



Devon Energy Corporation  
20 North Broadway  
Oklahoma City, Oklahoma 73102-8260

VIA FACSIMILE: (512) 463-7962 and E-MAIL: danny.bivens@rrc.state.tx.us

September 1, 2006

Mr. Danny Bivens  
Gas Services Division  
The Railroad Commission of Texas  
Post Office Box 12967  
Austin, Texas 78711-2967

RE: Report of the Natural Gas Pipeline Competition Study Advisory Committee to the Railroad Commission of Texas, dated July 1, 2006

Dear Mr. Bivens:

Devon Energy Corporation ("Devon") hereby respectfully submits the following comments to the Report of the Natural Gas Pipeline Competition Study Advisory Committee ("Committee") to the Railroad Commission of Texas ("RRC"), dated July 1, 2006 (the "Report"). As an active participant in this process, Devon would like to thank the Commission for the opportunity to participate in all of the workshops and for considering our comments upon their conclusion. We would also like to thank the members of the Committee for their hard work, time and effort in tackling the issue of the viability of competition in the Texas pipeline industry.

Upon our review of the Report, Devon generally supports the Committee's recommendations subject to the discussion points below. Devon respectfully requests the Commission to consider these points as it prepares for the submission of its report to the Legislative Budget Board and the Governor on or before November 1, 2006:

**1. Informal Complaint Process** – Devon agrees with all five of the Committee's recommendations regarding the enhancement of the informal complaint process. These enhancements should provide a meaningful vehicle for disputes to be resolved in an economical and timely manner. **Furthermore, Devon believes that the informal complaint process can be further streamlined by stipulating that the parties on both sides of the issue be required to discuss the disputing party's claim(s) prior to the filing of an informal complaint.** This recommendation stems from Devon's own experience and from our observation that a number of the complaints that were raised at the workshops had never been raised with the party that was the focus of the complaint. The first step toward resolving such matters should be to raise the relevant issues with all involved parties. An issue cannot be resolved when one party is completely unaware of the other party's concerns, and it seems inefficient to proceed to the informal complaint process without first attempting to resolve the matter using standard business practice. With appropriate communications between the parties, we believe that many of these situations will be resolved to the mutual satisfaction of both parties without a complaint being filed.

**Transparency** - Devon agrees with two of the Committee's three recommendations regarding transparency, namely (i) strengthening the informal complaint process and (ii) encouraging more education for industry participants. However, we do not believe that a legislative mandate *giving one party to an agreement the unilateral right* to determine contract terms, such as confidentiality, is

equitable or warranted. Devon believes that the parties themselves should make such determinations. Further, with the proposed enhancements of the informal complaint process, the appropriate level of transparency to resolve a dispute can be achieved by requiring the parties to disclose pertinent and relevant information that may not otherwise be obtainable due to a confidentiality provision.

The Committee acknowledged in the Report that it "...supports a market-based approach as the best way to maintain a responsive and competitive gas industry." A legislative preference for one sector of the industry over other sectors runs counter to the RRC's historical practice of a market-based approach to regulation. Furthermore, by giving preferential rights to one party in a business negotiation, the chance for a level playing field becomes virtually non-existent. **Devon urges the RRC to treat all industry participants equally and let the parties decide whether confidentiality is appropriate for their contract.**

Finally, Devon supports the Committee's recommendation of giving the RRC the ability to use either a cost-of-service method or a market-based method for setting rates in a formal rate proceeding. We applaud the Committee's recognition that the midstream industry is complex and varied and that subjecting this segment of the industry to traditional ratemaking is both inefficient and unwarranted.

Devon appreciates the opportunity to present its views on the Committee's recommendations and we hope that our comments will be useful to you as part of the findings included in your final report.

Sincerely,

Devon Energy Corporation



Terrence L. Ruder  
Vice President and General Manager  
Marketing and Midstream Division

Cc: The Honorable Elizabeth Ames Jones, Chairman  
The Honorable Victor Carrillo, Commissioner  
The Honorable Michael Williams, Commissioner