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November 18, 2010

Commissioner Philip D. Moeller

STATEMENT

FEDERAL ENERGY REGULATORY COMMISSION

Docket Nos. RP11-1494-000 and RP11-1495-000

Item Nos. G-3 & G-4

Statement of Commissioner Philip D. Moeller on Kinder Morgan Interstate Gas Transmission LLC and Ozark Gas Transmission, L.L.C. Investigations

"Today the Commission initiates investigations into the rates of two interstate pipelines pursuant to section 5 of the Natural Gas Act.

Our staff's analysis of the recent FERC Form No. 2 filings made by Kinder Morgan and Ozark suggests that both pipelines are substantially over-recovering its cost of service, particularly when adjustments for fuel and LAUF are included. Moreover, more than a decade has passed since the rates for both pipelines have been reviewed and it is noteworthy that neither pipeline is obligated to file a rate case. However, I am also mindful that there may be other factors that were not considered in our analysis that could have an effect on the rates that are currently being charged by these pipelines.

Pipeline fundamentals inevitably diverge from the static base year and the rates should reflect such change. Whether these changes stem from the discovery of new supply areas or reflect an evolution in shipper behavior or fluctuations in demand, the assumptions upon which rates are developed are always changing. The fact is that the Commission may not always be aware of these changes. Accordingly, I believe that while our analysis of Form No. 2 data is both instructive and persuasive, it is not determinative. During the coming weeks, I encourage Kinder Morgan and Ozark, along with its customers, our Trial Staff, and other interested parties to work together to negotiate a settlement, or if necessary, cooperate to facilitate an expedited hearing."