



FEDERAL ENERGY REGULATORY COMMISSION

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

Item Nos. G-3 &amp; G-4

November 18, 2010

Chairman Jon Wellinghoff

**STATEMENT**

## Statement of Chairman Jon Wellinghoff on Kinder Morgan Interstate Gas Transmission LLC and Ozark Gas Transmission, L.L.C. Investigations

"A year ago this month, we initiated NGA Section 5 proceedings against several natural gas pipelines. Two of those proceedings have since resulted in uncontested settlements that provide significant benefits, such as reduced rates, reduced fuel retention factors, and, in one case, a revenue sharing arrangement with pipeline customers.

At the time the Commission initiated these investigations I stated that the Commission's mission statement is straightforward: to assist consumers in obtaining reliable, efficient and sustainable energy services at a reasonable cost. Consistent with that mission, Staff has continued to analyze and consider the Form 2 data that provides current market and cost information needed for regulatory oversight of natural gas pipeline rates and terms of service, and that facilitates meaningful assessments of pipeline costs of service and current rates.

After careful consideration of this information, it appears that Kinder Morgan Interstate Gas and Ozark Gas Transmission may be substantially over-recovering their cost-of-service. As a result, we are instituting section 5 proceedings to determine whether the rates charged by these pipelines are just and reasonable. The Commission understands that review of Form 2 data is not the full story, and must be considered in conjunction with other factors, such as the costs and risks of litigation, the level of infrastructure investments, and the existence of a rate moratorium or come-back provision. However, an investigation will provide the Commission with the opportunity to hear the full story, and to ensure that consumers enjoy reliable, efficient and sustainable energy services at a reasonable cost.

Furthermore, because the Commission lacks refund authority under section 5, it is appropriate to expedite resolution of these proceedings. Therefore, we direct that an initial decision be issued within 47 weeks of the designation of a presiding judge, consistent with the ALJ's track II time frame for hearings. The expedited schedule is not intended to foreclose the pipeline, its customers and Commission litigation staff from reaching a reasonable settlement."