS PIPELINE LLC	TX	903,775,286
4	ATMOS ENERGY CORPORATION	TX	643,753,000
5	MICHIGAN CONSOLIDATED GAS COMPANY	MI	539,572,558
6	NORTHERN INDIANA PUBLIC SERVICE CO	IN	466,913,516
7	GULFSTREAM NATURAL GAS SYSTEM LLC	FL	461,219,910
8	PUB SERVICE CO OF COLORADO	CO	451,525,626
9	HOUSTON PL CO	TX	339,369,382
10	ENTERPRISE TEXAS PIPELINE LP	TX	329,132,080
11	BRIDGELINE GAS DIST LLC	LA	315,785,870
12	ENOGEX INCORPORATED	OK	303,548,004
13	CROSSTEX LIG LLC	LA	259,575,838
14	ENTERPRISE INTRASTATE LP	TX	246,947,168
15	WISCONSIN GAS COMPANY	WI	239,518,708
16	MIDAMERICAN ENERGY CO	IA	213,017,386
17	CYPRESS GAS P L CO	LA	208,833,922
18	PUGET SOUND ENERGY	WA	208,343,530
19	INDIANA GAS COMPANY INC	IN	207,531,996
20	DCP MIDSTREAM	TX	206,411,834
21	ONEOK GAS TRANSPORTATION	OK	176,030,982
22	DOW P L CO	TX	170,935,474
23	LACLEDE GAS COMPANY	MO	168,748,288
24	ALABAMA GAS CORP	AL	168,592,228
25	TARGA LOUISIANA FIELD SERVICES LLC	LA	160,778,790
26	WISCONSIN ELEC PWR CO	WI	160,069,476

27	ENERGY TRANSFER FUEL LP	TX	156,293,912
28	CPN PIPELINE COMPANY	CA	154,774,576
29	ONEOK WES TEX TRANSMISSION L P	TX	147,086,374
30	WASHINGTON GAS AND LIGHT COMPANY	MD	137,679,294
31	PNM GAS SERVICES	NM	136,385,782
32	SAN ANTONIO PUB SVC BD	TX	117,037,940
33	OASIS PIPE LINE COMPANY TEXAS LP	TX	115,181,106
34	ACADIAN GAS P L SYS	LA	113,045,564
35	CALPINE TEXAS PIPELINE LP	TX	110,535,936
36	WASHINGTON GAS AND LIGHT COMPANY	VA	109,681,670
37	SEMCO ENERGY GAS COMPANY	MI	106,062,874
38	PIVOTAL UTILITY DBA ELIZABETHTOWN	NJ	105,306,524
39	CROSSTEX ENERGY SERVICES LP	TX	103,901,496
40	MEMPHIS LIGHT GAS AND WATER	TN	97,964,268
41	PB ENERGY STORAGE SERVICES	TX	97,687,624
42	VECTREN ENERGY DELIVERY OF OHIO	OH	96,369,688
43	INTERMOUNTAIN GAS COMPANY	ID	95,640,072
44	BRIDGELINE HOLDINGS LP	LA	91,208,054
45	PHILLIPS UTIL GAS CORP	TX	89,231,064
46	ALGONQUIN GAS TRANSMISSION COMPANY	MA	86,795,578
47	COLUMBIA GULF TRANSMISSION	LA	81,602,628
48	SIERRA PACIFIC POWER COMPANY	NV	78,861,092
49	NORTHWESTERN ENERGY	MT	78,822,778
50	ALGONQUIN GAS TRANSMISSION COMPANY	CT	75,229,672
51	COLUMBIA GAS TRANSMISSION CORP	VA	67,109,730
52	CENTRAL ILLINOIS PUBLIC SERVICE CO	IL	64,269,266
53	ENBRIDGE PIPELINES BAMAGAS INTRA	AL	64,014,482
54	COLORADO SPRINGS UTILITIES	CO	56,058,476
55	SOUTHERN INDIANA GAS AND ELECTRIC	IN	55,592,574
56	SOUTH CAROLINA P L CORP	SC	55,542,860
57	CENTANA INTRASTATE	TX	52,216,374

