

Energy Quarterly Report Natural Gas Pipeline Delays—Q2

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FERC

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FERC Quorum

FERC has been stalled since February when Chairman Norman Bay resigned with two existing vacancies on the 40-year-old panel. On top of that, on April 20 another commissioner, Colette Honorable, announced plans to depart FERC at the end of June.

President Trump has [nominated](#) Neil Chatterjee, an adviser to Republican U.S. Senator Mitch McConnell, and Robert Powelson, a member of the Pennsylvania Public Utility Commission, to fill two of the empty positions at FERC. Chatterjee's term would expire on June 30, 2021, and Powelson's term would end on June 30, 2020. Both nominees must be confirmed by the Senate.

On June 6, 2017, the U.S. Senate Committee on Energy and Natural Resources [voted](#) 20-3 to approve both Neil Chatterjee and Robert Powelson's nominations to serve as FERC commissioners. The nominations must now go to the full Senate for confirmation. That vote is not currently scheduled.

Thirty trade associations, including several representing the natural gas and oil industry, have [urged](#) Senate leaders to act quickly on President Trump's nominations to FERC.

President Trump is also expected to nominate Kevin McIntyre, an energy lawyer at the law firm Jones Day, to chair the commission. If the President nominates any additional FERC commissioners, they must be Democrats, as only three members of the commission can be from one party.

