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April 23, 2004

Hon Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, Tennessee 37243

Re: Petition of Chattanooga Gas Company for Approval of Adjustment of its Rates and Charges and Revised Tariff
Docket No. 04-00034

Dear Chairman Tate:

Enclosed please find the original and fourteen copies of the Chattanooga Manufacturers Association's Motion to Sever.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By
Henry Walker

HW/k

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4/23/2004

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

April 23, 2004

IN RE. Petition of Chattanooga Gas Company	)	*Docket No 04-00034*
for Approval of Adjustment of its Rates and	)	
Charges and Revised Tariff	)	
	)	

MOTION TO SEVER

The Chattanooga Manufacturers Association ("CMA") asks the Hearing Officer to sever from this case the request by the Gas Technology Institute ("GTI") that a "research and development" surcharge of 1 74 cents per decatherm be collected from all the customers of the Chattanooga Gas Company As explained further below, the surcharge request should be severed so that it can be considered in an industry–wide rulemaking proceeding rather than in a one-company rate case.

BACKGROUND

Based on representations made by GTI in its Petition to Intervene, the proposed surcharge is intended to replace a FERC-ordered surcharge which was originally imposed in 1977. The current surcharge is collected from customers through the purchased gas adjustment ("PGA") and eventually paid to GTI, where it is used to fund research and development related to natural gas usage. In 1998, however, the FERC directed that the surcharge be gradually decreased and phased out completely by the end of 2004 According to GTI, the FERC decided to leave to the states the decision whether or not to continue imposing a surcharge to fund GTI's research and development work. GTI, however, is in the process of asking the FERC to leave the interstate surcharge in effect A draft of GTI's petition, obtain from GTI's website, is attached.

In 1998, the surcharge was 1.74 cents per dth. Today, following the FERC-ordered reductions, the surcharge is .56 cents per dth

Under GTI's proposal, Chattanooga Gas will collect a surcharge of 1.74 cents per dth. from all customers. This money, according to GTI's request, may be paid to GTI or used for other research and development projects selected by Chattanooga Gas "with TRA oversight."

DISCUSSION

Without regard to the reasons for or against GTI's proposed surcharge, this issue is clearly one which should be addressed in a rulemaking proceeding involving all TRA-regulated gas companies. That is the only way in which the Authority can insure that the GTI surcharge, if approved, is applied equally and fairly to customers of all regulated carriers. If the issue is not severed – and the GTI surcharge is approved – then the result would unfairly burden the ratepayers of Chattanooga Gas. The customers of Chattanooga Gas would be forced to pay a 1.7 cent surcharge while customers of all other regulated carriers would continue to pay, through the PGA, a surcharge of only .56 cents and, after 2004, would pay no surcharge at all. Thus, while all gas customers would presumably benefit equally from the research funded by these surcharges, the customers of Chattanooga Gas would be forced to pay a disproportionate share of the research money

A rulemaking, by contrast, could involve all regulated carriers and, if the TRA agrees with GTI that a research and development surcharge is appropriate, the agency could then promulgate rules setting a uniform surcharge rate and uniform collection and distribution procedures In that manner, and only in that manner, can the TRA achieve a result that is fair to all regulated carriers and customers [1]

[1] Of course, such a rulemaking would only apply to gas companies under the jurisdiction of the TRA Collectively, regulated carriers serve less than half of the total number of natural gas customers in Tennessee Thus, unless non-

If the TRA decides to approve a surcharge on a company-by-company basis, it may take years for the agency to implement a uniform, statewide policy. On the other hand, the TRA can open a rulemaking proceeding, address the issue one time, rather than multiple times, and adopt statewide rules within months. That is surely a better and fairer way to address GTI's request.

"Rulemaking is the preferable way" for an administrative agency "to formulate new policies, rules, or standards." Tennessee Cable TV v. Public Service Commission, 844 S.W.2d 151, 162 (Tenn. Ct. App., 1992). Rulemaking is, in fact, "mandatory when the agency's action is concerned with broad policy issues that affect a large segment of a regulated industry or the general public." Id. In that case, the Court of Appeals overturned the Commission's final order in a telephone company rate case because the agency used the order to announce new, general policies which would inevitably be applied to all regulated telephone companies. The Court held that the issuance of such policy statements was "more properly amenable to rulemaking than adjudication." Id., at 163

Similarly, GTI's petition asks the agency to use the vehicle of a one-company rate case to adopt a new policy which will presumably be applied, over a period of time, to all other regulated gas companies. The adoption of a mandatory surcharge which will eventually apply to customers of all regulated gas carriers is, for the same reasons expressed by the Court in Tennessee Cable, more "amenable to rulemaking than adjudication." Id.