NGSA Threshold for Reporting--50 BCF/year			
58	ORANGE ROCKLAND UTILITIES INC	NY	47,406,132
59	ARKANSAS WESTERN GAS CO	AR	43,393,556
60	MID LOUISIANA GAS TRANS LLC	LA	42,689,646
61	SOUTHEAST ALABAMA GAS DISTRICT	AL	42,397,740
62	VARIBUS CORP	LA	39,189,006
63	DCP MIDSTREAM	LA	38,688,386
64	TEXAS GAS TRANSMISSION LLC	OH	36,864,800
65	MARITIMES NORTHEAST PIPELINE LLC	NH	35,892,524
66	ENBRIDGE PIPELINES EAST TEXAS	TX	35,886,598
67	NORTH COUNTRY PIPELINE	NY	35,277,708
68	MARKWEST NEW MEXICO L P	NM	34,098,430
69	UNION ELECTRIC COMPANY	MO	32,828,092
70	TEXAS GAS TRANSMISSION LLC	MS	30,615,306
71	ONEOK FIELD SERVICES	OK	28,606,734
72	ONYX NATURAL GAS	TX	28,271,820
73	BANGOR GAS COMPANY LLC	ME	28,261,928
74	ALGONQUIN GAS TRANSMISSION COMPANY	RI	27,655,394
75	MARITIMES NORTHEAST PIPELINE LLC	ME	27,653,906
76	WEST TEXAS GAS INCORPORATED	TX	27,179,344
77	WESTERN FARMERS ELEC COOP	OK	26,992,722
78	EMPIRE STATE PIPELINE	NY	26,744,202
79	TEXAS GAS TRANSMISSION LLC	KY	26,427,784
80	CHEYENNE LIGHT FUEL AND POWER CO	WY	26,339,398
81	MIDAMERICAN ENERGY CO	IL	25,448,446
82	KINDER MORGAN INC	CO	24,531,122
83	MAGIC VALLEY PIPELINE LP	TX	23,223,614
84	KINDER MORGAN INC	WY	22,521,206
85	MIDAMERICAN ENERGY CO	SD	21,789,794
86	SEADRIFT PIPELINE CORPORATION	TX	19,379,154
87	COLUMBIA GULF TRANSMISSION	MS	18,529,442

88	DELTA NATURAL GAS COMPANY	KY	17,153,648
89	EAST TENNESSEE NATURAL GAS LLC	GA	17,151,304
90	PPL INTERSTATE ENERGY CO	PA	16,445,140
91	EAST TENNESSEE NATURAL GAS LLC	TN	16,222,248
92	ALGONQUIN GAS TRANSMISSION COMPANY	NY	14,615,774
93	ENBRIDGE P L SIGCO INTRASTATE LLC	LA	13,680,838
94	DCP MIDSTREAM	WY	13,479,520
95	ENBRIDGE PIPELINES LA INTRASTATE	LA	12,672,450
96	TEXAS GAS TRANSMISSION LLC	TN	12,468,752
97	FLORIDA PUBLIC UTILITIES CO	FL	12,386,038
98	J W GATHERING COMPANY	LA	12,295,220
99	TEXAS GAS TRANSMISSION LLC	LA	10,834,180
100	MOUNTAIN GAS TRANSPORTATION INC	WY	10,388,640
FERC Threshold for Reporting--10 BCF/year			
101	CRANBERRY PL CORP	WV	9,167,564
102	NATIONAL FUEL GAS SUPPLY CORPORATION	PA	8,826,052
103	SEMCO ENERGY PIPELINE	MI	7,528,140
104	ENBRIDGE PIPELINES TENNESSEE INTRA	AL	5,949,704
105	DCP MIDSTREAM	NM	5,307,282
106	ANADARKO GATHERING CO	KS	4,519,718
107	REGENCY INTRASTATE GAS LLC	LA	4,338,622
108	COLUMBIA GAS TRANSMISSION CORP	WV	3,933,026
109	EAST TENNESSEE NATURAL GAS LLC	VA	3,320,730
110	HUTCHINSON UTILITIES COMMISSION	MN	3,178,380
111	MIDAMERICAN ENERGY CO	NE	3,159,732
112	TEXAS GAS TRANSMISSION LLC	IL	3,071,202
113	TEXAS GAS TRANSMISSION LLC	IN	3,013,120
114	GATEWAY PIPELINE CO	TX	2,890,514
115	ENERGY WEST WYOMING	WY	2,736,260
116	COLUMBIA GAS TRANSMISSION CORP	NJ	2,614,112
117	COLUMBIA GAS TRANSMISSION CORP	OH	2,539,290

