
Pricing and Cost Allocation

Prices in an energy context may be referred to by a variety of words: rates, tolls, charges, or bills. Pricing issues are important to you because they affect not only the amounts collected by each energy firm, or overall level of rates, but also relationships with customers, regulators and the public. We help to determine or evaluate the best methods of establishing prices in each regulatory or business context in light of the market place and testify on the design of prices. Our engagements have included establishing prices that vary by distance, time period, cost behavior or service. The firm has prepared testimony on the merits of rolled-in vs. incremental pricing, the impacts of depreciation options on prices and various distance-based and zone pricing methods. We can help you with emerging pricing issues, such as setting market-based and incentive prices. The firm has a particular expertise in innovative pricing strategies, such as leveled rates.

Brown Williams participates actively in regulatory changes, such as those that required the development of bundled and unbundled prices and tariffs for a number of gas pipelines. The unbundled services included gathering, storage, and transmission services. Brown Williams provides assistance in evaluating the behavior of energy markets with an emphasis on regulatory market monitoring initiatives and their impact on electric pricing and requirements to prepare open access transmission tariffs. The firm has evaluated the impact of trended original cost and depreciated original cost methods on the prices charged by oil pipelines. We have analyzed market-based pricing proposals for products and crude oil pipelines and for storage operators.

Cost allocation studies are performed by regulated firms to determine who should pay for the services provided. We understand the applicable regulatory precedents and methods that can and should be employed to allocate costs in setting prices. Cost allocation decisions are made based on the facts of the particular pricing context. We can help you to determine what the facts are and how to evaluate your particular facts under the circumstances.