Furthermore, the agency should sever GTI's request because the proposed surcharge raises numerous policy issues which the TRA has not previously addressed and which have nothing to do with the multitude of other questions raised by Chattanooga's petition for a rate increase This case is already a complex and, likely, time consuming proceeding. The addition

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regulated carriers voluntarily decide to impose a similar surcharge, customers of regulated carriers would still be subsidizing research on behalf of customers of unregulated carriers of GTI's issues will add to the burdens on the parties, Staff, and TRA directors, prolong the hearing and, potentially, delay a final decision. All of that can be easily and legally avoided by addressing GTI's request in a rulemaking

Finally, GTI's efforts to persuade the FERC to maintain the federal surcharge may moot altogether GTI's efforts to obtain funding through state commissions. Until the FERC rules on GTI's request, there seems little reason for the TRA to address this issue

CONCLUSION

For all of these reasons, CMA asks that the proposed surcharge be severed from this docket and that the agency open a rulemaking proceeding, if necessary, to consider the issues raised by GTI's request.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: ______________________

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ATTACHMENT

DRAFT 4-19-2004

DEPARTMENT OF ENERGY
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C.

In the Matter of	)	
	)	Docket No. RP04-
Gas Technology Institute	)	

APPLICATION OF
GAS TECHNOLOGY INSTITUTE
REQUESTING ADVANCE APPROVAL
OF A NEW GAS INDUSTRY COLLABORATIVE
RD&D PROGRAM AS SPECIFIED IN THE
2005-2009 RD&D PLAN
AND
2005 RD&D PROGRAM
AND
JURISDICTIONAL RATE
PROVISIONS TO FUND
A 2005 RD&D PROGRAM

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INTRODUCTION

Gas Technology Institute ("GTI") hereby requests that the Federal Energy Regulatory Commission ("Commission") approve GTI's first ever Application on behalf of the natural gas industry and gas consumers for advance rate approval pursuant to Section 154.401 of the Commission's Regulations under the Natural Gas Act, and the Commission's Rules of Practice and Procedure. In support of its Application, GTI hereby provides the information required by the Commission's Regulations, and requests advance approval of this Research, Development and Demonstration ("RD&D") Program supported by jurisdictional natural gas companies as specified herein budgeted for 2005 at $48.0 million. On the basis of such information, GTI respectfully requests advance approval of its Application, including the proposed 2005-2009 RD&D Plan and 2005 RD&D Program, together with a single discountable commodity surcharge of 0.56 cents per decatherm to be applied to specified transportation services rendered by the jurisdictional natural gas companies supporting GTI's Application

On April 24, 2000, the boards of directors of the Gas Research Institute and the Institute of Gas Technology gave final approval to a combination of the two organizations to be known as The Gas Technology Institute or GTI. The headquarters of GTI is in Des Plaines, Illinois, a Chicago suburb.

As addressed in a separate document recently filed with the Commission in Docket No. RP03-514, the Gas Research Institute ("GRI") is reporting to the Commission that funding for its RD&D Program, begun in the late 1970s, will come to an end later this year. With the end of GRI funding through FERC auspices in mind, gas industry RD&D funding initiatives outside the Commission's advance approval context have been ongoing under GRI's auspices, and more recently under GTI's auspices, since 1998. These efforts have successfully identified those elements of prior industry cooperative programs that are best supported by private RD&D funding sources and those elements unlikely to be funded without a continued industry collaborative program From this experience, it is now clear that an adequate collaborative gas industry RD&D effort for 2005 and beyond must continue to depend, in significant part, on the continued support of the interstate natural gas pipelines that have long been willing to facilitate adequate RD&D funding in the natural gas industry through the advance approval approach available to RD&D organizations pursuant to Section 154.401 of the Commission's Regulations.

In the early- and mid-1970s, energy industry and government leaders recognized that regulated gas and electric utilities lacked the incentives to fund RD&D at a level consistent with the needs of the general energy-consuming public In response, separate mechanisms and organizations were established to fund and manage RD&D offering mutual benefits to energy consumers and the energy industry. The Electric Power Research Institute (EPRI) and the Gas Research Institute (GRI) carried out these programs. In the case of GRI, funding was secured using the process defined in Federal Power Commission, now the Federal Energy Regulatory Commission (FERC), Order No 566 and the regulations promulgated thereby. GRI filed for and received approval for cooperative RD&D programs from 1978 until 2004.

Recently, more market-oriented regulatory regimes have been established in the energy industry and that has led to a changed view of the relative roles of cooperatively funded RD&D supported by rate recovery mechanisms and competitive RD&D supported by individual company investment decisions. By the late-1990s, the gas industry reluctantly reached a consensus that its cooperatively funded GRI program should be phased out over a seven-year period to be replaced by other means of funding RD&D It is important to note, in this regard, that the industry did not see this decision as an end to the development of new technologies Instead, it was presumed that other methods for funding either individual company or cooperative RD&D would evolve in a more competitive environment.

However, over the course of the seven years that have elapsed since 1998, circumstances with regard to gas industry conditions in general, and, especially as pertain to the need for a vital collaborative RD&D effort, have changed dramatically. In fact, several key presumptions of the late 1990s have not played out entirely as anticipated. As will be described below, sectors of the energy industry have, indeed, responded with new initiatives such that there is no reason to replace the extent of funding or organization that existed before the decision to phase out the GRI program. Nonetheless, the findings of the past five years support the continuing need for cooperative RD&D in particular areas of gas industry technology.

Perhaps most fundamental to these changed circumstances that exist in today's gas industry are major difference in market and regulatory conditions In 1998, the gas industry was very much focused on sorting out how it would deploy to meet the challenges posed by the major changes in fundamental Commission regulation and then-prevailing market conditions. With the then still new market-oriented regulatory approach in the gas industry, ushered in by Order No. 636 and its progeny, massive changes were called for in almost every facet of the gas industry. In such an environment, it was no surprise to anyone involved that new approaches to RD&D funding were called for. Markets were also uncertain looking outward from a 1998 perspective, and that too impacted the views of many involved in evaluating RD&D needs in the industry and views as to how such needs should be addressed Indeed, the need to change was so strong that there was massive support for the 1998 Settlement that contemplated meeting industry RD&D needs through funding that did not involve the FERC, after a transition period. As is stated above and demonstrated throughout GTI's Application and five-year Plan, circumstances directly pertinent to the gas industry and satisfying its RD&D needs have clearly changed in dramatic fashion. At this point, the Commission's market-oriented regulatory regime has matured and much of the sorting out and implementing of strategies to thrive in the new environment has been successfully accomplished Gas markets have had ample opportunity to adjust to the changed regulatory environment, natural prices have stabilized, and industry throughputs have reached all-time levels. Additionally, gas industry RD&D needs have evolved as well. From a current perspective, important new technology needs, for example, those associated with transmission and distribution integrity and security, are now more than apparent. Additionally, several traditional gas industry focuses, including production, transmission and distribution cost containment and safety now are clearly more important than ever before. It is to meet these important needs within the circumstances that now exist that GTI, with the strong support of gas industry leaders and major stakeholders, submits this Application.

From this perspective, not that of 1998, and from a host of pertinent recent experiences, GTI has drawn several important conclusions and made a number of findings, that illustrate the current need for a new collaborative industry-wide effort. Some of these major findings are as follows.

- In highly competitive markets, such as power generation, individual private companies and consortia are supporting RD&D. The number of new start-up companies offering new products attests to this finding. This new influx of private capital for technology development is an important result of the opening of energy markets to competition. These developments have been aimed at specific product developments. Technology aimed at more general improvements in efficiency or reductions in emissions have not attracted new private capital because the benefits are rarely captured by the developer, but instead accrue broadly to energy consumers.
- Gas producers and supporting service companies continue to support a significant, although declining level of RD&D associated with exploration and production of natural gas. However, these efforts are largely focused on improvements associated with already identified resources rather than on new potential resources or breakthrough technologies.

- The competitive "midstream" sector of gas gathering and processing has also seen an influx of capital and formation of new companies. This competitive response has focused on asset accumulation and management with limited RD&D investment.

- Gas transmission pipelines have gone through a turbulent transition period and are successfully responding to a new competitive environment. Many have recently revised their business strategies to focus on the core business of interstate transmission of natural gas. Operating efficiency and effective use of assets are high priorities. Pipelines realize that the infrastructure for introduction of new technology requires cooperative efforts and have long supported the efforts of the Pipeline Research Council, International. Technologies offering broad industry and customer benefits, such as lower cost piping, cheaper repair methods or new inspection techniques, are not economic if developed and introduced by a single pipeline. These technologies are not marketable unless sold across the industry as a whole. The industry collaborative program put forward herein is the most appropriate means for the pipeline industry to continue its cooperative RD&D efforts.

- Gas distribution utilities continue to be regulated in their core business of energy distribution to end use customers. The incentive for shareholder financed R&D has not become stronger. Local distribution utilities (LDCs) that have continued to support RD&D programs have sought rate recovery from state regulators. LDCs, as is the case for pipelines just described, recognize that the realities of the technology infrastructure require collaborative mechanisms. A number of industry-wide approaches have been examined among the LDCs in an attempt to meet their needs. For reasons associated with differing regional and regulatory structures, however, these approaches have not led to an adequate means of supporting RD&D.

- The infrastructure for introduction of most energy technologies has not changed. Technologies offering broad consumer benefits, such as lower cost piping, or cheaper repair methods, are not economic if developed and introduced by a single utility or pipeline. These technologies are not marketable unless sold across the industry as a whole. Thus, they do not provide a benefit to individual companies and will not be developed absent appropriate incentives. The same is true for many end-use technologies that offer efficiency or environmental benefits.

- The public benefits associated with energy production, distribution, and use have not lessened but instead have increased over the past few years. Security of the gas production, transportation, and distribution infrastructure is an increasing concern. Potential gas shortages and much higher energy prices and increased price volatility are current concerns expressed by industry leaders and regulators.

As the Commission and interested parties are well aware, the 1998 GRI funding settlement provided a seven-year transition period during which efforts would be made to develop means of sustaining a significant gas industry RD&D effort outside the context of the advance rate approval mechanism addressed in Section 154.401 of the Commission's Regulations. As will appear, to this end very considerable efforts have been made during the transition period. And, not surprisingly, given the findings described above, the results summarized below have been mixed.

With regard to efforts to secure funding for RD&D relating to the technology needs of local distribution companies (LDCs), a very labor intensive campaign has been undertaken to work with LDCs, state regulators and other interested parties to provide a solid RD&D funding base. This activity involves intensely working with LDCs in individual states and requires close coordination with state regulatory officials and other interested parties This effort is an enterprise that by its very nature necessitates seeking potential opportunities to obtain regulatory approval in a given jurisdiction; obtaining approval of LDC officials to submit a proposal; and working with LDC officials, state commission personnel, and other interested parties to make the proposal as viable as possible given local needs and regulatory constraints. To date, this so-called Delta Program effort has succeeded in raising approximately $17 million per year by LDCs to support RD&D activity of interest to the companies, regulators and customers. Approximately half of this funding supports ongoing RD&D effort performed and managed by GTI.

Efforts to encourage LDC-oriented RD&D include the already established Operations Technology Development NFP, an Illinois not-for-profit §501(c) (6) corporation, and soon to be established Utilization Technology Development and Environmental Technology Development Corporations. It is anticipated that these new entities will facilitate Delta Program funding and in the future may develop additional funding sources as well. These entities generally target later stage RD&D programs specific to supporting companies or regions to achieve near-term impact of market ready technology.

As to Exploration and Production (E&P) RD&D, GTI, as a member of a broad-based coalition, worked intensively on a "royalty trust fund" initiative that became a part of the comprehensive energy bill recently introduced in Congress with the support of the Bush Administration. As is widely known, however, the comprehensive energy bill has not been passed and its prospects are quite uncertain at this juncture. Furthermore, even in the event that the energy bill gains new life, it remains uncertain how much, if any, funding might ultimately become available from this potential source. Even on the assumption that the bill is ultimately passed and that GTI is successful in benefiting from the enhanced Department of Energy funding for E&P RD&D that would be available, it should be noted that the modest E&P aspect of the overall proposal made in this Application would not duplicate activity that might be funded through the royalty trust fund

As to RD&D that is aimed at technology specifically targeted at pipelines, GTI has entered into a close collaboration with the Pipeline Research Council International, Inc., in an effort to improve the coordination of gas pipeline research and increase its funding. For the reasons already described above, funding for pipeline-oriented RD&D from sources other than the FERC advance approval mechanism have remained flat at approximately $2 to $3 million per year.

