



REGULATORY UPDATE

FERC Brings 4 Section 5 Proceedings in January, PGC Intervenes: on January 21, FERC initiated **4 new Section 5 proceedings** against the following pipelines: Columbia Gulf Transmission ("CGT"), Iroquois Gas Transmission System ("Iroquois") Empire Pipeline, Inc. ("Empire"), and Tuscarora Gas Transmission Company ("Tuscarora"). FERC ordered each pipeline to file a full cost and revenue study within 75 days of the order, or April 5, 2016. This cost and revenue study will contain "actual data for the latest 12-month period." PGC intervened in each of these proceedings. A brief description of the current case status is below:

- **CGT** (Docket No. RP16-302): Commission Staff estimated CGT's return on equity for 2013 was 17.3% and 18.2% in 2014 using Form 2 data CGT filed. You can view the Commission's order establishing the Section 5 proceeding [here](#).
 - *Case Status*: The ALJ held a prehearing conference on February 10, 2016 and [established a procedural schedule](#). Parties are able to file discovery requests now, prior to the April 5, 2016 deadline for CGT to file its cost and revenue study. CGT filed a [request for rehearing](#) on February 19th. This request is pending before the Commission.
- **Empire** (Docket No. RP16-300): Commission Staff estimated Empire's return on equity in 2013 was 15.8%, and in 2014 was 20.2% using Form 2 data Empire filed. You can view the Commission's order establishing the Section 5 proceeding [here](#).
 - *Case Status*: The ALJ held a prehearing conference in this matter on February 10 and [established a procedural schedule](#). Discovery begins April 6, the day after Empire must file its cost and revenue study. Empire filed a [request for rehearing](#) of the Commission's decision to bring a Section 5 action on February 22nd. This request is pending before the Commission.
- **Iroquois** (Docket No. RP16-301): Commission Staff estimated Iroquois's return on equity in 2013 was 16.2%, and in 2014 was 16.3% using Form 2 data Iroquois filed. You can view the Commission's order establishing the Section 5 proceeding [here](#).
 - *Case Status*: The ALJ held a prehearing conference in this matter on February 12 and [established a procedural schedule](#). Discovery begins April 5, the day that Iroquois must file its cost and revenue study. Unlike the other pipelines, Iroquois did not file a request for rehearing.
- **Tuscarora** (Docket No. RP16-299): Commission Staff estimated Tuscarora's return on equity as 23.6% for 2013 and 24.9% in 2014 using the Form 2 data Tuscarora filed. You can view the Commission's order establishing the Section 5 proceeding [here](#).
 - *Case Status*: The ALJ held a prehearing conference in this matter on February 11 and [established a procedural schedule](#). Discovery has already begun, prior to the April 5, 2016 deadline for Tuscarora to file its cost and revenue study. Tuscarora [filed a request](#)

[for rehearing](#) of the Commission's decision to bring a Section 5 action on February 22nd. This request is pending before the Commission.

NGSA Issues 2016 Pipeline Over-Recovery Report: NGSA recently issued its 2016 Pipeline Cost Recovery Report. This annual report is based on FERC Form 2 data and shows the average return on equity for 32 interstate natural gas pipelines over a five-year period, from 2010-2014. Over the five-year period the study shows that: 8 pipelines had ROEs 16% or higher; 19 pipelines had ROEs 12% or higher, and the total over-recovery is \$3.9 billion. You can view a summary of the study [here](#). If you are interested in viewing individual pipeline data, please let us know.

FERC Issues January 2016 Energy Infrastructure Update: FERC issued its [January 2016 Energy Infrastructure Update](#) at the end of February. The report shows that in January 2016, 22.0 MMcf/d, or 35.2 miles of new pipeline was placed in service, and 430 MMcf/d was certificated.

