



**Federal Energy Regulatory Commission  
November 20, 2014  
Open Commission Meeting  
Staff Presentation  
Item G-1**

"Good morning Chairman and Commissioners.

"The draft order issues for comment a proposed policy statement on the analytical framework the Commission will use to evaluate a cost recovery mechanism for natural gas pipeline companies that replace old and inefficient compressors, leak-prone pipelines, and perform other infrastructure improvements and upgrades to enhance the safe and reliable operation of their pipeline systems.

"There have been several recent legislative and regulatory initiatives to address natural gas pipeline infrastructure safety and reliability. For example, in 2012, Congress passed the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, which prompted the Pipeline and Hazardous Materials Safety Administration to publish an ANOPR on Pipeline Safety for Natural Gas Pipelines, which requested comment on the effects of enhanced regulations on safety and costs and the best method to implement proposed regulations.

"Likewise, the U.S. Environmental Protection Agency has raised concerns about greenhouse gas emissions. In April, it issued a series of technical white papers for comment on how to best pursue reductions of emissions including from natural gas compressors. Last week, the EPA also issued a final rule requiring the natural gas industry to monitor methane emissions and report them annually.

"In light of these developments, using the principles outlined in the January 2013 FERC order that allowed Columbia Gas Transmission LLC to implement a similar tracker, as proposed, the Commission would require a pipeline seeking a modernization cost-recovery surcharge or tracker to meet five standards:

- The pipeline's base rates must have been recently reviewed through a Natural Gas Act general section 4 rate proceeding or through a collaborative effort between the pipeline and its customers.
- Eligible costs must be limited to one-time capital costs incurred to meet safety or environmental regulations, and the pipeline must specifically identify each capital investment to be recovered by the surcharge.
- Captive customers must be protected from cost shifts if the pipeline loses shippers or increases discounts to retain business.
- There must be a periodic review to ensure rates remain just and reasonable.
- The pipeline must work collaboratively with shippers to seek their support for any surcharge proposal.

"The proposed policy statement also seeks comments on several questions, including whether pipelines should be allowed to use accelerated amortization methodologies to recover the costs of any facilities installed pursuant to a modernization cost recovery mechanism.

"The proposed policy statement also seeks comments on whether it should make any adjustments to its current reservation charge crediting policy.

"Comments on the proposed policy statement are due 30 days from the date of publication in the Federal Register, with reply comments due 20 days later.

"Thank you."