



MONTH XX, 2019

First Name Last Name

Energy Manager

Company, Inc.

123 Street Name

City, ST 98765

Dear Customer,

## **Change in Law Notice: A regulatory change from interstate pipelines may impact your physical natural gas supply costs.**

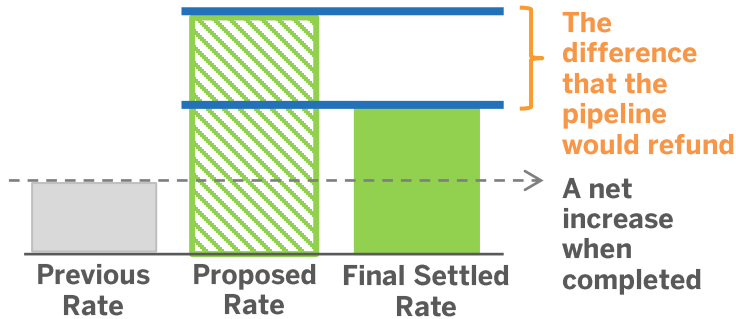
Your physical natural gas supply is transported to your facilities from two different pipelines – Transcontinental Gas Pipeline Company (“Transco”) and Texas Eastern Transmission LP (“Tetco”). Both pipeline companies filed rate cases this year to increase the rates shippers, such as Constellation and other retail suppliers, pay to transport physical natural gas to customers. **This rate change from interstate pipelines impacts all suppliers, and other stakeholders in this market. Enclosed is an infographic to provide more context about why some interstate pipelines are filing rate cases and how they work.**

### **What to expect for your business:**

1. **On your next bill, you will see a line item titled “Change in Law”** that will show the cost increase that the pipeline has begun charging, as described under the change in law terms of your natural gas agreement with us. Transco’s rate went into effect March 2019, so we will rebill the March flow period and forward. Tetco’s rate went into effect June 2019, so we will rebill June and forward. The physical natural gas supply of many customers is sourced from a combination of these pipelines, so we waited for both cases to develop to effectively measure the total impact and communicate both at once to help streamline changes. You can expect this change to fall between \$0.10 and \$0.50 per dekatherm depending on the month of flow.
2. **It is possible that we may be able to refund your business for part of this increase later.** When the rate case is settled and approved by the applicable Public Service Commission, it is possible for the pipeline company to refund back the difference between the proposed rate and the final settled rate – *please refer to the graphic on the next page for more information.* Constellation’s parent company, Exelon, is an active participant in these discussions and will continue to keep you informed as we get more detail. Once that final settlement is reached, if a refund is provided by the pipeline, we will credit your account for the difference.

### The Pipeline's Rate Change Process

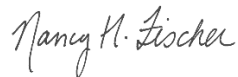
Tetco and Transco began charging their proposed rate when they formalized their rate case and will continue charging shippers this rate as proceedings continue. Once the rate case is settled, it is possible that the final rate will be lower than the originally proposed rate. If this is the case, then the pipeline will refund shippers the difference, which we in turn plan to refund back to you. When finalized, this will likely be a net increase.



*Graph is for illustration only and does not represent real data.*

If you have any questions, please contact the **Customer Care Team at 1-844-200-3GAS (1-844-200-3427) or [gascustomercares@constellation.com](mailto:gascustomercares@constellation.com).**

Thank you,



Nancy Fischer  
VP Operations, Constellation

# An Industry-wide Update

## The Physical Gas Delivery System

### Interstate Pipelines

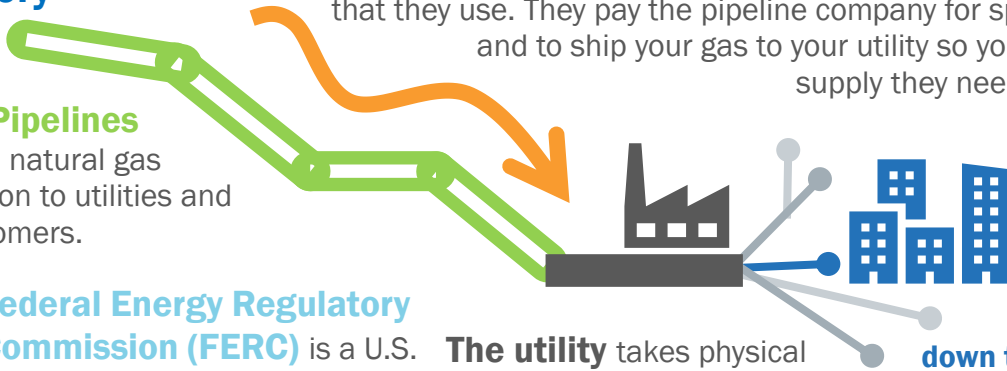
carry physical natural gas from production to utilities and end-use customers.



### 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.**

