



# FERC's Regulation of Interstate Natural Gas Pipelines

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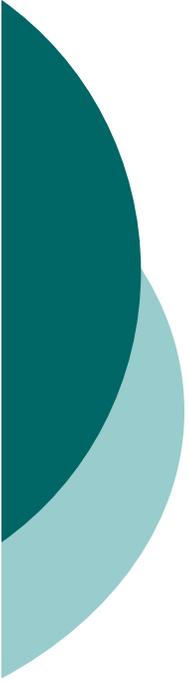
House Resources Committee

May 11, 2007



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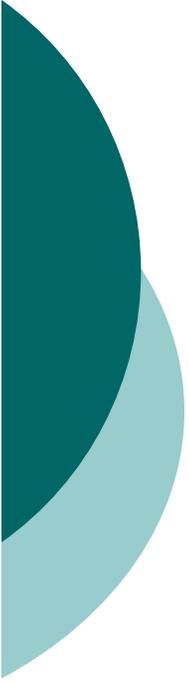
THE FERC'S REGULATORY REGIME,  
WHICH IS DESIGNED TO PROTECT  
CONSUMERS, PROHIBITS AN  
INTERSTATE NATURAL GAS PIPELINE  
FROM ACTING IN AN ANTI-  
COMPETITIVE, DISCRIMINATORY OR  
PREFERENTIAL MANNER TO ANY  
SHIPPER.



# QUALIFICATIONS

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- 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

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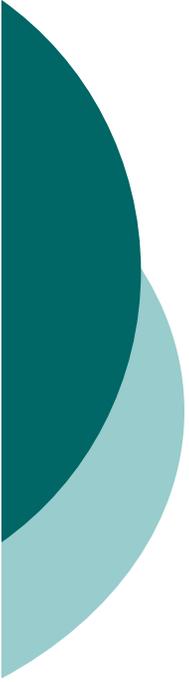
- Unlike oil pipelines, before a natural gas pipeline can commence construction and operation it must first obtain a certificate after making a showing of public benefit.
- FERC can condition the certificate on numerous matters, including when construction must be completed.
- A pipeline cannot expand,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



# RATES AND TERMS AND CONDITIONS OF SERVICE

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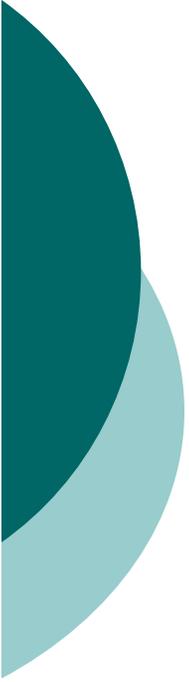
- FERC must approve all rates, rate changes and terms and conditions in a natural gas pipeline's tariff.
- FERC has authority to investigate existing rates of a natural gas pipeline.
- Rates that are not "just and reasonable" may be rejected and refunds can be ordered.



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

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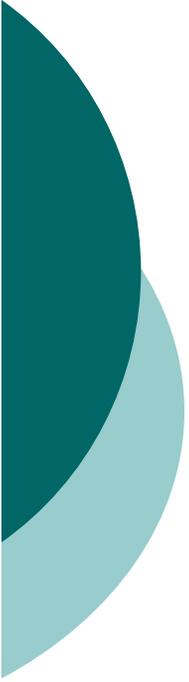
- Capacity must be allocated on a non-discriminatory basis to affiliated and non-affiliated shippers.
- Rates charged and terms and conditions for capacity must be just and reasonable and may not discriminate or grant a preference to shippers similarly situated.
- Capacity release programs must be non-discriminatory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



# INTERSTATE PIPELINES ARE REQUIRED TO ADHERE TO COMPREHENSIVE STANDARDS OF CONDUCT

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- 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

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- 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.



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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.