First LNG Project Begins Service in February Despite Murky Outlook for LNG, FERC Rejects Jordon Cove LNG Project: The first of Cheniere Energy's Sabine Pass Liquefaction Project in Sabine Pass, Louisiana's six different liquefaction units, or trains, began service in February after many delays. The other trains are in various stages of development and permitting. The total permitted capacity by FERC is 4.16 Bcf/d. Four LNG export terminals are currently under construction (Dominion Energy's Cove Point facility, Cheniere Energy's Corpus Christi facility, Sempra Energy's Cameron facility, and Freeport's facility). However, a [March 4 report from the U.S. Energy Information Administration \(EIA\)](#) found that "[m]arket conditions have changed since many LNG export projects in the United States were initially proposed." The EIA concluded that "proposed LNG terminals in the United States face not only increased competition from other domestic and foreign terminals that have been completed, but they also face uncertainty in global LNG demand." The agency cites falling demand last year from China, Japan and South Korea, the world's three largest LNG importers, which was first time those numbers had fallen since 2009. Separately, [FERC rejected](#) Canadian-based Veresen Inc.'s proposed Jordon Cove LNG export project in Oregon on March 11. FERC indicated that the public benefits from the proposed Pacific Connector pipeline do not outweigh its potential for adverse impacts on landowners and communities.

ENFORCEMENT UPDATE

FERC Initiates Four New Audits in 2016: Since January 1, FERC's Office of Enforcement ("OE") has initiated 4 new audits against [Chevron Pipeline Company](#), [SESCO Enterprises, LLC](#), [Northern Natural Gas Company](#), and [Trunkline Gas Company, LLC](#). A brief description of OE's basis for commencing each of the audits is below:

- *Chevron U.S.A., Inc.*: The audit will evaluate CUSA's compliance with Commission regulations, including: (1) Code of conduct for persons holding blanket marketing certificates; (2) Release of firm capacity on interstate pipelines; and (3) FERC Form No. 552, Annual report of natural gas transactions. The audit will focus on examining CUSA's natural gas wholesale market activities and compliance with the applicable Commission regulations. The audit will cover the period from January 1, 2014 to present.
- *SESCO Enterprises, LLC*: The audit will focus on SESCO's wholesale electric trading activity, including compliance with applicable tariff provisions of markets in which SESCO participates. The audit will also evaluate SESCO's compliance with requirements of its market-based rate (MBR) authorizations, including, but not limited to, the Commission's MBR regulations and Electric Quarterly Report filing regulations. The audit will cover January 1, 2013 to present.

- *Northern Natural Gas Company*: The audit will evaluate Northern Natural's compliance with: (1) requirements of its FERC gas tariff; (2) accounting regulations of the Uniform System of Accounts; and (3) reporting requirements of the FERC Form No. 2, Annual Report. The audit will cover January 1, 2013 through the present.
- *Trunkline Gas Company, LLC*: The audit will determine whether Trunkline complies with: (1) requirements of its FERC gas tariff; (2) accounting regulations of the Uniform System of Accounts; and (3) reporting requirements of the FERC Form No. 2, Annual Report. The audit will cover January 1, 2013 to the present.

CLEAN POWER PLAN UPDATE

Supreme Court Stays Clean Power Plan: On February 9, 2016, the Supreme Court stayed implementation of the Clean Power Plan, although the D.C. Circuit had not yet ruled on the merits of the underlying challenge to the rule. Over 29 states and state agencies had appealed the Clean Power Plan to the D.C. Circuit. Oral arguments in the D.C. Circuit are scheduled for June 2, and a decision could come out as early as the end of August or beginning of September. The case will most likely then be appealed to the Supreme Court. Given the upcoming November elections, and the newly-opened seat on the U.S. Supreme Court, the fate of the Clean Power Plan is uncertain.

ON THE HORIZON

- The March 2016 PGC meeting, scheduled this Friday, March 18, is cancelled, as the newsletter covers all pertinent updates for this month. A cancellation notice will be sent shortly. We will resume our monthly call schedule next month on April 15.
- Next Commission Meeting: March 17, 2016

CONTACT INFORMATION

If you have any questions, please contact Andrea Chambers at 202-661-7607 or via e-mail [here](#), or Katie Leesman at 202-661-2266 or via e-mail [here](#). If you need access to the PGC member portion of the website, contact Trinna Barner via e-mail [here](#).