

# An Industry-wide Update

## The Physical Gas Delivery System

### Interstate Pipelines

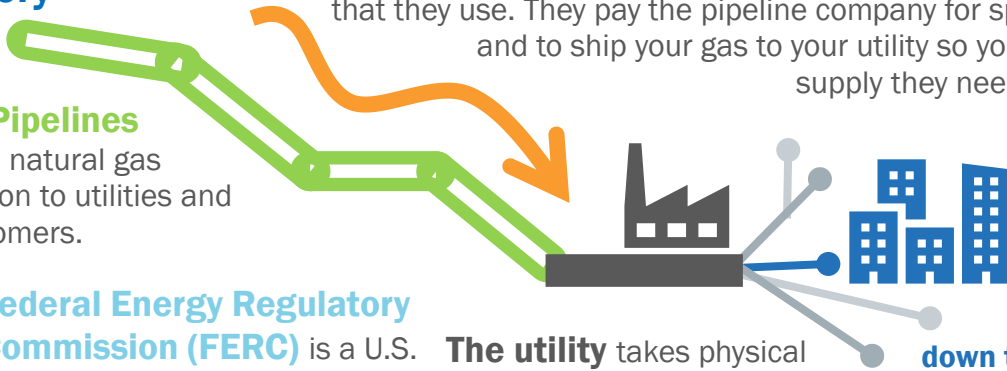
carry physical natural gas from production to utilities and end-use customers.



### Federal Energy Regulatory Commission (FERC)

is a U.S. federal agency that regulates transportation along interstate pipelines and oversees the transmission and wholesale sale of electricity and natural gas in interstate commerce.

**Shippers and Retail Suppliers, such as Constellation**, are responsible for managing price and market volatility risk to help retail customers get a price for the gas that they use. They pay the pipeline company for space on the pipeline and to ship your gas to your utility so your facilities have the supply they need when they need it.



**The utility** takes physical natural gas from the pipeline and safely distributes it to end-use customers within their service territory.

**Your business's energy costs consist of the price of physical natural gas and the cost to move it down the pipeline to your meter. This means the pipeline's rates play a direct role in determining the cost of energy.**

## Why are pipelines changing their rates?



The Federal corporate tax rate was reduced in 2018 (Tax Cuts and Jobs Act).



FERC wanted to ensure the benefits were flowing down to ratepayers, so FERC required all pipeline companies to complete an assessment of their costs and revenue.



As part of this process, several pipeline companies are also proposing or implementing increases or decreases to the rates they charge today through formalized rate cases with FERC.

**In some regions, some pipelines have not filed such rate cases for as long as two decades, so this may appear to be a new or unique event.**

**A tariff outlines the rules, rates and procedures by which the pipeline operates and conducts business in the market. To change its rates, a pipeline company must file a rate case with FERC and follow specific procedures to ensure fair and reasonable rates are charged.**

## How does an interstate pipeline rate case work?



The pipeline company announces a rate case.



The pipeline files the case with FERC and begins charging shippers the proposed rate.



Rate case proceedings include negotiations between the pipeline company, FERC and other stakeholders over the course of 4-6 months.



When completed, the final settlement rate goes into effect.



If the final rate settles lower than the originally filed rate, the pipeline refunds the difference back to the month the proceedings began.

**When the interstate pipeline changes its rates, all shippers, utilities and other stakeholders delivering physical natural gas along these pipelines are subject to the change.**

