CENTER FOR PUBLIC UTILITIES
New Mexico State University

Presents

PRACTICAL REGULATORY TRAINING
for the
NATURAL GAS INTERSTATE PIPELINE INDUSTRY

MAY 9-14, 2010
SHERATON UPTOWN
ALBUQUERQUE, NM

Co-Sponsored by
THE ENERGY BAR ASSOCIATION
and
THE INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA

HIGHLIGHTS OF THE COURSE
- Technology, Industry Structure
- Impact of FERC orders on the Pipeline Industry
- FERC Ratemaking and FERC Enforcement Authority Under the Natural Gas Act
- Examples of Prohibited Conduct and Remedies Imposed by FERC
- Legislative Initiatives and Recent Developments at the FERC
- The Process of Determining Revenue Requirements
- Changes to the Proxy Group and its Impact on the Return on Equity
- FERC Order 710: New Detailed Filing Requirements for Pipelines
- FERC’s Recent Inquiries into Pipeline Earnings
- Cost Allocation and Rate Design for Various Pipeline Services
- Firm Rates, Interruptible Rates, and Alternative Rate Design Methodologies
- Pipeline and FERC Interaction with Shippers
- What’s Hot at the FERC?

A ONE WEEK RATE SCHOOL
DESIGNED SPECIFICALLY TO MEET THE TRAINING NEEDS OF THE PIPELINE INDUSTRY, FERC EMPLOYEES, AND ATTORNEYS WHO ARE PRACTICING BEFORE THE FERC

MAY 9-14, 2010
SHERATON UPTOWN
ALBUQUERQUE, NM
NATURAL GAS INTERSTATE PIPELINE INDUSTRY

*Note: Laptops Will Be Required for This Session

SUNDAY, MAY 9  6:30 – 8:00 p.m.: Registration and Reception

MONDAY, MAY 10

8:30 – 10:00  Overview of the Natural Gas Industry
Technology
  Moving Gas from the Wellhead to the Burner Tip
  Segments and Players of the Natural Gas Industry
  Production, Processing, Transportation and Storage
  Marketing Hubs
  Retail Distribution

Federal Jurisdiction
  Pipeline Services Regulated by FERC
  How Have FERC Orders Altered the Structure of the Gas Industry?
  Pipeline and FERC Interaction with Shippers

10:30 – 12:00  FERC Ratemaking and Enforcement Authority under the Natural Gas Act
  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 Authorities
  Section 7 of the Natural Gas Act
  Section 5 of the Natural Gas Act
    Burden of Proof
    Available Remedies
    FERC’s Exercise of Section 5 Authority
    Customers’ Use of Section 5 Authority

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
Monday May 10 – continued

1:30 – 5:00  Enforcement of the Natural Gas Act  
Olenchuk/ Junge

FERC’s Civil Penalty Authority
Overview of FERC’s Office of Enforcement
Enforcement Procedures
Due Process Issues
Policy Statements on Enforcement and Compliance
Role of FERC Compliance Plans and Compliance Tools
Examples of Prohibited Conduct and Remedies Imposed
Capacity Release Violations
Undue Discrimination
Material Deviations and Non-Conforming Contracts
Standards of Conduct
Market Manipulation
Penalty Assessment
Penalty Assessment Factors
Penalty Assessment Procedures
Appealing a Civil Penalty
Legislative Initiatives and Recent Developments

TUESDAY, MAY 11

8:30 – 12:00  FERC Requirements for Determining ‘Just and Reasonable’ Rates  Sosnick/Smith

Overview of the 5 Steps Involved in Cost-of-Service Ratemaking
Step 1: Establishing Cost-of-Service/Revenue Requirements
Base Period vs. Test Period
O&M/A&G Expenses
Rate Base
Rate of Return
Test Period Adjustments

12:00 – 1:30  Lunch

1:30 – 5:00  Cost-of-Service Problem  Sosnick/Smith

Introduction of Cost-of-Service Problem
Presentation of Group Solutions
Review of FERC’s Procedure in Determining the Cost-of-Service
FERC Top Sheets: What is Their Role in the Cost-of-Service Process?

