



Comments Related to Federal Energy Regulatory Commission July 30, 2015 Conference Five-Year Review of the Oil Pipeline Index

Docket No. RM15-20-000

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July 29, 2015

Cost-Based Index Review Recommends PPI+2.55



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- Analysis of the cost experience of oil pipelines based on complete FERC Form 6 dataset demonstrates an adjustment factor of 2.55 percentage points should be applied to PPI-FG for the next five years
- Economic analysis supports the use of both the middle 50% and the middle 80%
 - Appropriately balances the economic motivation to include as much data as possible while excluding outliers
 - Middle 80% better reflects the expected distribution of costs
- Excessive dispersion in the middle 80% is not evident in the data used for the current review

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**Average Annual and Cumulative Percent Changes
Operating Costs and Net Plant Using Operating Ratio
All Companies Reporting Data in Every Year from 2009
2009 - 2014**

Selection Criteria	Annual Change	Cumulative Change
	------(Percent)-----	
	(a)	(b)
Middle 50 Percent		
(1) Weighted Average	4.98 %	27.49 %
(2) Unweighted Average	5.60	31.32
(3) Median	4.10	22.27
(4) Composite	4.89	27.03
Middle 80 Percent		
(5) Weighted Average	7.83 %	45.79 %
(6) Unweighted Average	6.96	39.96
(7) Median	4.10	22.27
(8) Composite	6.30	36.01
(9) PPI FG	3.04 %	16.17 %
(10) Difference from 50% Composite (4) - (9)	1.85	10.85
(11) Difference from 80% Composite (8) - (9)	3.25	19.83
(12) Average Difference [(10)+(11)]/2	2.55	15.34
(13) FERC Adopted		

Notes:

¹ Operating Costs include both operating expenses and depreciation/amortization as defined in the FERC Form 6.

² Average of (1), (2) and (3).

³ Average of (5), (6) and (7).

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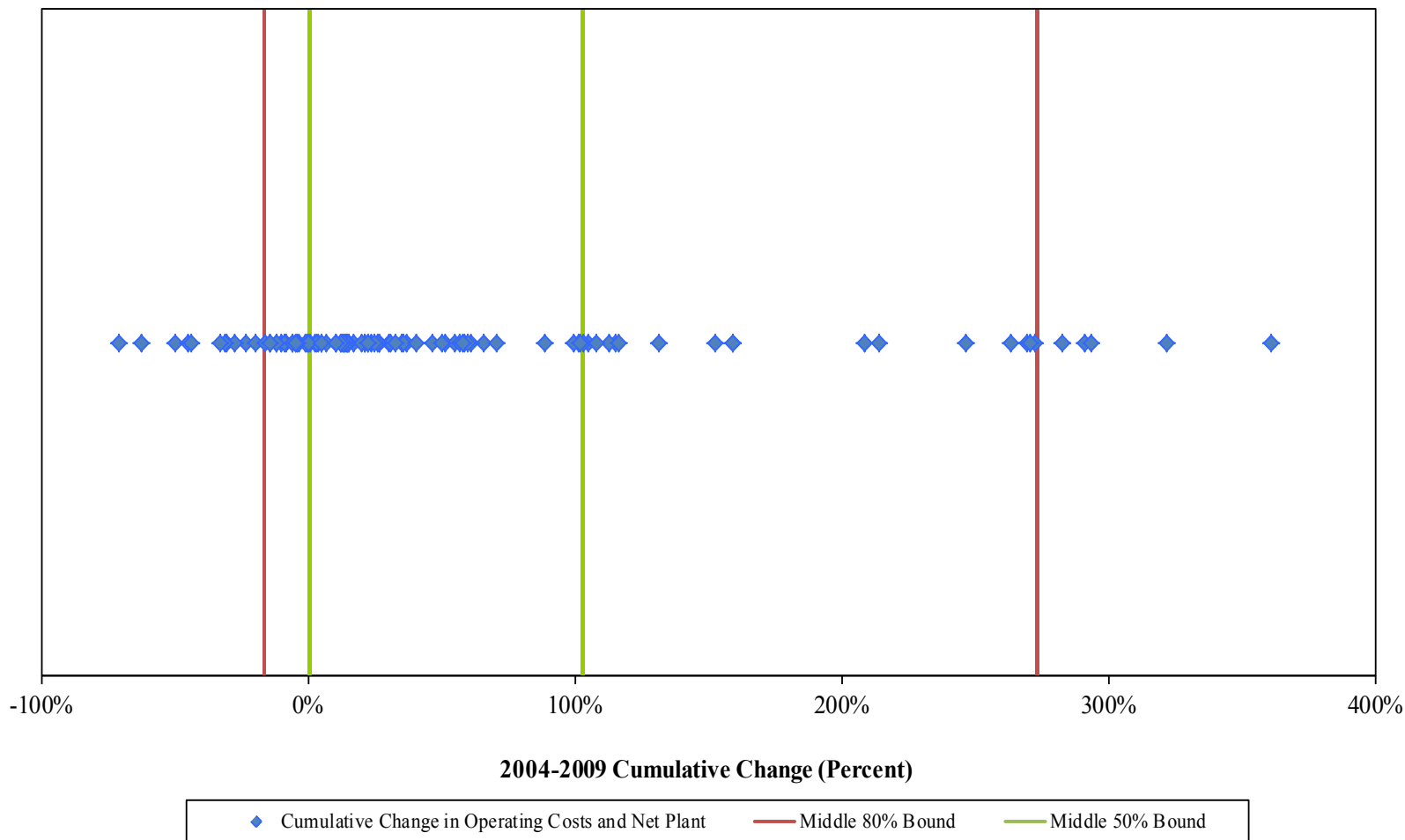
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- Differences with Staff's analysis arise for three reasons
 - Use of the middle 50% and the middle 80%
 - Additional Form 6 filings since the NOI
 - Addressing certain business combinations in the data

