



Center
for Public
Utilities

This course is designed to capture the nuances of the natural gas pipeline industry and the following topics:

- Overview of the Pipeline Industry
- FERC Ratemaking Authority Under NGA
- FERC Regulation of Pipeline Construction
- FERC's Step-by-step Process of Determining Rates
- FERC's Regulation on Intrastate Pipelines – NPGA Section 311
- Plus More! See Inside for Full Agenda!

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THE BASICS OF
**FERC
RATEMAKING**
FOR THE
**PIPELINE
INDUSTRY**

OCTOBER 10-14, 2022

SHERATON UPTOWN • ALBUQUERQUE, NM



*Laptops are required
for this course.*

COURSE

PLEASE NOTE: LAPTOPS WILL BE REQUIRED FOR THIS COURSE.

If you are unable to bring a laptop, please contact Cindy Blume at cblume@nmsu.edu or 575.646.4876.

MONDAY, OCT. 10

6:30 a.m. **REGISTRATION BEGINS**

8:30–10:00 **OVERVIEW OF THE
NATURAL GAS INDUSTRY**

INSTRUCTOR: Rick Smead

**MOVING GAS FROM THE WELLHEAD TO THE
BURNER TIP**

SEGMENTS OF THE NATURAL GAS INDUSTRY

- Production • Transportation • Gathering
- Storage and Distribution • Processing

**HOW DID FERC ORDERS AND RULINGS,
INCLUDING ORDER 636, AFFECT THE NATURAL
GAS PIPELINE INDUSTRY?**

**DISCOVERY OF GAS SHALE PLAY AND ITS IMPACT
ON THE GAS PIPELINE INDUSTRY**

10:30–12:00 **FERC RATEMAKING UNDER THE
NATURAL GAS ACT**

INSTRUCTOR: Michael Diamond

OVERVIEW OF THE NATURAL GAS ACT

PURPOSE AND SCOPE OF THE NATURAL GAS ACT

- FERC's Ratemaking Authorities
- Key Concepts Under the NGA
- Alternative Ratemaking: Negotiated Rates

**FERC'S RATEMAKING AUTHORITY
UNDER THE NATURAL GAS POLICY ACT**

SECTION 7 OF THE NATURAL GAS ACT

SECTION 5 OF THE NATURAL GAS ACT

- Burden of Proof
- FERC's Exercise of Section 5 Authority
- Available Remedies
- Customers' Use of Section 5

SECTION 4 OF THE NATURAL GAS ACT

- Mechanics of a "Typical" Section 4 Rate Case
- Burdens of Proof • Settlement v. Litigation
- Common Rate Case Issues • Potential Future Issues

12:00–1:30 **LUNCH**

1:30–2:45 **FERC RATEMAKING UNDER THE
NATURAL GAS ACT (CONTINUED)**

INSTRUCTOR: Michael Diamond

3:00–5:00 **FERC REGULATION OF PIPELINE
CONSTRUCTION UNDER THE NGA**

INSTRUCTOR: Michael Pincus

EXEMPTIONS

CERTIFYING PIPELINE CONSTRUCTION PROJECTS

- Holding Open Season • Post Certification Compliance
- Role of Foundation Shippers
- Development of Initial Rates for
New Pipeline Construction
- Pre-Filing Procedures
- Application Process

5:30–7:00 **WELCOME RECEPTION**

TUESDAY, OCT 13

8:30–9:30 **BASE PERIOD VS. TEST PERIOD**

INSTRUCTOR: David Haag

9:30–12:00 **DETERMINATION OF A
PIPELINE'S COST OF SERVICE**

INSTRUCTOR: David Haag

COST OF SERVICE COMPONENTS

**WHAT ARE THE "BIG TICKET" COMPONENTS IN
THE COST-OF-SERVICE?**

OPERATING EXPENSES

A&G EXPENSES

**RATE BASE — ESTABLISHING THE COMPANY'S
INVESTMENT**

- Working Capital • Accumulated Depreciation
- Deferred Income Taxes • Materials and Supplies

RATE OF RETURN — RETURN ON INVESTMENT

- Capital Structure
- Weighted Cost of Debt
- Weighted Cost of Preferred Stock
- FERC's Cost of Equity Model
- Weighted Cost of Equity
- Overall Rate of Return

COURSE

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- Federal and State Income Taxes
- Adjusting Return for Income Tax Effect
- Depreciation Expense
- Non-Income Taxes (Other Taxes)
- Revenue Credits
- How are the cost-of-service components interrelated?

