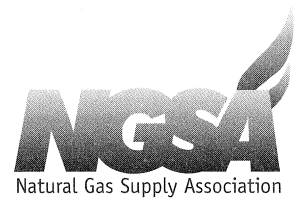


June 12, 2006



R. Skip Horvath
President & CEO

Chairman Joseph T. Kelliher
Commissioner Nora Mead Brownell
Commissioner Suedeen G. Kelly
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Natural Gas Interchangeability, Docket No. PL04-3-000

Dear Chairman Kelliher and Commissioners Brownell and Kelly:

As you are aware, natural gas quality and interchangeability policy continues to be a critically important issue for the Natural Gas Supply Association (NGSA). The INGAA and AGA joint statement establishing a pipeline-customer communications protocol, centered on the Natural Gas Council Plus (NGC+) technical framework, is an important and meaningful step in providing the industry with increased regulatory certainty on this issue. However, even with this agreement, FERC has a vital role to play to ensure a process for resolution that results in pipeline tariff specifications that cost-effectively maximize supply and address safety.

Without a FERC policy that embraces the work of the NGC+, consumers cannot be assured of a nondiscriminatory and open process that is in the public interest. NGSA believes that at a minimum, a FERC policy adopting a process for assuring that supplies are cost-effectively maximized based on the NGC+ guidelines is the most effective and near-term way to add some regulatory certainty to the market. Though a positive step forward, the INGAA and AGA joint statement is not an industry consensus and does not include all the stakeholders as did the NGC+ consensus.

A pipeline-customer dialogue alone, or even a broadened industry dialogue on this issue, does not provide the regulatory certainty that producers need. It creates an additional step in the process, which though necessary and constructive, without FERC guidance could create substantial delays in much-needed implementation of the NGC+ guidelines. Evidenced by this agreement, natural gas quality and interchangeability remain an industry concern. A stakeholder dialogue unaccompanied by a defined FERC policy to achieve a balanced outcome that is in the public interest will not move the industry appreciably closer to a cost-effective resolution of the gas quality and interchangeability issue.

Representing the Nation's Producers of Natural Gas

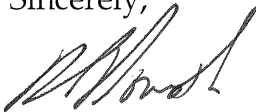
NGSA is encouraged to see the INGAA and AGA interest in proactively addressing these important supply issues. To better reflect the interest of all the industry stakeholders, any agreement regarding a gas quality and interchangeability protocol should include the following four enhancements:

1. Communications regarding natural gas quality should involve all interested parties, including customers and suppliers.
2. Any resulting settlement should cost-effectively maximize supply and address safety.
3. Timely resolution of natural gas quality and interchangeability issues is critical; therefore, parties should endeavor to submit a filing to FERC within one-year from the date the discussions on a specific pipeline begin.
4. FERC should review and act on any settlements, consistent with their normal regulatory processes.

The bottom line is that natural gas quality and interchangeability specifications impact supply options and supply development decisions (see attached), which ultimately impact consumer costs. State regulatory rules create an incentive to push natural gas quality and interchangeability costs upstream. Without a FERC policy that balances supply and safety, consumers risk an outcome that is one-sided and places *all* the remedial responsibility upstream, regardless of cost or consequence to supply options. FERC must proactively establish a policy that enables cost-effective maximization of supply subject to safety concerns. A sound FERC policy will provide the consumer assurance of the most economical solution to avoid the risk of increasing downstream costs.

Thank you for your continued consideration of this important issue.