Dispersion of Cost Changes Is Smaller than in Prior Review



Distribution of Cumulative Cost Index Changes for Companies Reporting Financial Information for the Entire Time Period
2004 - 2009

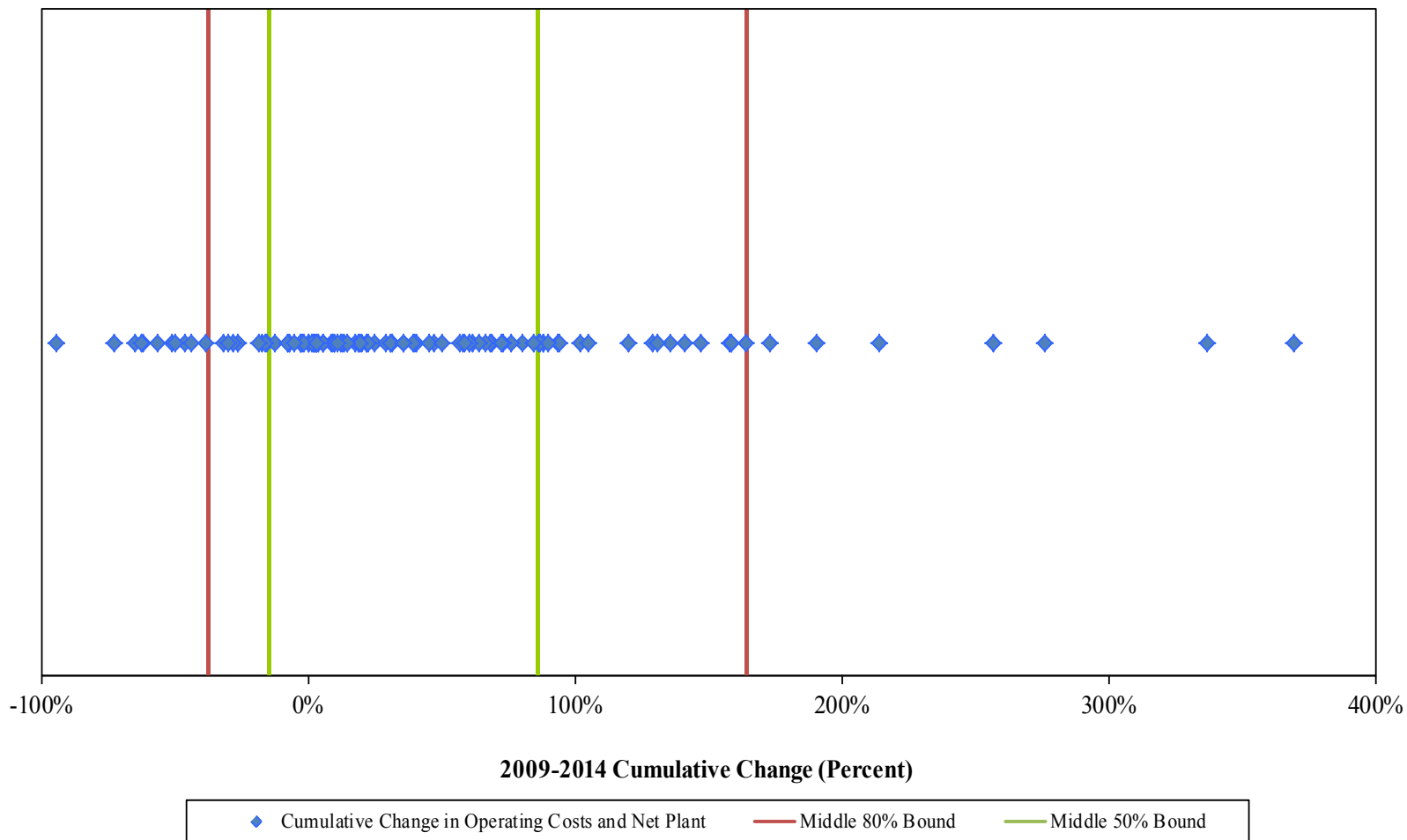


Source: FERC Form 6.

Dispersion of Cost Changes Is Smaller than in Prior Review



**Distribution of Cumulative Cost Index Changes for Companies Reporting Financial Information for the Entire Time Period
2009 - 2014**



Source: FERC Form 6.