

October 6, 2015

The Honorable Lisa Murkowski
Chairman
Senate Committee on Energy and Natural
Resources Committee

The Honorable Fred Upton
Chairman
House Committee on Energy and Commerce

The Honorable Maria Cantwell
Ranking Member
Senate Committee on Energy and Natural
Resources Committee

The Honorable Frank Pallone
Ranking Member
House Committee on Energy and Commerce

Re: Stop Interstate Natural Gas Pipelines from Over-Charging Consumers

The undersigned entities strongly urge you to support legislation that would give the Federal Energy Regulatory Commission (FERC) the tools it needs to stop natural gas pipeline companies from over-charging consumers. FERC Chairman Norman Bay and past Chairmans Cheryl LaFleur, Jon Wellinghoff, and Joseph Kelliher have all openly acknowledged the problem and the need for Congress to pass legislation to address it. This is not a partisan issue. We urge you to amend Section 5 of the Natural Gas Act to provide FERC with refund authority.

Simply put, the current system is broken. Today, when a pipeline is found to be over-charging the consumers, it is allowed to keep the past, post-complaint over-charges – rather than giving consumers their money back. This is because FERC lacks the authority to make the corrected rates effective any sooner than the date of its final Order. This lack of FERC authority not only allows over-charging pipelines to keep all revenues in excess of “*just and reasonable*” rates from and after the date the complaint is filed, it also encourages the pipelines to prolong and delay the complaint process until the complaining shipper’s resources are exhausted. In some cases, the substance of a complaint is never addressed.

This is not the case with electricity. Since 1988, the Federal Power Act has provided FERC with the authority to require reimbursement of electricity over-charges effective as early as the date of the initial complaint. This authority has the added benefit of imposing discipline on the process by aligning the interests of all parties towards an expeditious resolution of the substance of the complaint.

In fact, a 2015 study released by the Natural Gas Supply Association analyzed the cost recovery of 32 major pipelines that represent 80 percent of the market. The study shows that from 2009 to 2013 pipelines over-collected approximately \$3.0 billion more than they would have collected on an assumed (and extremely generous) average 12 percent return on equity – allowed by FERC.¹ A more balanced and better disciplined complaint process would make it possible for consumers to have a real voice in challenging these over-collections.

Legislation is needed that would amend Section 5 of the Natural Gas Act to give FERC the ability to require reimbursement of over-charges to the affected consumers. Refunds would take effect from the date that the Section 5 complaint is filed.

We urge you to be a champion for American businesses and consumers by addressing this legislation in your committees and pushing for passage of this important job creation and consumer protection legislation by the full Congress.

¹ “Interstate Natural Gas Pipeline Cost Recovery Analysis,” Natural Gas Supply Association, 2015.

For further information, please contact Paul Cicio at the Industrial Energy Consumers of America by calling 202-223-1661 or Scott Morrison at the American Public Gas Association at (202) 464-2742.

Sincerely,

Ag Processing Inc
Ascend Performance Materials
Association of Businesses Advocating Tariff Equity
American Forest & Paper Association (AF&PA)
American Foundry Society
American Public Gas Association (APGA)
Blair Rubber Company
Custom Glass Machinery Ltd
Dow Corning Corporation
East-Lind Heat Treat, Inc.
Eastman Chemical Company
Evonik Corporation
Georgia Association of Manufacturers
Gerdau
Glass Packaging Institute (GPI)
Glass Manufacturing Industry Council
Guardian Industries
Hyload Inc.
Indiana Industrial Energy Consumers, Inc. (INDIEC)
Industrial Energy Consumers of America (IECA)
Industrial Minerals Association – North America
International Diatomite Producers Association
Kimberly-Clark Corporation
Lehigh Hanson
Linde, LLC
National Industrial Sand Association
Northwest Industrial Gas Users
Olin Corporation
Owens-Illinois, Inc.
Republic Paperboard Co., LLC
SGL Carbon, LLC
Steel Manufacturers Association
USG Corporation
WestRock Company
Wisconsin Industrial Energy Group
W.R. Grace and Company

cc: U.S. Senate
U.S. House of Representatives
The Honorable Norman Bay
The Honorable Cheryl A. LaFleur
The Honorable Philip D. Moeller
The Honorable Tony Clark
The Honorable Colette D. Honorable