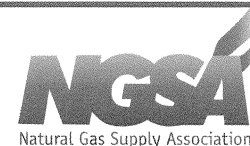
Sincerely,



R. Skip Horvath
President & CEO
Natural Gas Supply Association

Attachment: Natural Gas Interchangeability Impacts Supply

Natural Gas Interchangeability Impacts Supply

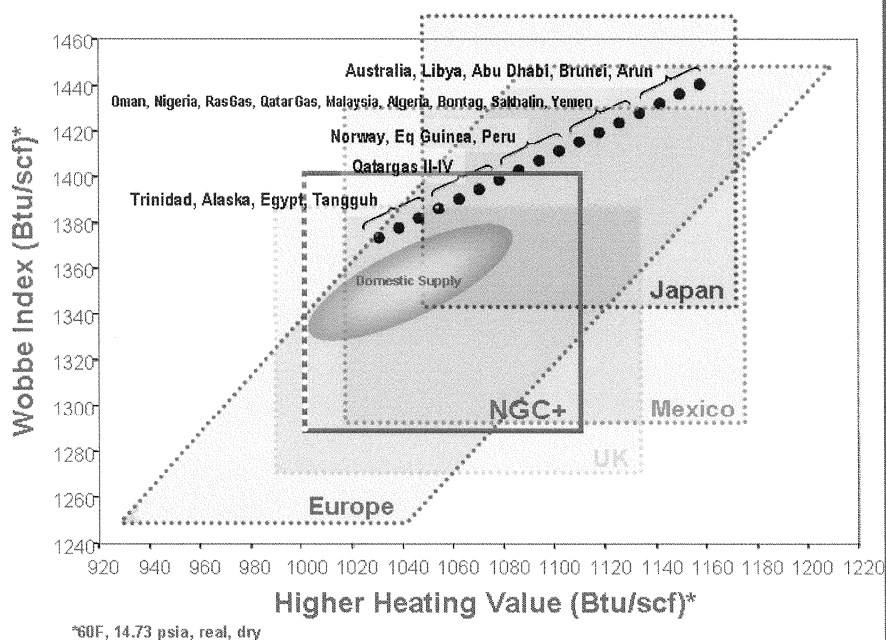


Natural gas interchangeability* specifications are a critical factor in global supply development decisions. The U.S. industry segments comprising the Natural Gas Council (NGC) established an exchange of expert ideas and concepts that resulted in a technical consensus framework for determining domestic natural gas interchangeability specifications, as well as the identification of the substantive parameters needed to establish such criteria.

Work on this issue is not yet complete. Despite an active market dialogue, an over-arching policy ensuring the safe, economical maximization of supplies remains a critical role for FERC. Interchangeability specification certainty is a key element of long-term international supply commitments. Maximum U.S. supply flexibility, without compromising safety, is essential to competing in the world market.

The accompanying chart illustrates the preliminary, conservative NGC industry compromise compared to interchangeability parameters in other world markets. The NGC guidelines provide the U.S. with a policy starting point for defining interchangeability and, importantly, insight into how those requirements can impact U.S. access to world LNG supply.

Global supply development decisions are based on a myriad of risks, one of which is uncertain U.S. interchangeability policy. Ultimately, a policy based on the NGC consensus will produce a definable process that maximizes supply and safety, helps reduce business risks, and attracts new natural gas supplies. Although the NGC guidelines are conservative, there may be some special markets within the U.S. or non-combustion applications that may need to be addressed on a case-specific basis. If other world markets are an indication, future experience and R&D could enable the U.S. to broaden its requirements to better compete globally without material impact on safety, the environment, or end-use equipment. U.S. natural gas markets need a FERC interchangeability policy that embraces the consensus work of the NGC.



Source: TOTAL and Shell Trading

NGSA endorses these four key principles:

1. Acknowledgement of the NGC interchangeability specifications as the policy foundation to foster a timely resolution of any future FERC interchangeability proceedings.
2. Placement of natural gas quality and interchangeability specifications in pipeline tariffs, which then serve as the basis for the refusal of natural gas supply and define pipeline discretion.
3. Assurance that natural gas interchangeability issues that arise in a LNG terminal application will be addressed in a separate pipeline proceeding.
4. Commitment to resolve interchangeability issues by balancing safety with the goal of economically maximizing supply.

*Interchangeability is the ability to substitute one gaseous fuel for another in a combustion application without materially changing operational safety, efficiency, performance or materially increasing air pollutant emissions.