



**Industrial Energy Consumers of America**  
*The Voice of the Industrial Energy Consumers*

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August 17, 2011

The Honorable John Mica  
Chairman  
House Transportation and Infrastructure  
Committee  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Nick Rahall  
Ranking Member  
House Transportation and Infrastructure  
Committee  
U.S. House of Representatives  
Washington, D.C. 20515

RE: Pipeline Safety Legislation – Oppose provision to allow pipelines to establish tracker mechanism to collect user fees

Dear Chairman Mica:

On behalf of the Industrial Energy Consumers of America (IECA) we strongly oppose any provision as part of pipeline safety reauthorization legislation that would permit pipelines to bypass the Natural Gas Act and the “just and reasonable” standard through a tracker mechanism. The “tracker” approach will increase consumer natural gas fees because it virtually guarantees double recovery of user fees by pipelines because it would allow pipelines that are already over-recovering their cost of service to pass on such user fees without having their rates scrutinized by FERC, the agency charged with ensuring that pipeline rates are “just and reasonable”.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$800 billion in annual sales and with more than 750,000 employees nationwide. It is an organization created to promote the interests of manufacturing companies through research, advocacy, and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: plastics, cement, paper, food processing, brick, chemicals, fertilizer, insulation, steel, glass, industrial gases, pharmaceutical, aluminum and brewing.

As originally established, user fees for funding Pipeline Hazardous Materials and Safety Administration (PHMSA) are to be collected by natural gas transmission operators from their downstream customers. This has been the approach used since the inception of PHMSA user fees, and it has worked well since it minimizes the points of contact between the government and those from which it is collecting the user fees. These user fees are treated by the FERC as part of the transmission operators’ legitimate cost of service and hence includible in the transmission operators’ rates.

The FERC has never turned down a request to include pipeline safety user fees in transportation rates charged by interstate pipelines, so the *only* risk to the pipelines is that, despite being permitted to include the PHMSA user fees as a legitimate operation and maintenance cost, their rates will be reduced because they are otherwise over-recovering their overall “just and reasonable” cost of service. Pipelines should not be allowed to “track” costs that simply ensure their continuing over-recovery.

Pipeline companies are already over-charging consumers. We strongly urge you to oppose a tracker proposal as part of pipeline safety reauthorization legislation.

Sincerely,

Paul N. Cicio  
President

Cc:  
FERC Chairman Jon Wellinghoff  
FERC Commissioner Philip D. Moeller  
FERC Commissioner Marc Spitzer  
FERC Commissioner John R. Norris  
FERC Commissioner Cheryl A. LaFleur