

**Natural Gas Stakeholder Presentation**  
**R. Skip Horvath, Natural Gas Supply Association**  
**Donald F. Santa, Jr., Interstate Natural Gas Association of America**  
**Federal Energy Regulatory Commission**  
**Public Conference on Natural Gas Quality/Interchangeability**  
**February 18, 2004**

We are Don Santa and Skip Horvath, heads of INGAA and NGSAA, respectively. We are here today representing what we believe to be an unprecedented coalition of stakeholders that have joined to address the natural gas interchangeability and gas quality issues that are the subject of today's public conference. This group represents the natural gas industry and its consumers from wellhead to burner-tip and includes the following organizations:

- The American Petroleum Institute (API), the Independent Petroleum Association of America (IPAA), and the Natural Gas Supply Association (NGSAA) for the producers of natural gas;
- The Gas Processors Association (GPA) for the gas processors;
- The Interstate Natural Gas Association of America (INGAA) for the interstate gas transmission pipelines;
- The American Gas Association (AGA) and the American Public Gas Association (APGA) for the distributors;
- The Process Gas Consumers (PGC) for industrial gas consumers;
- The Gas Appliance Manufacturers Association (GAMA) for gas appliance manufacturers;
- The International LNG Alliance (ILNGA);
- The Edison Electric Institute (EEI) and the Electric Power Supply Association (EPSA) for electric generators; and
- The North American Energy Standards Board (NAESB) and the University of Houston as organizations with specific interests in the gas industry.

The two of us have been in the energy industry a total of nearly half a century combined, and neither can remember an issue that swept so broadly across industry segments that it would bring together such a diverse group in a single effort.

The genesis of this effort was a meeting involving the four trade associations that form the core of the Natural Gas Council (NGC) – AGA, INGAA, NGSAA and IPAA. This group sponsored an initial meeting on December 22<sup>nd</sup>. This, however, was not just a meeting of these four groups. Rather, because we had begun to appreciate the scope of the interchangeability and gas quality issue, we opened the meeting to all stakeholders. And, surprisingly, given the busy

holiday season and the fact that some had to travel to Washington to attend, virtually everyone that we contacted showed up for the meeting. This “big tent” approach has held together so far.

This has been an incredibly complex issue, even for those of us who have spent years dealing with complex regulatory and commercial issues affecting the energy industry. The difficulty lies in no small part to the unusual blend of engineering matters, business interests, and industry politics that characterize the issue. As you might guess, grappling with this issue can at times be a challenge in such a diverse group. Notwithstanding this challenge, progress has been made and we appreciate the indulgence of all of those involved.

At this stage we have agreed on broad principles for framing a solution and on the beginnings of a process that will apply these principles to the nuts and bolts of the issue. In particular, we have seven principles to share with you today. At first blush, these principles may sound a bit like motherhood and apple pie. Still, it is critically important to have everyone on the same page, and for a group as diverse as this one, the fact that we have gotten to this stage represents an accomplishment.

Let us now share with you our seven principles:

1. The industry is committed to leading the development of a timely solution to the gas quality and interchangeability issue, in coordination with FERC.
2. Any solution should allow the natural gas delivery system sufficient operational flexibility to maintain system integrity and reliability for their diverse service regions and customer mix.
3. Any solution should not limit a diverse gas supply.
4. Any solution should recognize end-use equipment and customer needs.
5. Any solution must be consistent with protecting public safety.
6. Any solution should be cost efficient.
7. Any solution should provide for required communications among parties.

We also would like to share with you our plan for moving this issue forward. We have already had three industry-wide meetings, December 22, January 23, and February 12, where we grappled with the scope of this issue. Also, in hopes of making today’s session informative and non-repetitive, we coordinated today’s presentations by representatives of our groups as much as possible. The next milestone date on our calendar is March 2nd. On that date, the industry will pull together its technical experts into the same room with its regulatory affairs experts to run this issue to the ground as much as possible. We anticipate that this may be the first of several meetings involving this group of technical experts. Establishing this common ground on technical and operational

issues is critical to making progress and will greatly increase the likelihood that we can craft a widely supported solution that reflects our seven principles. Also, our group already has met informally with Commission staff to report on our efforts and to solicit the staff's input. We anticipate that this informal communication with staff will continue on a regular basis as we move forward.

To a participant, we are committed to working with the Commission to resolve the various issues now being raised with regard to natural gas quality and interchangeability. Please feel free to contact either of us at any time for additional information as this process evolves.

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