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## Market-Based Rates Consulting

BWMQ has participated in several proceedings concerning market-based rates for natural gas storage facilities and natural gas transmission facilities. Dr. Gallick, Dr. Ogur, and Mr. Sullivan have participated in most of the litigated FERC proceedings involving market-based rate applications.

FERC requires that market-based rate applicants demonstrate (1) that they cannot withhold or restrict services and significantly increase price for a significant period of time; and (2) that they cannot discriminate unduly in terms of price or conditions. To show a lack of market power, an applicant must show that its customers have sufficient "good alternatives" or that it can mitigate its market power. FERC's analytical framework to show a lack of market power consists of three steps: (1) define the relevant markets, (2) measure the applicant's market share and the market concentration, and (3) evaluate other relevant factors.

To gain Commission approval to charge market-based rates, the applicant must file a detailed market power study demonstrating that it lacks market power. Similarly, opponents of the application have an opportunity to identify deficiencies in the applicant's market power analysis as well as to submit their own market power analysis. BWMQ has a wealth of experience in conducting market power studies, including defining relevant markets, identifying good alternatives, computing market shares and HHI statistics, and designing mitigation measures to address any remaining market power concerns. BWMQ can provide an initial market power study to help the client determine whether it is likely that market-based rates can be justified. If so, BWMQ can perform a more rigorous market power analysis that could support an application for market-based rates or an intervenor opposing the application. If the application is set for hearing, BWMQ can provide written testimony and exhibits on the market power issues.