

Washington Gas Light Company (Washington Gas) e-mail response to Florida Power and Light questions regarding Washington Gas' perspective and concerns regarding R03035 or gas quality in general and any relevant experience of Washington Gas.

Response:

We do have a significant interest in natural gas quality & interchangeability issues. Washington Gas Light Company (Washington Gas) serves the end-use market that burns Cove Point LNG imports. We were a party in a settlement (2+ years in the making) that arose from a Washington Gas complaint regarding gas quality in the Cove Point reactivation and related proceedings (CP01-76 & RP01-217). The settlement involved Washington Gas, Cove Point and the LNG tanker delivery service shippers. We are hoping to speak at the February 18 FERC conference.

Simply stated, gas quality / interchangeability should be addressed regionally & ideally based on the characteristics of the end-use market impacted, which is the initial reason we believe it is inappropriate for NAESB. The physical natural gas properties that an end-use market or consumer can take depend a great deal on the characteristics of the historic gas stream in a very localized area, opportunities for blending, the characteristics of the blended gas and other downstream processes (such as liquefaction). While we believe that gas quality & interchangeability is an industry issue that must be addressed with the ultimate goal of increasing supplies and "stabilizing" gas prices, gas quality issues cannot be remedied at the burner tip level. (Approximately 300,000 Washington Gas residential customers receive supplies imported at Cove Point. With an average of three burner tips per household, you can understand why a burner tip solution is time consuming and cost prohibitive.)

Another reason we believe gas quality is inappropriate for NAESB is that acceptable quality levels need to be dynamic enough to change over time as there are changes in the quality of the mix gas (recognizing of course that mix gas may or may not be available at all locations). Obviously as LNG imports become an increasing percentage of the Gulf Coast sourced gas stream, blending capabilities will change -- probably considerably faster than NAESB standards. In addition, we may find that if a "standard" is set, particularly if it does not incorporate regional variations in gas quality, we may not see the level of supply increase that is needed to serve the current projected demand growth at prices that the U.S. residential / industrial consumers can tolerate.

To answer your specific questions, I think the pipeline physical/chemical tracking (FPL Item A) is a huge expense for the pipeline industry without commensurate benefit. Additionally, it is an expensive proposition that firm, long term capacity holders with a statutory obligation to serve will most likely bear (such as LDCs and Washington Gas in particular). Regarding the uniform process, assumptions and methodologies for determining gas quality (FPL Item B), this is a region-specific, end-use market specific task at best if I understand the request correctly.

The Cove Point tariff (General Terms and Conditions Section 8) was revised as part of the reactivation process, after completion of an engineering study, to meet the specific needs of the specific market the pipeline serves, and addresses issues such as molecular content, remedy procedures, gauging equipment and verification procedures. Creating an adequate single of standards for these types of activities for the entire pipeline grid would be an ambitious undertaking for the BPS.

I'm planning to be involved in the NAESB activities on the topic. In the meantime, if I can provide any additional information regarding the methodology Washington Gas took in addressing the gas quality issues on its system, please don't hesitate to call. Thanks.

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