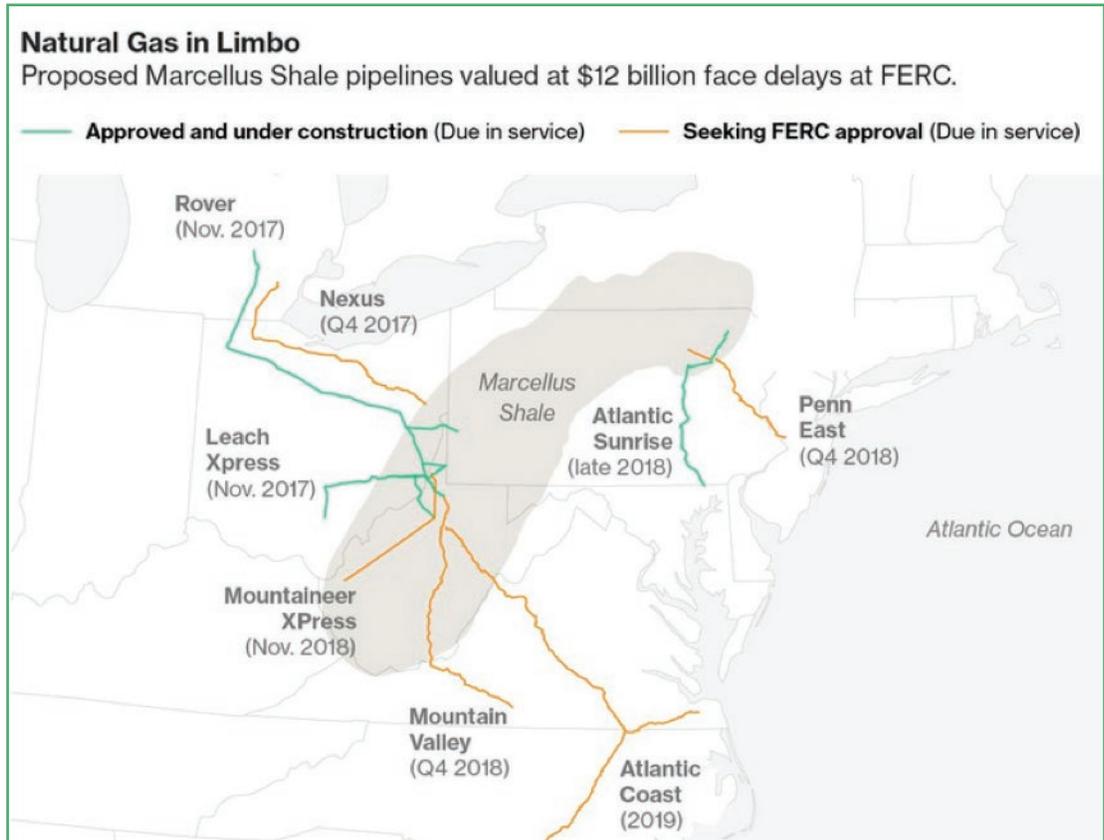
1. Key Findings

It's been more than four months since FERC had the necessary quorum (3 members) to take up significant issues and approve major orders. Although regulators delegated some authorities to staff, the Commission's inability to make major decisions has held up \$50 billion worth of energy projects.

In April, Acting Chair Cheryl LaFleur said the agency had gone from issuing 100 orders per month to about a quarter of that volume.

Currently, pipeline projects valued at \$12 billion face delays, while \$38 billion in additional energy projects are slowly moving through the approval process. An additional \$25 billion of proposed projects in the initial phase of the application process could also be delayed if the lack of a quorum at FERC persists late into the year.

The Interstate Natural Gas Association of America (INGAA) estimated that approximately \$15 billion worth of shovel-ready, natural gas pipeline projects have been sidelined by the lack of quorum.



2. Market Overview

Projects awaiting approval include the \$1 billion, 114-mile PennEast Pipeline, TransCanada Corp.'s \$850 million WB Express, and Chesapeake Utilities Corp.'s \$100 million Eastern Shore expansion project, which expected approval in the first half of the year. The \$2 billion, 255-mile Nexus pipeline being developed by DTE Energy Co. and Spectra Energy Partners is planning to be operational in time to supply natural gas this winter, but is still waiting on approval from the commission.

Projects waiting for FERC approval

Project Name	In Service Date ▲	Operator	Project Type	Stage
Northern Supply Access (TGT expansion)	Q2/2017	Texas Gas Transmission	Expansion	FERC Application
Nexus Pipeline	Q2/2017	NEXUS Gas Transmission	New Build	FERC Application
TGP - Southwest Louisiana Supply Project	Q3/2017	Tennessee Gas	Reversal	FERC Application
Atlantic Bridge	Q4/2017	Spectra Energy / Enbridge	Expansion	FERC Application
Dalton expansion	Q4/2017	Transco	Expansion	FERC Application
Atlantic Sunrise	Q2/2018	Transco	Reversal	FERC Application
Constitution	Q3/2018	Williams	New Build	FERC Application
Penn East	Q4/2018	PennEast Pipeline	New Build	FERC Application
Mountain Valley	Q4/2018	EQT Midstream Partners	New Build	FERC Application
Atlantic Coast Pipeline	Q4/2019	Atlantic Coast	New Build	FERC Application

Pipelines currently under construction

Project Name	In Service Date ▲	Operator	Project Type	Stage
Trunkline Reversal	Q2/2017	Energy Transfer Partners	Reversal	Under Construction
Panhandle Reversal	Q2/2017	Energy Transfer Partners	Reversal	Under Construction
Rover Pipeline Phase I	Q3/2017	Energy Transfer	New Build	Under Construction
Nueva Era	Q3/2017	Howard Energy	New Build	Under Construction
Gulf Markets Expansion Phase II	Q3/2017	Spectra Energy / Enbridge	Expansion	Under Construction
Rayne/Leach Xpress (Gulf Bi-Dir.)	Q4/2017	TransCanada/CPG	Reversal	Under Construction
Adair Southwest	Q4/2017	TETCO	Expansion	Under Construction
Broad Run Expansion Project	Q2/2018	Tennessee Gas	Expansion	Under Construction
Valley Crossing	Q4/2018	Enbridge	New Build	Under Construction

