



FERC's Regulation of Interstate Natural Gas Pipelines

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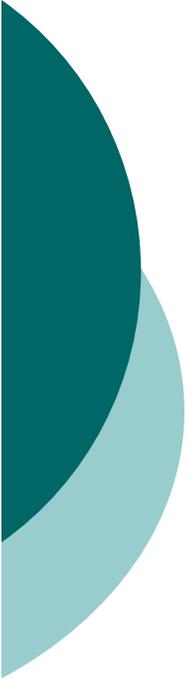
Saul Ewing LLP

House Resources Committee

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THE FERC'S REGULATORY REGIME,
WHICH IS DESIGNED TO PROTECT
CONSUMERS, PROHIBITS AN
INTERSTATE NATURAL GAS PIPELINE
FROM ACTING IN AN ANTI-
COMPETITIVE, DISCRIMINATORY OR
PREFERENTIAL MANNER TO ANY
SHIPPER.



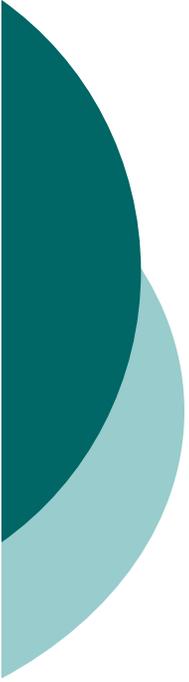
QUALIFICATIONS

- 30 years as a FERC practitioner
- Author/Editor of 17 books on energy law
- Writings cited as authority by the US Supreme Court
- Adjunct lecturer at law school on energy law
- Regulatory practice includes energy projects in foreign countries



CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

- Unlike oil pipelines, before a natural gas pipeline can commence construction and operation it must first obtain a certificate after making a showing of public benefit.
- FERC can condition the certificate on numerous matters, including when construction must be completed.
- A pipeline cannot expand, terminate or “abandon” service without prior approval of FERC.



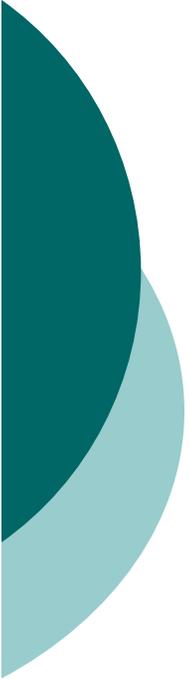
RATES AND TERMS AND CONDITIONS OF SERVICE

- FERC must approve all rates, rate changes and terms and conditions in a natural gas pipeline's tariff.
- FERC has authority to investigate existing rates of a natural gas pipeline.
- Rates that are not "just and reasonable" may be rejected and refunds can be ordered.



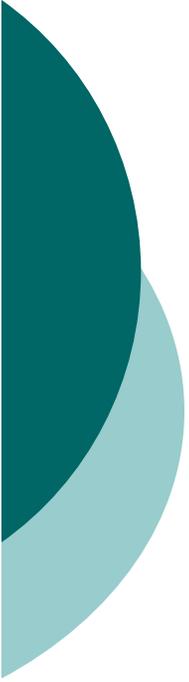
INTERSTATE NATURAL GAS PIPELINES ARE REQUIRED TO BE “OPEN ACCESS”

- Capacity must be allocated on a non-discriminatory basis to affiliated and non-affiliated shippers.
- Rates charged and terms and conditions for capacity must be just and reasonable and may not discriminate or grant a preference to shippers similarly situated.
- Capacity release programs must be non-discriminatory and transparent.



INTERSTATE PIPELINES ARE REQUIRED TO ADHERE TO COMPREHENSIVE STANDARDS OF CONDUCT

- No preference in sharing of information, setting rates, and terms and conditions between the pipeline and its affiliated marketing company.



FERC HAS BEEN GRANTED ADDITIONAL PUNITIVE AUTHORITY BY THE EAct of 2005

- To punish violations of its statutes and regulations by:
 - Fines of up to \$1 million per violation per day.
 - Disgorgement of unjust profits.
 - Referrals to the Justice Department for criminal prosecution.



The FERC's regulatory regime for interstate natural gas pipelines is significantly different from oil pipelines and changes since 1985 insure that pipeline's will not act unlawfully or discriminate against shippers.