

December 14, 2004

OFFICE OF THE CHAIRMAN

Mr. Michael Desselle  
Chairman and CEO, NAESB  
Suite 2350  
1301 Fannin  
Houston, Texas 77002

  
Dear Mr. Desselle:

The January 2004 cold snap in New England highlighted the need for better coordination between natural gas pipelines and the electric grid, including ISO/RTOs and gas fired generators. During the first half of 2004, the NAESB Gas-Electric Coordination Task Force (GECTF) explored the underlying coordination problems and identified areas where standards development would help in resolving these problems. I am pleased to see that NAESB is beginning to work on standards stemming from the work of the GECTF to alleviate the coordination problem.

I want to emphasize how important I think the development of such standards is to ensure the smooth flow of gas to generators and to the public interest we all share of keeping the lights on and homes warm in the winters ahead. I am concerned that we may go yet another year without the improvements in communications between pipelines and generators and the necessary coordination of business practices of both industries. I believe that it is crucial for standards to be in place by next winter to alleviate these coordination problems.

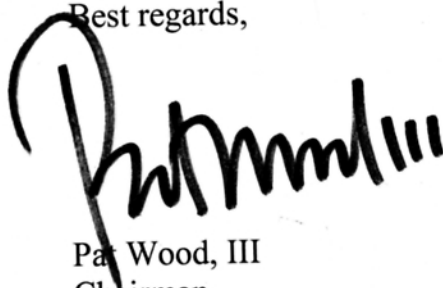
In the past, when the need for such standardization was apparent, GISB stepped up and through the cooperation of all the industry facets was able to develop a core set of business practice standards in a short amount of time. I believe the same effort is needed now to integrate the business practices of the gas and electric industries. From my perspective, it is clearly more efficient and less costly for the industry to develop these standards through the consensus procedures of NAESB than for the Commission to set up its own procedures to try to accomplish this goal.<sup>1</sup> I therefore want to reiterate how pleased I am that the gas and electric industry segments are willing to put in the time and

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<sup>1</sup> I was at the Commission when it first established the Working Groups to establish the first set of capacity release standards, and realize the time and expense that the industry had to incur in order to develop those standards under Commission auspices. The consensus procedures of NAESB are a more efficient and cost-effective method.

effort to reach the necessary compromises to develop these standards, and I look forward to seeing a NAESB filing by June 1, 2005, so that these standards can be in place by next winter.

Best regards,

A handwritten signature in black ink, appearing to read "Pat Wood, III". The signature is written in a cursive style with a large initial "P" and several loops.

Pat Wood, III  
Chairman