(Program continued on next page)
INTERSTATE PIPELINE PROGRAM

WEDNESDAY, MAY 12

8:30 – 12:00  Current Cost-of-Service Issues  Piczak/Smith
   FERC’s Proxy Group for Determining ROE
   FERC’s Recent Inquiries into Pipeline Earnings
      (Section 5 Cases)

   Step 2: Developing Pipeline Rates from Cost-of-Service  Roscher/Johnson
      Functionalization of Cost-of-Service
      Direct Assignment vs. Allocation
      Kansas-Nebraska (“KN”) Methodology

   Step 3: Cost Classification
      Fixed vs. Variable
      Reservation vs. Delivery
      Changes to Rate Design Policy over Time
      Impact of Load Factor

1:00 – 7:00  Trip to Santa Fe (Optional)

THURSDAY, MAY 13

8:30 – 12:00  Steps 4 & 5: Cost Allocation and Rate Design  Roscher/Johnson
   Allocation Factors and Billing Determinants
      Firm Rates
      Interruptible Rates
      Types of Cost-Based Rate Design
      Alternate Rate Design Methodologies
      Discount Adjustments

12:00 – 1:30  Lunch

1:30 – 5:00  Rate Design Problem  Roscher/Johnson
   Introduction of Rate Design Problem
   Presentation of Group Solutions
   Review and Summary of Rate Design
   Rate Design Proposals on the Horizon

FRIDAY, MAY 14

9:00 – 10:30  “Summing It All Up: How Do All of the Pieces Fit”?  Smith
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 staff members including accountants, economists, engineers, administrative law judges, and attorneys.

WHY EMPLOYEES SHOULD ATTEND THIS PROGRAM

Natural gas pipeline ratemaking is a complex and dynamic process. Ratemaking principles fundamentally affect the decisions made by ratemaking personnel, corporate management, and industry regulators. It is essential, therefore, for company employees and industry regulators not only to be able to understand these principles, 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 knowledge and analytical skills necessary to understand key principles critical to understanding the process and theory of interstate pipeline ratemaking.

FACULTY

Ben Johnson, Manager, Rates, TransCanada Pipeline
Greg Junge, Attorney at Law, Van Ness Feldman, P.C.
Susan Olenchuk, Attorney at Law, Van Ness Feldman, P.C.
Todd Piczak, Attorney at Law, Hogan & Hartson LLP
John Roscher, Director, Rates & Tariffs, TransCanada Pipeline
Rick Smead, Director, Navigant Consulting Inc.
David Smith, Director Emeritus, CPU, New Mexico State University
Kenneth Sosnick, Accountant, Office of Administration Litigation, Federal Energy Regulatory Commission

CENTER FOR PUBLIC UTILITIES SPONSORS

The Center for Public Utilities sponsors listed below provide invaluable financial support to the Center which helps cover expenses associated with conducting courses and conferences. If you are interested in becoming a Center sponsor or would like more information, please contact Jeanette Walter at jeawalte@nmsu.edu.

American Gas Association
Allegheny Energy
American Electric Power
American Water
Aqua America
AR Electric Cooperative Corporation
AT&T
AUS Consultants
Avista Corporation
CenterPoint Energy
Duke Energy
Edison Electric Institute
El Paso Electric
Entergy
Exelon Corporation
First Energy
Idaho Power
Itron, Inc
ITTA

MidAmerican Energy Holding Co.
Midwest Independent Transmission System
Operator, Inc.
Moultrie Independent Tel. Co
National Association of Water Companies
NCTA
Northwestern Energy
Oklahoma Gas and Electric
ONCOR
Pepco Holdings, Inc
Public Service of New Mexico
Southwest Gas Corp
The Barrett Group, Inc
The Gee Strategies Group LLC
United Water New Jersey
Verizon Communications
Wal-Mart
Xcel Services
WHO WE ARE

CENTER FOR PUBLIC UTILITIES

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 and Gas Pipeline Industries as well as regulatory commissions
• To coordinate the Center’s activities with the M.A. in economics program to secure employment for our graduates in the Public Utilities Option

Through a forum of conferences and graduate degree programs such as the Masters of Economics Regulatory Option, the CPU strives to become the leader by keeping industry and commissions in tune with the ever changing market realities and challenging regulatory policies.