12:00–1:30 LUNCH

1:30–5:00 COST-OF-SERVICE PROBLEM

INSTRUCTOR: David Haag

ASSIGNMENT OF COST-OF-SERVICE PROBLEM

- Presentation of Group Solutions

WEDNESDAY, OCT 12

8:30–12:00 INTRODUCTION TO RATE DESIGN

INSTRUCTORS: Sorana Linder
Katie Schiro

RELEVANCE OF TARIFF RATES V. MARKET VALUE OF CAPACITY

SEPARATING COST-OF-SERVICE BY FUNCTION

- Kansas-Nebraska ("KN") Methodology

CLASSIFYING COSTS

- Between Fixed & Variable • Between Rate Components
- Policy Changes Over Time • Impact of Load Factor

BASIC COST ALLOCATION AND RATE DESIGN PRINCIPLES

1:00–7:00 TRIP TO NEW MEXICO'S STATE CAPITAL – SANTA FE, NM

THURSDAY, OCT 13

8:30–12:00 DIFFERENT RATE DESIGNS FOR DIFFERENT PIPELINES — WHICH IS BEST?

INSTRUCTORS: Sorana Linder
Katie Schiro

TRANSPORTATION AND STORAGE RATE DESIGN

12:00–1:30 LUNCH

1:30–5:00 FILING A RATE CASE AT FERC

INSTRUCTORS: Sorana Linder
Katie Schiro

RATE CASE STRATEGIES

- Discounted v. Negotiated Rates • Project Timing
- Settlement v. Litigation

RATE DESIGN IN PRACTICE – BRINGING IT ALL TOGETHER

DISCOUNTED V. NEGOTIATED RATES

- How Discounted Rates Impact Rate Design

SETTLEMENT V. LITIGATION OF RATE CASES AD HOC FERC POLICY DISCUSSION

5:30–7:00 FAREWELL SOCIAL

FRIDAY, OCT 14

8:30–11:00 NGPA SECTION 311 INTERSTATE TRANSPORTATION BY AN INTRASTATE OR HINSHAW PIPELINE

INSTRUCTOR: Jim Sarikas

INDUSTRY OVERVIEW

- Intrastate pipelines (NGPA section 311 (a)(2))
- Hinshaw pipelines (NGA sections 1(c) and 7(c))

JURISDICTIONAL BOUNDARIES

- Section 7(f) – Service Area Determination
- NGA vs. NGPA Transportation Service

SETTING RATES FOR TRANSPORTATION SERVICE

- The basis for the rates: (1) State Rate Election or (2) Cost of Service rates
- The business process – how does FERC conduct a rate case?

STATEMENT OF OPERATING CONDITIONS (SOC) E.G. THE PIPELINE'S TARIFF

- Rate Schedule(s)
- General Terms and Conditions
- Consistency with NGA Tariff requirements.

TOPICS AND SPEAKERS ARE SUBJECT TO CHANGE.

GAS PIPELINE ADVISORY COMMITTEE



BEN JOHNSON

Vice-President
Rates & Tariffs
Boardwalk Pipeline Partners, LP
NMSU Program Co-Director



DAVID HAAG

President & CEO Brown,
Williams, Moorhead &
Quinn, Inc. NMSU
Program Co-Director



MICHAEL DIAMOND

Partner
Van Ness
Feldman, LLP



RICK SMEAD

Managing Director,
Advisory Services
RBNEnergy, LLC

YOUR INSTRUCTORS

Michael Diamond, *Partner*, Van Ness Feldman, LLP

David Haag, *President & CEO*, Brown, Williams, Moorhead & Quinn, Inc.

Sorana Linder, *Director - Rates, Tariffs, and Modernization*, TC Energy

Michael Pincus, *Partner*, Van Ness Feldman, LLP

Jim Sarikas, *OEMR - Division of Pipeline Regulation*, FERC

Katie Schiro, *Director - Rates & Tariffs*, Boardwalk Pipelines, LP

Rick Smead, *Managing Director, Advisory Services*, RBNEnergy, LLC

WHO SHOULD ATTEND

Attendees with less than one year's experience in the regulatory arena and anyone wishing to obtain a basic understanding of the principles involved in gas pipeline ratemaking should attend this course. This course has been designed to meet the specific training needs of attorneys practicing before the FERC, new pipeline employees who will be working in rate departments, and FERC and state commission staff members including accountants, economists, engineers, administrative law judges, and attorneys.

WHY SHOULD EMPLOYEES ATTEND THIS RATEMAKING COURSE

The issues confronting the Natural Gas Pipeline Industry can be very complex and confusing to the employee with newly acquired responsibilities in the area of regulation. It is essential, therefore, for the employee not only to be able to understand these issues but also to be provided with an integrated framework that shows the interrelationships of the topics and how they fit together. This course will give the attendees the analytical skills necessary to be more productive in the changing environment.