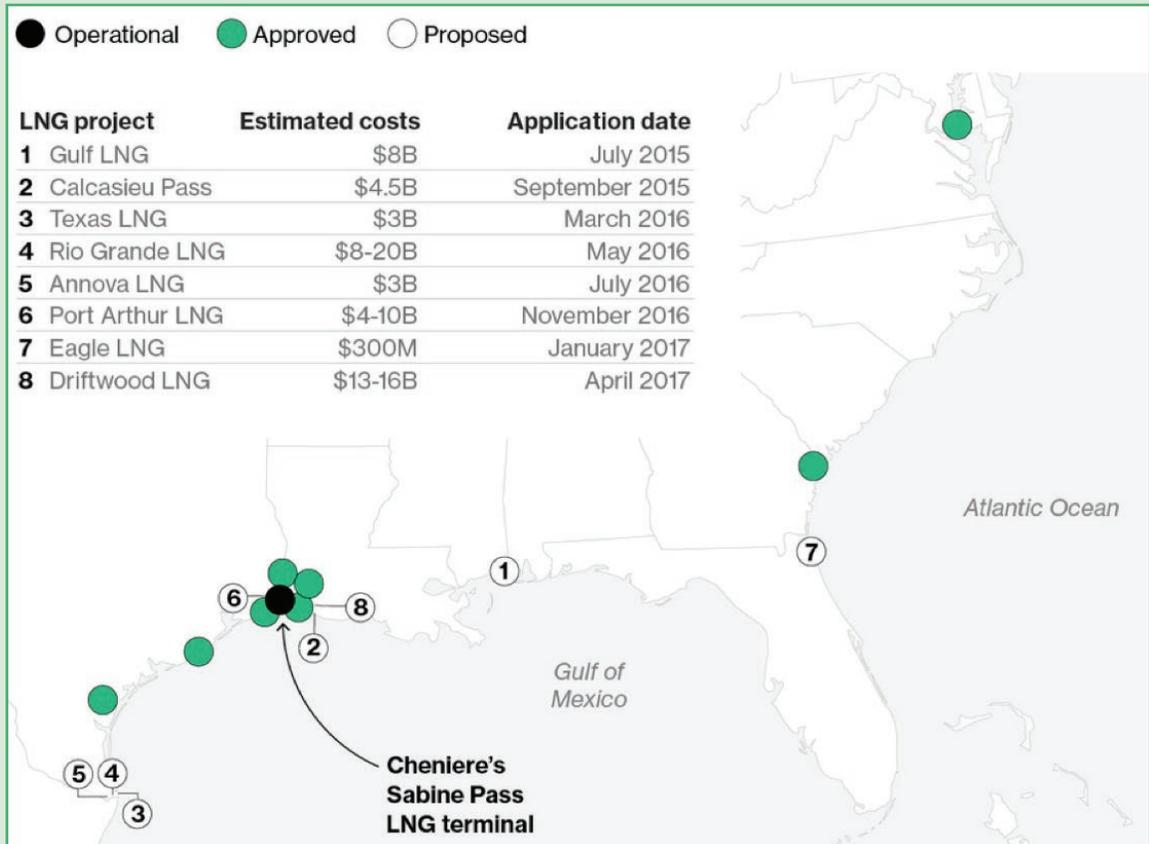
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2. Market Overview *(continued)*

The timing of approvals can affect developers' ability to meet deadlines and navigate construction restrictions.

The fate of these projects has gained new significance in recent years as the U.S. is expected to become a net natural gas exporter by 2018, according to the EIA.

FERC vacancies could slow the approvals of export terminals worth about \$40 billion.



3. Outlook

Without a quorum, FERC's two remaining members can't approve new hydropower plants, rule on contested utility mergers, or finalize settlement agreements in market-manipulation cases. A proposed rule on commercial battery storage is on hold, as is a decision on adjusting FERC's disputed income tax allowance policy for master limited partnership pipelines.

Once a quorum is restored at FERC, the commissioners will have a significant backlog to work through quickly in order to keep these projects on track.