FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

NEWS RELEASE

NEWS MEDIA CONTACT:
Tamara Young-Allen
(202) 208-0680

FOR IMMEDIATE RELEASE
September 15, 1999
(Docket No. PL99-3-000)

POLICY STATEMENT STATES PREFERENCE FOR PRICING PIPELINE FACILITIES WITHOUT CUSTOMER SUBSIDIES

The Federal Energy Regulatory Commission announced today that a pipeline project that shows it is financially viable without subsidies from existing customers is preferable to rolled-in pricing.

The new preference changes the Commission's past pricing policy, which had a presumption in favor of rolled-in pricing (allowing recovery of construction costs from existing customers). The Commission will now favor incremental pricing in which construction costs are recovered only from customers benefitting from the new project. This "sends the proper price signals to the market," and will allow the market to decide whether a project is financially viable, the Commission said.

It also said, however, that it would not rule out consideration of rolled-in pricing under certain circumstances–for instance, if a project improves service to current customers by replacing existing capacity, improving reliability, or providing more service flexibility.

The new approach is part of a policy statement in which the Commission outlines the analytical framework it will use in considering the need for new pipeline facilities. The Commission said its action should give the industry and applicants clearer guidance on how it will assess proposals for new pipeline facilities.

Commented Chairman James J. Hoecker: "Our objectives are actually quite straightforward: through pricing policy, to let the market tell us clearly whether and how much new pipeline capacity it is likely to support; and to make clear what analytic process the

Commission engages in in balancing all the factors that constitute the public convenience and necessity."

The Commission said it would expeditiously issue certificates where the applicant demonstrates that the public benefits outweigh any detrimental effect on three key groups--the applicant's existing customers, landowners, and competitors and their customers.

The Commission will now weigh other factors in assessing the need for the new project, such as demand projections and potential cost savings to consumers and comparisons of projected demand with the amount of capacity currently serving a market.

The Commission's policy statement is a response to public comments on a Notice of Proposed Rulemaking issued in July 1998 in Docket No. RM98-10-000 and to a June 1999 conference regarding the need for gas in the Northeast in Docket No. PL99-2-000.