



NEWS

CONTACT: Melissa Marion mmarion@ngsa.org

Phone: (202) 326-9300

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Certainty and Flexibility Can Go Hand-in-Hand, In FERC Gas Quality Policy, NGSA Says

(Washington).... To help expand much-needed natural gas supplies, the Federal Energy Regulatory Commission (FERC) must adopt a certain-but-flexible natural gas quality policy that avoids prescribing a 'lowest common denominator' approach, the Natural Gas Supply Association (NGSA) said in a filing today.

"The immediate challenge for the industry undoubtedly lies in the creation of a practical policy that protects downstream facilities and, at the same time, preserves the nation's supply flexibility. We also must safely attract imports from a wide variety of world sources and encourage the continued economic development of new domestic supplies," said Jenny Deegan, NGSA's director of energy markets.

The most important goal, the association said, is clear, definable—yet flexible—boundaries for natural gas quality and interchangeability specifications that would reduce risk by adding increased business and regulatory certainty. Above all else, NGSA seeks to avoid a "one-size-fits-all" approach for natural gas quality and interchangeability issues. Instead, NGSA suggests reasonable thresholds for natural gas quality and interchangeability specifications.

In supplemental comments on this issue, NGSA reiterated its support for last month's broad technical consensus on gas quality and interchangeability issues and suggested that FERC build on the recommendations via a generic rulemaking that would require natural gas quality and interchangeability specifications in all interstate pipeline tariffs.

Gas quality refers to variations in the hydrocarbon content of natural gas that can, in some instances, lead to liquids forming in the gas stream. Interchangeability, on the other hand, refers to the related ability of the pipeline and distribution system to accept natural gas with other varying characteristics, such as heat content.

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Specifically, NGSAs urged FERC to adopt, as policy, the following specifications for natural gas upon delivery to the city-gate: a presumptive cricondentherm hydrocarbon dew point (CHDP) floor of 15 degrees Fahrenheit, based on industry data and data from one of the coldest regions of the country, as well as pipeline adoption of the broad presumptive interchangeability parameters of 1400 maximum Wobbe measure, 4 percent inert gas maximum and 1.5 mole percent Butanes+ limit.

NGSA said these recommendations are conservative, especially because of incidental system blending, and are appropriately applied at the point of pipeline delivery. Further, these presumptive downstream specification floors in turn allow for greater natural gas supply diversity by easing the potential for a lowest common denominator supply scenario, especially with respect to varying supplies and temperatures in different regions of the country.

In its filing, NGSAs highlighted that, "at this time, commercial and regulatory decisions are being made that will fundamentally structure the United States' natural gas supply portfolio for decades to come," as new domestic supply and liquefied natural gas (LNG) are added to the nation's supply portfolio. Because of this, the association said, such pipeline requirements are essential for the economical development of new resources.

In addition, according to the association, FERC should encourage a non-discriminatory quality specification waiver for *de minimus* amounts of production without access to processing, establish a reporting process for operational flow orders regarding quality reasons, and require pipelines to implement tariff language specifying procedures for curtailing supplies through the issuance of an operational flow order on the basis of quality.

"To help ease market tightness and avoid even higher energy costs for customers, the U.S. needs to maximize its access to new supplies. Flexible gas quality rules that maintain supply and operational reliability will help achieve this important goal," said Deegan.

(Editor's Note: A copy of the association's complete filing is available on our Web site, <http://www.ngsa.org/> or contact Melissa Marion at mmarion@ngsa.org).

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NGSA represents integrated and independent companies that produce and market natural gas in the United States. NGSAs is actively involved in pursuing regulatory and legislative issues that affect the association's members. Established in 1965, NGSAs encourages expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets.