



January 14, 2009

President-Elect Barack Obama
Office of the President-Elect
451 Sixth Street, NW
Washington, DC 20001

RE: Energy Infrastructure and the Economic Stimulus

Dear President-Elect Obama:

The Interstate Natural Gas Association of America (INGAA) represents virtually all of the interstate natural gas transmission pipeline operators in the United States, Canada and Mexico. Our members transport over 90 percent of the natural gas consumed in the U.S., via a network of over 215,000 miles of interstate pipeline. The members of INGAA are transportation service providers only – we are not in the business of buying or selling natural gas. Infrastructure is our only business, so we take great interest in the discussions concerning energy infrastructure in the upcoming economic stimulus legislation and future energy legislation.

Natural gas is positioned to play a major role as the nation transitions to a lower-carbon economy. While it has received relatively little attention compared to other energy resources, natural gas is an American energy success story. Ninety-eight percent of the natural gas consumed in the U.S. is produced here or in Canada. Natural gas accounts for approximately a quarter of all U.S. energy use. Twenty percent of our electricity is generated by natural gas and over 64 million homes are heated with this fuel. Natural gas is the cleanest burning fossil fuel, producing 45 percent and 30 percent less CO₂ than coal and fuel oil, respectively. Consequently, natural gas offers an excellent complement to renewable technologies such as wind and solar, providing low-emission back-up generation for these intermittent sources of clean energy. Domestic natural gas supplies have actually increased in recent years, keeping prices relatively affordable.

In response to the booming domestic supply development, natural gas pipeline construction also has increased dramatically. The interstate pipeline industry has invested \$51 billion already in this decade to maintain and expand the U.S. natural gas transmission network. 2008 likely will represent the largest one-year increase in natural gas pipeline capacity since the 1960s. There are two critical elements to the success of interstate pipeline infrastructure – a federal pipeline safety program that works well and a federal economic regulatory program that encourages private investment in new pipeline capital equipment.

The interstate natural gas pipeline network is safe. According to National Transportation Safety Board statistics, pipelines are the safest transportation mode in the United States. In 2002, the U.S. Congress advanced pipeline safety significantly by enacting an Integrity Management Program (overseen by the U.S. Department of Transportation) that requires all natural gas

Interstate Natural Gas Association of America
10 G Street, N.E., Suite 700, Washington, DC 20002
202-216-5901 – Fax 202-216-0870

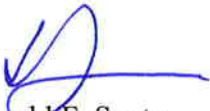
transmission pipelines to identify pipeline segments located in populated areas, inspect those segments to ensure continued integrity, repair any identified safety threats, and re-assess these pipelines on a continuous basis. Implementation of the Integrity Management Program is making a safe pipeline network even safer, while assuring the public that pipeline safety remains a constant process. The natural gas transmission pipeline system is a model for safe operation and the member companies of INGAA are committed to the constant vigilance and safety culture required to maintain pipeline safety.

The Federal Energy Regulatory Commission (FERC) is responsible for the economic regulation of interstate natural gas pipelines, pursuant to the Natural Gas Act. As previously mentioned, the natural gas transmission pipeline industry has raised tens of billions of dollars in private capital to build significant new pipeline infrastructure in recent years. The FERC regulatory regime for authorizing new pipeline construction and the pipeline rate certainty provided by the Natural Gas Act have been instrumental to this infrastructure development. While we do not believe that the natural gas pipeline industry needs federal funds to continue our infrastructure expansion and upgrades, we do believe that maintaining this regulatory certainty will be fundamental to raising additional private capital. Some have advocated changes to the Natural Gas Act that would decentralize the process for authorizing new pipeline construction and that would alter the ratemaking regime to place existing and future pipeline investments at greater risk. We urge policymakers to avoid changes to the pipeline regulatory program that would increase the cost of capital for, and drive private investment away from, new natural gas pipeline infrastructure.

While the fundamental business model and regulatory foundation for the interstate natural gas pipeline industry remain solid, the industry still has been affected by current, broader economic conditions. The industry's ability to continue to invest in safe, reliable energy infrastructure is challenged by an inability to access capital on reasonable terms. Consequently, like other capital intensive segments of the economy whose growth depends on access to external financing, the interstate natural gas pipeline industry would benefit from tax policy that promoted investment in infrastructure, plant and equipment (e.g., accelerated depreciation, investment tax credits, reduced dividend tax rate).

We would be delighted to discuss these issues further with you.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Donald F. Santa', with a long horizontal flourish extending to the right.

Donald F. Santa
President