Industrial Energy Consumers of America (IECA)
The Voice of the Industrial Energy Consumers

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July 23, 2024

The Honorable Jeff Duncan
Chairman
Subcommittee on Energy, Climate, and Grid Security
Committee on Energy and Commerce
Washington, DC 20515

The Honorable Diana DeGette
Ranking Member
Subcommittee on Energy, Climate, and Grid Security
Committee on Energy and Commerce
Washington, DC 20515

Re: Comments for the Record on "The Fiscal Year 2025 Federal Energy Regulatory Commission Budget" Hearing

Dear Chairman Duncan and Ranking Member DeGette:

Thank you for the opportunity to provide comments for the record on "The Fiscal Year 2025 Federal Energy Regulatory Commission Budget" hearing.

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.3 trillion in annual sales, over 12,000 facilities nationwide, and with more than 1.9 million employees. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, consumer goods, building products, automotive, independent oil refining, and cement.

I. Consumers Urge Congress to Amend the Natural Gas Act, Section 5 to Give FERC Authority to Refund Overcharges by Interstate Natural Gas Pipelines

Interstate natural gas pipelines are monopolies. Therefore, consumers need responsible protections to prevent abuse. This is one such example.

The consumer complaint section under the Natural Gas Act (NGA) Section 5 makes natural gas consumers vulnerable to billions of dollars in overcharges from interstate pipeline companies. To protect consumers, Congress needs to amend Section 5 to give the Federal Energy Regulatory Commission (FERC) the authority to grant refunds to natural gas consumers when FERC confirms that a pipeline is overcharging above just and reasonable rates.

A 2023 study[1] released by the Natural Gas Supply Association analyzed the cost recovery of 20 major interstate pipeline companies. The study shows that from 2018 to 2022, the 20 pipelines

[1] "2023 Pipeline Cost Recovery Report," Natural Gas Supply Association, 2018-2022.

were able to collect $5.1 billion over that five-year period, more than they would have collected on an average 12% return on equity allowed by FERC.

With FERC refund authority in place, both parties would have more incentive to come to the table and negotiate a just and reasonable rate. We know this is true because it works for electric consumers and transmission providers. Congress amended the Federal Power Act (FPA) Section 206 in 1988 to give FERC refund authority to electric consumers that prove their rates to be unjust and unreasonable.

We are aware that the natural gas pipeline companies are opposed to reform of Section 5 of the Natural Gas Act[2] and are telling members of Congress that the legislation will hamstring efforts to build new interstate natural gas pipelines. This is simply not true. IECA is strongly in support of building new pipeline capacity and would not support this legislation if we thought that it did.

One hundred percent of IECA's members are manufacturing companies who rely upon natural gas pipelines for the supply of natural gas. We do not have an alternative. We have companies with facilities who are unable to get sufficient pipeline capacity to operate their facilities at capacity and/or invest in new ones. For example, there is insufficient pipeline capacity all along the entire East Coast and manufacturing companies receive operational flow orders (OFOs) about 90 percent of the time.

Lastly, if demand is high and there is insufficient pipeline capacity, manufacturing companies are always the first to be curtailed. When this happens, we are forced to reduce operating capacity or shutdown and this costs tens of millions of dollars per day. Therefore, it is in our best interests to support the building of pipelines.

II. FERC is Failing in its Duty to Initiate Interstate Natural Gas Pipeline Rate Cases to Reduce Rates That are Not Just and Reasonable

A second example of needed consumer protections from monopoly power is action by the FERC to regularly review pipeline rates to ensure that consumers are not charged abusive rates. The NGSA study confirms that several interstate natural gas pipelines have exorbitant rates well above the 12% return on equity. Despite this, FERC is failing to take legal action to rein them in. In past years, FERC would initiate at least three rate cases or more. In 2023, FERC did not initiate a single rate case.

We urge the Committee to ask FERC why they are not initiating more rate cases, which would reduce costs to consumers.

Sincerely,

Paul N. Cicio
Paul N. Cicio
President & CEO

[2] "Rate Dispute Escalates Between US Gas Pipelines, Shippers," Energy Intelligence, May 3, 2024, https://www.energyintel.com/0000018f-39e7-d00d-a7df-3df7b8060000

cc: House Committee on Energy and Commerce

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