THE ENERGY BAR ASSOCIATION

The Energy Bar Association (EBA) is an international non-profit voluntary association of attorneys, non-attorney professionals, and students, whose mission is to promote the professional excellence, education, and ethical integrity of its members in the practice, administration, and development of energy laws, regulations and policies. EBA is active in all areas of energy law, including electric utility and natural gas pipeline regulation, domestic and international energy transactions, legislation and regulatory reform, antitrust, environmental, and public lands. EBA has over 2700 members, six formal chapters, and numerous specialized committees dedicated to furthering the Association’s mission.

THE INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA

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.
LOCATION and HOTEL RESERVATIONS: The conference will be held at the newly renovated Sheraton Uptown, Albuquerque, NM. A block of rooms has been reserved at a special rate of $125 which includes a full breakfast. To guarantee this rate, you must mention the NMSU Center for Public Utilities Course. Reservations must be received on or before April 23, 2010 and. All guests should make reservations directly through the hotel’s reservations department at 505-881-0000, Monday through Friday, 8 AM – 5 PM MST. Rates cannot be changed at check-in or checkout time for guests who fail to identify their affiliation at the time the reservation is requested. Rooms will need to be guaranteed to a major credit card at the time the reservation is made. This is for guarantee purposes only; your credit card will not be charged until you check-out. Please be advised that for any reservation, in which there is a no-show, the first night’s room rate and tax will be charged to the form of payment and the entire reservation will be cancelled. Reservations may be cancelled up to 48 hours prior to arrival without penalty. For general information about the hotel, please call 505-881-0000.

COST: The registration fee is $1195 for company representatives; $995 for center sponsors, EBA and INGAA members and all Government Agencies. The fee covers all instructional materials presented, the reception, transportation to Santa Fe, and coffee breaks. The fee does not include travel, hotel accommodations or meals.

CLE and CPE CREDIT: While NMSU does not apply to each state as a sponsor, CLE and CPE credits have been given by numerous states on an individual basis. It has been approved in New Mexico for CLE credit. Each individual requesting CLE and CPE credits should contact their state board individually prior to the course and notify the CPU if there are special requirements. You will receive a certificate of completion for this course.

REGISTRATION: MUST BE MADE IN ADVANCE. To reserve a space, do one of the following: telephone 575-646-4876, send a fax to 575-646-6025, e-mail cpustaff@nmsu.edu or mail your completed enrollment form to the address below.

CANCELLATION POLICY: If notice is received more than five working days prior to the meeting, the tuition fee will be refunded in its entirety. Cancellations after that time are subject to a $100 service charge per person. No refunds will be made after the start of the program; however, tuition may be applied to future programs. Substitutions can be made at any time.

FOR MORE INFORMATION CONTACT:
Center for Public Utilities MSC 3MPD, New Mexico State University, Box 30001, Las Cruces, NM 88003-8001,
575-646-4876 or 575-646-3242, Fax: 505-646-6025, E-Mail: jeawalte@nmsu.edu or cpustaff@nmsu.edu
Website: http://cpu.nmsu.edu

PIPELINE ENROLLMENT FORM - MAY 9-14, 2010

Name ____________________________________________________________
Title __________________________________________________________
Company _________________________________________________________
Address _________________________________________________________
City _____________________________________________________________
State ___________ Zip ______________________________
Phone __________________________________________________________
Fax ______________________________________________________________
Email ____________________________________________________________
Payment enclosed ________________________________________________
Please Bill PO Number _____________________________________________
Credit Card _____ MC _____ Visa _____ Discover ______
# ____________________________________________________________ Exp ___________