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RATE CASE UPDATE

Florida Gas Transmission Company Files Rate Case: On October 31st, Florida Gas Transmission Company ("FGT") field a Section 4 rate case. The filing reflects a general rate increase, proposed to become effective December 1, 2014, as well as many significant tariff changes, such as gas quality changes and new creditworthiness provisions. According to FGT, the rate increase will generate an additional $64.1 million in additional annual transportation revenues for FGT. In addition, among other things, FGT proposed to combine its Rate Schedule FTS-2 incremental system costs with its Rate Schedule FTS-1 non-incremental system costs, and proposed a return on common equity of 14.00 percent.

REGULATORY UPDATE

FERC Staff Presents on Initiatives Responding to the Severe Cold Weather Events Experienced Last Winter: on October 16, FERC Staff presented on Commission and industry actions relevant to winter 2013-2014 weather events. The presentation is here. FERC offered a list of issues that emerged during the cold weather events, including: reliability and generator availability, fuel supply and gas pipeline transportation, market impacts, including price spikes, and generator recovery of high cost fuel purchases. Staff found there was a general consensus in the industry regarding the reasons for high natural gas prices. One reason was the extreme and universal nature of the cold weather which extended into the Southeast region. Also, market participants reported that less hedging of natural gas at the first of month price had occurred in light of certain additions of new delivery capacity into the New York area and forecasts of warmer weather than actually occurred. The reduced hedges left many entities exposed to very volatile daily prices that occurred during January and February and may have increased price volatility as entities covered short positions. The depletion of natural gas storage was also a factor. Market psychology was also important as the price spikes were unprecedented. For example, market participants feared significant price premiums and lack of adequate counterparties. Finally, PJM committed certain natural gas-fired generation in advance of the normal process to ensure natural gas availability particularly after weekends. These commitments created additional demand for natural gas during periods with already high demand. Our interviews also revealed significant issues with gas-electric coordination, including, in some instances fundamental differences in operating practices such as the mis-alignment of the power and natural gas trading days, which created difficulties for electric generators.

FERC Staff Issues Energy Infrastructure Update for September 2014: on October 24, FERC's Office of Energy Projects issued its energy infrastructure update for September. You can view the natural gas highlights here. In the month of September, two new pipelines were certificated, 6 were proposed, and 3 were placed in service, representing 101.2 MMcf/d of capacity.

FERC Enforcement Staff Accuses Maxim Power Corp. of Manipulation: On November 3, FERC's Office of Enforcement issued a Notice of Alleged Violations against Maxim Power Corporation ("Maxim"), suggesting that Maxim engaged in three schemes in ISO-New England ("ISO-NE") that violated section 222(a) of the Federal Power Act and FERC's Anti-Manipulation Rule. The November 3 notice alleges that between 2012 and 2013 Maxim abused an ISO-NE rule that was intended to mitigate the market power of generators needed for reliability, fraudulently receiving inflated make-whole payments from ISO-NE. Additionally, between July and August of 2010, Enforcement alleges that Maxim falsely reported higher fuel costs based on a reported need to use oil due to gas supply problems despite actually using lower-priced gas as fuel. Finally, from 2010 to 2013, Enforcement alleges that Maxim artificially raised the output of three of its plants during capacity tests in order to receive inflated capacity payments from ISO-NE. The November 3 notice also suggests that certain Maxim executives participated in some portion of the fraudulent activities. You can view the notice here.

FERC Staff Issues the Draft Environmental Impact Statement for the Jordon Cove Liquefaction and Pacific Connector Pipeline Projects: FERC Staff has prepared a draft environmental impact statement (EIS) for the projects proposed by Jordan Cove Energy Project LP (Jordan Cove) and Pacific Connector Gas Pipeline LP (Pacific Connector). Jordan Cove proposes to construct and operate a liquefied natural gas (LNG) export terminal at Coos Bay, Oregon, capable of liquefying six million metric tonnes of LNG per annum using a supply of about 0.9 billion feet of natural gas per day (bcf/d). Pacific Connector proposes to construct and operate an underground welded-steel pipeline between interconnections with the existing interstate natural gas systems of Ruby Pipeline LLC and Gas Transmission Northwest LLC near Malin, Oregon and the Jordan Cove terminal. The pipeline, having a design capacity to transport up to 1.07 bcf/d, would cross portions of Klamath, Jackson, Douglas, and Coos Counties, Oregon, with 0.04 bcf/d dedicated for delivery to the existing Northwest Pipeline Grants Pass Lateral. The FERC staff concluded that construction and operation of the projects would result in some limited adverse environmental impacts, but these impacts would be reduced to less-than-significant levels. Further information is here.

ON THE HORIZON

- **PGC membership meeting scheduled for November 14, 2014**
- **PGC board meeting scheduled for December 1-2, 2014.**
- **FERC Rulemaking Comments due November 28, 2014**
- **Next Commission Meeting: November 20, 2014, Agenda TBA**