GTI has also been quite active and somewhat successful in working with the Departments of Energy and Defense in areas that are long-term and strategic in nature. To date, funding from these sources has reached approximately $10-15 million per year But while this activity, which includes work on advanced boilers, hydrogen technology, and environmental enhancement, may well ultimately benefit the domestic natural gas industry and its customers, it is also clear that it does not duplicate or render unnecessary RD&D

proposed for funding through this Application It should also be noted that participation in almost all federally funded projects requires industry cofunding.

Additionally, working with state agencies in four states, GTI has developed approximately $5 million in annual funding to support a variety of research activities. This work, however, is not primarily intended to benefit natural gas companies and their customers. Nevertheless, work in these areas intended to primarily address electric ratepayer interests, provide jobs, or address clean air issues, may well also benefit gas companies and their ratepayers.

And lastly, an additional $2 million in funding has been secured to address issues that are common to water, electric, and propane companies that may also ultimately benefit the gas industry and its customers.

Given this record, two things are clear. GTI and its industry membership have been quite diligent in pursuing alternative funding avenues. And these initiatives clearly have not obviated, and very likely are incapable of obviating, the need for a stable funding base for a gas industry cooperative RD&D effort aimed at technology development and deployment. At best, the efforts described above provide no more than $50 million in annual cooperative RD&D resources, a dramatic drop from the $150-200 million levels of the late 1990s. Further, these efforts are aimed at more specific, near-term technology applications.

These factors have made it clear to industry leaders that the technology needs of the industry and energy consumers will not be met without a collaborative industry-wide approach. Given the impracticability other approaches despite due diligence, the advance approval avenue available pursuant to Section 154.401 of the Commission's regulations clearly is the surest and best means of ensuring that industry, consumer, and public interest RD&D needs are not ignored.

The instant Application is filed by GTI on behalf of the natural gas industry and natural gas consumers and describes the RD&D Program proposed for 2005 and the five-year period commencing therewith. GTI is <u>not</u> proposing a continuation of GRI funding beyond 2004 through this Application or otherwise. Rather, GRI is slated to bring its RD&D activities to an end fully consistent with the terms of the 1998 GRI funding settlement. As is apparent from the details of the proposal made in this Application, while there are a number of similarities between the traditional GRI program and the new collaborative GTI Program proposed herein, there are also many significant differences. Not only would the name of the organization to undertake implementation and management of the proposed program be different, but, as spelled out in detail below, the size, scope, governance, program design, management philosophy, funding system and funding level of the proposed program would be different as well.

<u>Gas Technology Institute</u>

GTI represents the joining of the gas industry's two premier energy research organizations. Since 1941, IGT has performed energy- and environment-related research, development, demonstration, and commercialization for public and private-sector customers, and provided information and educational services to the energy industry. Since 1976, GRI has managed a comprehensive technology development program spanning gas supply, transportation, distribution, and end use. The combination of IGT's performing excellence and GRI's management skills and industry network make for an organization geared to meet the needs of a more competitive energy industry and well-equipped to provide new technologies with gas consumer benefits.

GTI is a non-profit organization and its Board of Directors represents all segments of the gas industry, including producers, pipelines, LDCs, integrated companies, municipals, gas consumers and public interest segments. One-third of the Board represents gas consumers and public interest segments GTI provides a full range of technology solutions to energy industry stakeholders producers, pipelines, distributors, end-use equipment manufacturers, consumers and government agencies, and its programs span the complete technology development spectrum

A cornerstone of GTI's business is contract research, conducted through its Research and Deployment Division. This division is tasked with developing and deploying technology solutions that help ensure adequate, affordable gas supply; safe, reliable gas delivery; and efficient, clean gas use. Technical staff work together in GTI's R&D Division, concentrating expertise in selected areas The division consists of six groups – centers of excellence in 1) Exploration and Production; 2) Gasification and Gas Processing; 3) Distribution and Pipeline Technology, 4) Energy Utilization; 5) Hydrogen Energy Systems; and 6) Distributed Energy Resources. Focusing on these markets and applications promotes synergy and brings RD&D products and services into close alignment with customer and market needs.