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The CPU Sponsors provide invaluable support to the Center. A Center Sponsor assists in covering expenses associated with conducting courses and conferences. As a sponsor, a designee of their company becomes a member of the CPU Advisory Council; and, they are given the opportunity to provide input on the topics and agenda for the Current Issues conference. If you are interested in becoming a Center Sponsor or would like more information, please contact Jeanette Walter at jeawalte@nmsu.edu

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WHO WE ARE

CPU.NMSU.EDU



The Center for Public Utilities (CPU) is a branch of the College of Business at New Mexico State University. Our primary missions are:

- To provide educational and outreach services to firms in the Electric, Natural Gas LDC, Pipeline, Water, Telecom Industries as well as regulatory commissions
- To coordinate the CPU's activities with the:
 - ✓ **M.A. Economics with a specialization in Public Utility Regulation,**
 - ✓ **MBA program with a concentration in Public Utility Regulation,**
 - ✓ **Graduate Certificate in Public Utility Regulation and Economics (PURE)**

Through a forum of conferences, the Graduate Certificate in Public Utility Regulation and Economics, the Masters of Economics with a Public Utility Regulation Specialization, and MBA Concentration in Public Utility Regulation the CPU

strives to become the leader by keeping industry and commissions in tune with the ever changing market realities and challenging regulatory policies.

Because New Mexico State University is a non-profit institution, it is able to provide rate training courses of the highest quality to the regulatory community at a fraction of the cost charged by other profit based training programs. In addition, our instructors recognize the value of our training courses and offer their expertise to educate professionals in the public utility regulation arena.

Contact Cindy Blume for additional information at cblume@nmsu.edu.

SPONSORED BY NGSA and INGAA



The Natural Gas Supply Association (NGSA) represents integrated and independent companies that supply natural gas. Founded in 1965, NGSA is the only national trade association that solely focuses on producer-marketer issues related to the downstream natural gas industry. NGSA advocates for well-functioning markets that foster a growing, competitive market for natural gas. NGSA is dedicated to achieving a cleaner future through strong partnerships with renewables and supporting innovative technologies and market solutions that reduce emissions.



The Interstate Natural Gas Association of America (INGAA) is a trade organization that advocates regulatory and legislative positions of importance to the natural gas pipeline industry in North America. INGAA represents virtually all of the interstate natural gas transmission pipeline companies operating in the U.S., as well as comparable companies in Canada and Mexico. Its members transport over 95 percent of the nation's natural gas through a network of 200,000 miles of pipelines. The interstate natural gas pipeline industry has two principal federal regulators: the Federal Energy Regulatory Commission (FERC) is responsible for the economic regulation of pipelines, while the U.S. Department of Transportation (DOT) Office of Pipeline Safety oversees the industry's safety efforts.

HOTEL INFORMATION

SHERATON UPTOWN ALBUQUERQUE 2600 LOUISIANA, NE, ALBUQUERQUE, NM

CONFERENCE HOTEL RATES *(includes full breakfast):*

- \$185 single and \$200 double.
- Reservations cut-off date: September 16, 2022

HOTEL RESERVATIONS:

- CENTRAL RESERVATIONS • 1-800-325-3535
- You must mention the NMSU Public Utility Basics

— or —

RESERVE ONLINE: A direct link to the Sheraton Uptown's Conference Rate can be found on the CPU website at <http://cpu.nmsu.edu> under "FERC Ratemaking Course" or go directly to our room block for the Sheraton Uptown at:

<https://www.marriott.com/event-reservations/reservation-link.mi?id=1654795283252&key=GRP&app=resvlink>



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GENERAL INFORMATION

TRANSPORTATION: Albuquerque International Support ("ABQ") is approximately 9 miles from the Sheraton Uptown. Taxis, rental cars, and ride shares are available at the airport.

COST:

- Company Representatives: **\$1,895**
- Center Sponsors, Government Agencies, NGSA and INGAA members: **\$1,495**

The registration fee covers all instructional materials presented, receptions, transportation to Santa Fe, and coffee breaks. The registration fee does not include travel, hotel accommodations or meals.

CANCELLATIONS: Full registration fee refund prior to access to course materials. No refunds after access to the course materials have been provided, October 3, 2022. Substitutions are accepted at any time.

CLE and CPE CREDIT: It is the responsibility of the individual to apply for CLE or CPE credit in their own state. Attendees must sign in every day and will receive

a Certificate of Completion for the course at the end of the week to include in their application packets. Each individual planning to apply for CLE or CPE credits should contact their state board individually prior to the course and notify the CPU if there are special requirements.

REGISTRATION MUST BE MADE IN ADVANCE:

Registration and payment online is preferred.

To reserve a space choose one of the following:

- Online at <https://cpunmsu.irisregistration.com/Form/ferc-ratemaking22>
- Call 575-646-4876
- E-mail registration form to cblume@nmsu.edu
- Mail in completed registration form to address below.

FOR MORE INFORMATION CONTACT:

The Cindy Blume at:

- Email: cblume@nmsu.edu
- Call or Text: 575-644-0458

OCTOBER 10-14, 2022 All presentation materials will be provided in electronic format. Laptops required.*

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The fee does not go to the CPU or NMSU.

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