

NEWS

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Customer Value Achievable Via New Natural Gas Storage Incentives; Not Market-Power Test Revisions, NGSA Tells FERC

(Washington)... Potentially waiving market-power tests is a good way to encourage new, much-needed natural gas storage facilities, but the traditional test itself also remains a proven tool to help ensure just and reasonable rates for existing storage customers, according to a federal filing today by the Natural Gas Supply Association (NGSA).

“NGSA supports the federal government’s goal of increasing storage by encouraging additional investments, but this can be accomplished without changing the traditional market-power test. It is a test that has successfully withstood the test of time,” said Patricia Jagtiani, NGSA’s vice president of regulatory affairs.

In its comments to the Federal Energy Regulatory Commission (FERC), NGSA said the commission’s proposed changes to the test go beyond what Congress intended when it adopted additional storage incentives as part of the recent Energy Policy Act (EPAct) of 2005.

FERC has rightfully determined that, consistent with options provided by EPAct, no prior market-power screen is necessary for a new storage facility applicant with market power. However, NGSA said FERC must still continue to ensure that the rates charged by these storage providers are just and reasonable under the law. Furthermore, FERC should provide for periodic reviews to help safeguard and protect storage customers.

There may undoubtedly be owners of existing storage facilities who will attempt to use the new EPAct option to obtain market-based rates without a market-power analysis, the association said. In those instances, FERC should deny any such request. These existing storage owners can still use the traditional market-power test to acquire market-based rates, if it is shown there is sufficient competition for their services.

“Since 1996, FERC had 40 requests from storage operators for market-based rates and approved all but one. There is no need to proceed with such massive changes to the market-based test based on these percentages, one out of 40,” the association said. Rather, the percentages speak highly of the reliability, accountability and effectiveness of FERC’s existing market-power test for storage operators and firmly against massive changes.

“Existing storage facility owners made their investment decisions during a period in which the EAct options did not exist and obviously believed that they could successfully recover their costs as well as a return on equity sufficient to cover the risk of their investment,” Jagtiani said.

What is also needed is for the commission to convene a technical conference for all involved parties to make certain that the EAct provisions are implemented as intended, the association said.

“The EAct incentives, the traditional market-power test, the negotiated rates policy statement, as well as the flexibility afforded by creative cost-based rate designs, can all be valid, and potentially valuable options, which argues against the need for any wholesale changes to the commission’s existing market-power analysis,” according to the filing.

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

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(Editor’s Note: For a copy of the association’s complete filing, please contact Sandy Crockett at scrockett@ngsa.org or (202) 326-9300).