GTI has a highly qualified staff of approximately 330 employees of whom 151 hold advanced degrees. Of these, 51 hold technically related PhDs. GTI also has state-of-the-art facilities to conduct a wide variety of research including

- Drilling technology
- Gas processing
- Methane hydrates
- Laser applications
- Gasification
- Pipe coatings and corrosion control
- Plastic pipe materials
- Sensors, controls, and automation
- Security of energy distribution networks
- Burner and combustion-control systems
- Distributed energy systems
- Environmental science
- Fuel cell systems
- Engine technology
- Materials testing
- Applied biotechnology
- Waste conversion.

The delivery of high-impact energy RD&D products and services in a timely, orderly manner is GTI's primary goal. A Project Management Office has been established focusing on improving the quality and speed of initiating and executing projects, and developing tools and guidance related to this goal. Project Management staff directly manage large and complex projects, and oversee staff managing smaller or more conventional projects

GTI's Business Development Division has been established to vigorously promote products and services that are of value to industry stakeholders and natural gas consumers. Business Development staff are dedicated to meeting the needs of key market segments, and a market support group assists all line groups.

Finally, GTI's Washington Office provides liaison and coordination activities with federal government and national industry associations and the Commercialization and Investments Group has been given responsibility for managing ventures and intellectual property

GTI is committed to an ongoing dialogue with the gas industry and consumers. Toward this end, GTI's advisory structure facilitates direct and meaningful stakeholder input in an efficient and cost-effective manner. For example, GTI has established a Strategic Advisory Council (SAC), reporting to the president and the chairman of the board. Members from the scientific, governmental, business and regulatory communities provide counsel on strategic technology developments, long-term trends in the U.S. natural gas and energy industries, the interests of industrial gas users and other customers, and global economic outlooks that could affect GTI and its constituencies It has also established a Public Interest Advisory Committee (PIAC) to provide counsel to the GTI Board and the GTI CEO on public interest issues and long-term trends that may potentially have impact on GTI, the gas industry, and the gas consumer

All funding made available for the GTI Collaborative RD&D Program will be used in ways that comply fully with FERC rules and regulations, and GTI will report on its progress in annual applications made to this Commission.

Communications concerning this Application should be addressed to the following:

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As will be demonstrated below, the instant Application evidences GTI's intent to comply with the Commission's RD&D Regulations; its definition of RD&D, and pertinent court rulings. In general, the proposed 2005 program is designed to discover, develop and deploy technologies and information that measurably benefit gas consumers and the gas industry. The proposed program reflects GTI's emphasis on increasing the value of collaborative RD&D effort to gas consumers and the industry by streamlining operations, reducing administrative expenses, and focusing on technology transfer and deployment activities designed to facilitate rapid market introduction of beneficial innovations.

GTI submits that the proposed RD&D program is responsive to the policy and technical goals of the federal government and the natural gas industry and will benefit gas customers and the gas industry by enhancing the contributions of natural gas to our nation's present and future energy needs.

Program Content

As to the specifics of the proposed 2005 GTI RD&D Program, reference to the 2005-2009 RD&D Plan (Exhibit 1 to this Application) indicates that 100 percent of the $48.0 million total funding proposed to be provided through the advance approval process addressed in this Application would support activities in five Program Areas: Gas Supply, Gas Transmission, Gas Distribution, Gas Utilization, and Program Management and Administration.

Net Benefits Test

As a result of court rulings in PGC I and PGC II, 1/ the proposed RD&D activities in GTI's Gas Utilization Program Area must be qualified for funding in accordance with a "net benefits" test established in PGC I and refined in PGC II which requires that net benefits from end-use research flow to current classes of gas users. All Gas Utilization RD&D activities proposed by GTI for 2005 have been subjected to the "net benefits" test and fully comply with FERC, Congressional and Judicial requirements with regard to benefits to gas consumers. This net benefits test is discussed in more detail in the workpapers submitted with this Application.

Given the clearly beneficial nature of the activities proposed for funding through the 2005 Collaborative RD&D Program and the broad gas industry support it has garnered, GTI submits that the Commission has good cause to conclude that implementation of the proposed 2005 Collaborative RD&D Program would produce major benefits to gas consumers in a timely manner consistent with FERC regulations. Consequently, GTI respectfully requests that the Commission grant this Application as proposed.

1/ Process Gas Consumers Group v. FERC, 866 F.2d 470 (D.C Cir. 1989) ("PGC I"); Process Gas Consumers Group v. FERC, 930 F.2d 926 (D.C. Cir. 1991) ("PGC II").

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been forwarded via U.S. Mail, postage prepaid, to

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on this the 23rd day of April, 2004

Henry Walker
Henry Walker KG

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