

*U.S. Commodity Futures Trading Commission
Public Hearing
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*Opening Statement of
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The Natural Gas Supply Association (NGSA) represents integrated and independent companies that produce and market natural gas in the United States. NGSA supports regulatory and legislative actions that foster competitive markets and downstream efficiencies while fostering increased natural gas supply.

As large producers and marketers of natural gas, NGSA members have a shared belief in, and actively support, a number of bedrock principles with regard to enhancing the ongoing competition in North American natural gas markets. Key among them are: 1) integrity, 2) transparency and 3) efficiency. By adhering to these principles, we believe we ensure the delivery of natural gas supplies to our customers and end-users at prices that reflect both recovery costs and market values for increasingly constrained domestic resources. We believe it is important for the commission and other federal policymakers to continue to recognize that these constraints, coupled with normal weather swings, represent the biggest driver for market volatility levels. While Congress appropriately debates the need for any additional government oversight of the various energy-related markets, we think it is important to recognize that the outcome of that debate will have only limited benefit without also addressing the need for additional access to the most economic supplies.

Specifically with regard to the issue of integrity, we believe a number of relatively recent regulatory and legislative changes are providing additional confidence and trust in the overall benefit of our natural gas markets. The first step was the enhanced integrity of the various market indices via the 2003 Federal Energy Regulatory Commission (FERC) Policy Statement on good faith price reporting and publishing, followed by last year's rule prohibiting market manipulation (Order No. 670). Further bolstering integrity and oversight, FERC has recently implemented a memorandum of understanding with the Commodity Futures Trading Commission (CFTC) to share market oversight information, and made public its Market Oversight webpage for timely, free and unbiased energy market data. Finally, Section 316 of the Energy Policy Act of 2005 (EPACT) directed FERC to facilitate price transparency, spurring FERC's Market Transparency NOPR as the culmination of a series of efforts designed to provide confidence in the price-reporting process.

While the outcome has yet to be determined with regard to a number of pending enforcement actions, most notably the Amaranth investigation, we do believe that these cases reflect that federal oversight agencies such as the CFTC are doing the job assigned to them by Congress, which should serve to provide additional assurances to the market that it is functioning as intended for the benefit of customers and suppliers alike. We do not, however, intend today to address any of the specific allegations with regard to Amaranth or others in cases that continue to be litigated.

Overall, though, we believe it is important for the commission and our fellow market participants to stay focused on the fact that the U.S. natural gas market is more transparent than any other natural gas market in the world. Domestic natural gas prices are set by supply and demand fundamentals in a highly competitive market. More than 7,000 producers of natural gas have multiple ways of connecting to millions of natural gas customers.

Even though we have many buyers and many sellers in our competitive market, there are often more buyers than sellers, or vice versa, at any given location or moment in time. In general, participation by speculative traders serves to further balance the supply-demand equation via higher-risk market positions, which those interested in producing or consuming natural gas often do not wish to take. If it were not for such speculators, who actually smooth out delivered commodity prices over time and geography, price volatility could, most likely, be even greater. Future regulations that do not strike the balance needed to ensure the participation of this important segment of the market could actually increase price volatility and, arguably, increase the frequency of price spikes as well as the overall price of natural gas to American consumers. It could also have the unintended consequence of pushing such speculation into even more opaque and less regulated markets.

Thank you for the opportunity to appear today and we look forward to your questions.