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Volume IV
Issue 4
May 16, 2017

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RECENT REGULATORY AND COURT ACTIVITY

President Trump to Nominate Two New FERC Commissioners: On May 8, 2017, President Trump announced that he is nominating two new Republican FERC commissioners: Robert Powelson and Neil Chatterjee. The nominees must be confirmed by the Senate before serving. President Trump can appoint any confirmed member as the chairman without Senate approval. Currently, Acting FERC Chairwoman Cheryl LaFleur and Commissioner Colette Honorable are the only two remaining FERC Commissioners. However, Honorable is expected to leave the Commission on June 30, 2017, when her term expires. Kevin McIntyre, an attorney with Jones, Day, who has been mentioned previously for the Chairman slot, has not been nominated yet, and his nomination appears to have been delayed.

Powelson has been a member of the Public Utility Commission of Pennsylvania since 2008 and was its chairman from 2011 to 2015. He is also the president of the National Association of Regulatory Utility Commissioners. It has been reported that he has criticized opponents of pipeline projects for their actions in disrupting public meetings and using other tactics to harass federal and state regulators and their families to stop important infrastructure projects and that he resigned his membership in an energy industry group aimed at expanding the energy industry in southeastern Pennsylvania after critics said it put him in a conflict of interest. He holds a bachelor's degree in political science and a masters in government administration and finance from the University of Pennsylvania. It is reported that he is an avid Philadelphia sports fan.

Chatterjee is the top energy adviser to Senate Majority Leader Mitch McConnell. He previously worked as a lobbyist for the National Rural Electric Cooperative Association. He is reported to have served as an architect of major energy and environmental policy in the Senate, including helping to coordinate attacks on the Clean Power Plan that would require electricity generators to cut carbon emissions.

Natural Gas Pipeline Company and Wyoming Interstate Company File Cost and Revenue Studies: On April 4, 2017, Natural Gas Pipeline Company ("NGPL") and Wyoming Interstate Company ("WIC") both filed cost and revenue studies ("C&R") in each of their Section 5 investigations.

NGPL estimates that at current rates it will under collect its COS by \$58.6 million. Statement A of NGPL's C&R shows that the overall COS of \$576 million includes Operation and Maintenance expenses of approximately \$180 million, Depreciation, Negative Salvage and

Amortization of approximately \$92 million, Taxes other than Income of approximately \$24 million, Interest Expense of approximately \$205 million, Equity Return and Income Taxes of approximately \$61 million, and offsetting credits to the COS of approximately \$15 million. NGPL is relying upon the capital structure of its parent PipeCo, which has a 30 percent capital structure and a 15% rate of return on equity applied to an equity portion of total rate base (30 percent of approximately \$1.4 million). The C&R also indicates that NGPL is not subject to federal income or state income taxes, but that its rates include an allowance for income taxes as if it were a corporation. Access NGPL's C&R [here](#). The next settlement conference will be held at FERC on Tuesday, May 23rd. The plan is for shippers and Staff to prepare a counter offer in the morning on the 23rd to present to the pipeline and for them to respond in the afternoon.

WIC also claims in its C&R that its costs exceed its revenues. Statement A of WIC's C&R shows an overall COS of \$157 million, which includes Operation and Maintenance expenses of approximately \$18 million, A&G costs of approximately \$6 million, Depreciation and Amortization of approximately \$32 million, Taxes other than Income of approximately \$5 million, Federal Income Taxes of \$35 million, state income taxes of roughly \$1 million and Return Allowance of \$62 million. WIC did not include any test period adjustments or projections. WIC's overall return reflects WIC's as-adjusted capitalization of 100% percent equity as of December 31, 2016 and a 13% rate of return on equity applied to its total capital of \$470 million. Access WIC's C&R [here](#). On May 4, 2017, the Commission held informal settlement discussions with the Intervenor, including PGC. WIC is required to provide a status update on May 22, 2017 to the Commission. The next official settlement conference with WIC is scheduled for June 29, 2017; however, the parties are conducting informal discussions.

Alaska LNG Project Application Filed at FERC: On April 17, 2017, Alaska Gasline Development Corporation ("AGDC") filed an application to obtain a Natural Gas Act Section 3 permit for its Alaska LNG Project. In terms of geographic scope and complexity, this project is one of the largest projects to come under FERC's review. The project is comprised of a 3.3 Bcf/d capacity gas treatment plant located at Prudhoe Bay, an 807-mile pipeline to Southcentral Alaska, and a natural gas liquefaction plant and export facility in Nikiski with the capacity to export up to 20 million mt/year. If approved, the project would not produce any LNG for export, at earliest, until 2024. The filing of this application is the culmination of decades of work, which marks Alaska's attempt to monetize 35 Tcf of gas on Alaska's North Slope. According to the application, the project will cost an estimated \$40 to \$45 billion, making this project one of the most expensive ever built and will use more than 647,000 tons of pipeline steel and 2.2 million horsepower of gas-fired turbines, compressors and power generation. The application process will take a minimum of 30 days but is likely to take 60 to 90 days. AGDC has requested that FERC complete its full review by December 31, 2018.

President Trump Issues Executive Order on Energy Independence: On April 20, 2017, President Trump signed an executive memorandum ordering the Commerce Department to conduct an investigation into whether steel imports are affecting national security. The memorandum states that the steel industry is the victim of unfair trade practices and that previous antidumping and countervailing duty orders on steel products have been insufficient. Read [here](#). Representatives from INGAA, the national natural gas pipeline trade association, oppose any requirement to use domestic steel to construct new pipelines.

RECENT PGC ACTIVITY

PGC, in conjunction with American Forest and Paper Association (“AF&PA”) and American Public Gas Association (“APGA”) has prepared joint responsive comments in the FERC Commission’s Notice of Inquiry regarding Tax Allowances to respond to the initial comments submitted by INGAA. The joint comments contain rebuttal prepared by our economic consultants to the economic consultants sponsored by INGAA and explain why the tax allowance is not appropriate for partnership pipelines and other pass-through entities that do not pay taxes at the entity level. PGC recently filed sur-reply comments in this matter.

ON THE HORIZON

The next in-person Membership and Board Meeting will be at DLA’s offices in Washington, DC on June 7-8, 2017. Please be on the lookout for a formal invitation and details for arranging a hotel room.

The monthly membership call for May will be cancelled, as the topics for this month are covered in this newsletter. The monthly membership call for July will occur July 14, 2017 at 12:00 pm EST. Please use dial in: 1-888-472-4293; and passcode: 7021111#.

CONTACT INFORMATION

If you have any questions, please contact Andrea Chambers at 202-799-4130 or via e-mail [here](#).