

August 25, 2006

VIA FAX – 463-7962 and E-MAIL: danny.bivens@rrc.state.tx.us
Danny Bivens
Gas Services Division
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

Re: Comments on Natural Gas Pipeline Competition Advisory Committee Report

Dear Mr. Bivens:

The Texas Pipeline Association (“TPA”) appreciates the opportunity to provide comments to the Commission on the Natural Gas Pipeline Competition Advisory Committee Report. The TPA is an organization of 27 corporations whose combined assets exceed 100,000 miles of natural gas and hazardous liquid lines. The companies gather, process, treat, transport, deliver and store natural gas for marketers, commercial and industrial end-users, as well as residential customers. The TPA has actively worked with the Commission on producer and pipeline issues beginning in 1996 with the Commission’s adoption of an informal complaint policy and code of conduct.

The TPA is extremely grateful to the Commission as well as the nine Committee members who worked so diligently in issuing the Natural Gas Pipeline Competition Advisory Committee Report. The collaborative effort of producers, gatherers and pipelines will ensure a robust and competitive natural gas marketplace and will no doubt maintain the role of Texas as a leader in the natural gas industry.

The TPA supports and endorses the recommendations of the Committee. As stated so succinctly by Mary Anne Pearce, Chairman of the Committee, “The members brought diverse personal expertise as lawyers, engineers, operators, educators and executives; as well as, broad natural gas business experience in producing, gathering, transmission, processing, purchasing and selling. All members dedicated significant time and energy to the Committee and engaged in rich debate of the issues. This report, the product of that debate, addresses all the questions

provided in the charge and is a work product of all members. The members developed a shared understanding of the complicated issues and made compromises to their individual opinions.” The Committee’s recommendations provide a detailed blueprint for enhanced competition in the natural gas market without endangering the ability of the marketplace to work.

The TPA would like to make the following brief comments concerning key components of the Committee’s recommendations. First, the recommended enhancements to the informal complaint process should serve to enhance a viable tool to quickly and economically resolve any disputes which may arise in the industry. In order for the process to work, it is imperative that the Commission, as well as all trade associations, publicize the informal complaint process to encourage its use. For the process to work at maximum efficiency, the informal complaint process must apply to all complaints and all parties involved in the industry. The prohibition of any form of retaliation is imperative. Finally, additional authority to the Commission to enforce its statutory duty to prevent discrimination is necessary for effective use of the informal complaint process.

The TPA supports the Committee’s recommendation on increased transparency. The recommendation for “contract confidentiality optionality” with the producer is the ultimate solution for transparency. As the seven Committee workshops demonstrated, some producers as well as gatherers/pipelines believe contract confidentiality is very important. On the other hand, some producers and gatherers/pipelines believe that total transparency is necessary. This option of allowing the producer to negotiate this issue should provide the ultimate flexibility for producers and provides a much needed remedy to the issue.

The TPA supports the Committee’s recommendations concerning marginal wells. It is important to maintain production from marginal wells for as long as economically possible. However, other than existing tax abatements and education concerning production aggregation opportunities, the TPA agrees that free-market incentives, not regulations, are superior means to maintaining production from marginal wells.

Finally, the TPA supports the Committee’s recommendation that the Commission have the ability to use either a cost of service method or a market-based method for setting a rate in a formal rate proceeding. Regulating pipelines or gatherers based on a cost of service methodology and requiring parties to file rate cases should be avoided. Market-based ratemaking is more appropriate in Texas competitive gathering and transportation markets.

TPA appreciates the opportunity to provide these comments and urges adoption of the suggestions in the Natural Gas Pipeline Competition Advisory Committee Report. If any of these comments need further explanation or you have questions concerning TPA’s comments, please do not hesitate to contact me.

Sincerely,

Patrick J. Nugent
Executive Director