118	ILLINOIS GAS TRANSMISSION	IL	2,435,332
119	COLUMBIA GULF TRANSMISSION	TN	2,364,136
120	PIKE NATURAL GAS CO	OH	2,305,844
121	SOUTHERN GAS TRANSMISSION CO	AL	2,049,528
122	ALCAN INGOT	KY	1,892,868
123	MGTC INC	WY	1,865,282
124	PIVOTAL UTILITIES DBA ELKTON GAS	MD	1,724,778
125	MIDCOAST HOLDINGS NO ONE LLC	KS	1,720,178
126	SOUTHEASTERN NATURAL GAS CO	OH	1,714,422
127	EASTERN NAT GAS	OH	1,645,362
128	FILLMORE GAS CO	NY	1,527,776
129	WINNSBORO TOWN OF	SC	1,298,592
130	COLUMBIA GAS TRANSMISSION CORP	NY	1,205,248
131	ONEOK TRANSMISSION CO	TX	1,190,092
132	CONSUMERS GAS UTIL CO	WV	1,172,762
133	UNION OIL AND GAS INC	WV	1,165,596
134	CONSTITUTION GAS TRANSPORT CO	OH	1,080,850
135	NORTH ATTLEBORO GAS	MA	983,962
136	LAUREL FUEL COMPANY	MS	852,972
137	ITWAMBA INDUSTRIAL GAS INC	MS	817,288
138	COLUMBIA GAS TRANSMISSION CORP	PA	735,718
139	MONROE CITY GAS DEPT	MO	734,616
140	BALCONES STARR P L	TX	621,636
141	FORT PIERCE UTIL AUTH	FL	580,896
142	CROSSTEX TUSCALOOSA LLC	LA	409,200
143	SELMER PUB WKS	TN	363,980
144	ORBIT GAS COMPANY	KY	312,040
145	LEANN GAS COMPANY	OK	301,610
146	TENGASCO INC	TN	276,156
147	TENOAKS PIPELINE CO	OK	239,098
148	ENBRIDGE PIPELINES NE TEXAS LP	TX	148,440

149	COLUMBUS CITY OF	TX	128,664
150	COMMUNITY ENERGY RESOURCES COOP	OH	117,294
151	NGAS RESOURCES INC	VA	112,938
152	SHAWNEE PIPELINE COMPANY	KY	94,910
153	HAZEN GAS CO	AR	78,664
154	NGAS RESOURCES INC	KY	75,690
155	HAVRE PL CO LLC	MT	74,358
156	MISSOURI PIPELINE CO LLC	MO	66,236
157	CHATTAHOOCHEE CITY OF	FL	48,098
158	LAVACA PIPELINE COMPANY	TX	46,822
159	BRIGHTON MUN GAS SYS	IA	43,436
160	LONGHORN P L CO	TX	24,250
161	ROZEL MUN GAS	KS	21,728
162	KROTZ SPRINGS CITY OF	LA	17,590
163	HARDTNER CITY GAS	KS	14,328
164	COPANO P L UPPER GULF COAST	TX	5,790
165	ENBRIDGE PIPELINES ALA INTRASTATE	AL	3,124
	Total		14,186,680,822
	> 10 Bcf per year total = 99%		14,073,877,196
	>50 Bcf per year total = 91%		12,969,299,510