

# Gas Power Regulatory Trends: Federal and State Developments

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Brian Heslin  
Moore & Van Allen PLLC



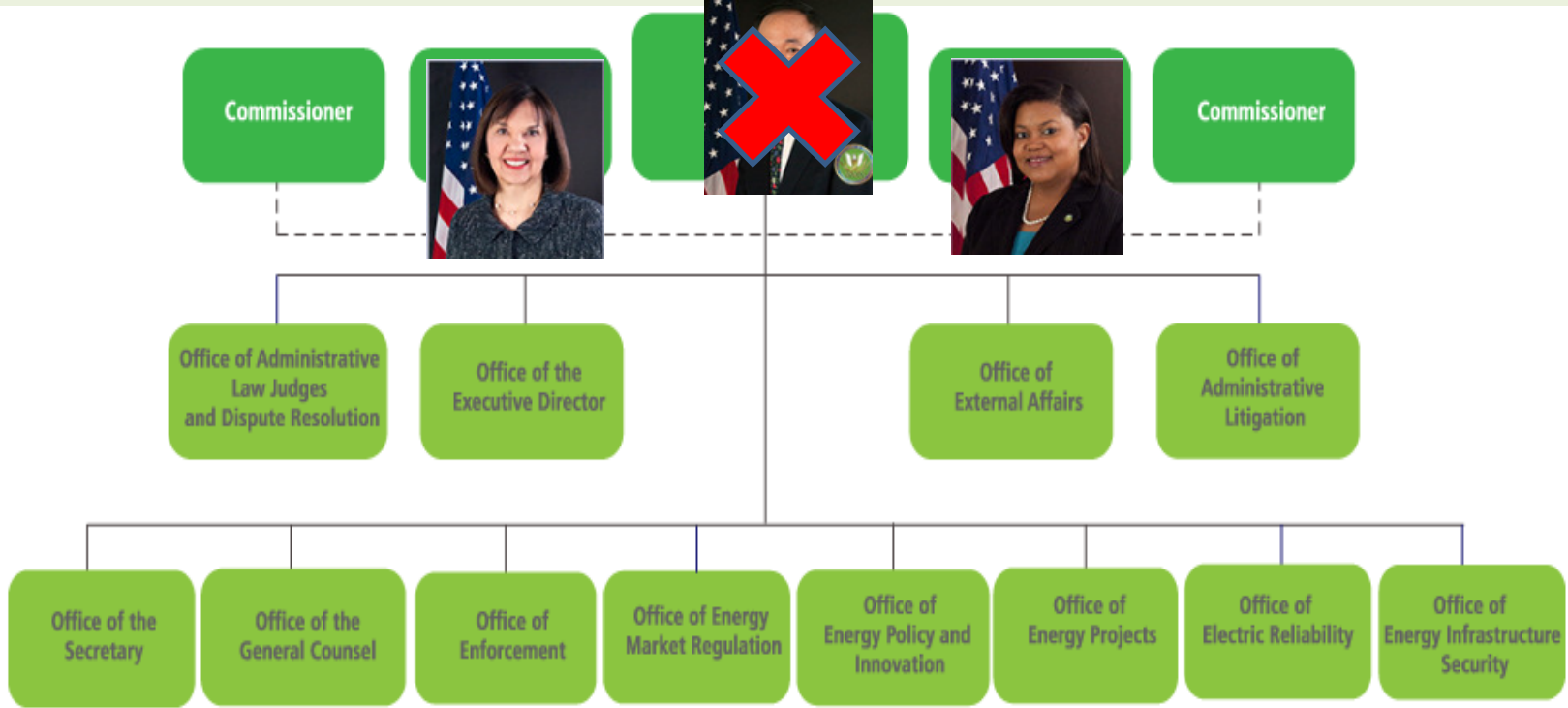
# Topics

- I. FERC Commissioner Nominations and Impact of Lack of Quorum
- II. Biogas/ Renewable Natural Gas
- III. Trump Administration – Looking Forward

# **FERC Commissioners: Nominations and Impact of Lack of Quorum**



# Organizational Structure of FERC



- First time in 40 year history
- Norman Bay resignation on February 3<sup>rd</sup>

# Repercussions of Lack of Quorum

- Projects stalled awaiting action
- Bloomberg: \$50 billion slowed or stalled
  - Nexus Pipeline (\$2 billion) – DTE, Spectra
  - PennEast Pipeline (PA to NJ)
  - WB Express (TransCanada)
  - Chesapeake Utilities Corp. Eastern Shore Expansion – anticipating approval in the first half of the year
- Awaiting environmental reviews
  - Mountain Valley Pipeline – EQT Midstream, NextEra
  - ACP – Dominion, Duke
- LNG Certificates
- New Projects fall into queue

# Repercussions of Lack of Quorum

- Other effects
  - No new hydropower plants
  - Can't rule on contested dockets
  - Can't finalize settlements in market manipulation/ enforcement cases
  - Rulemaking
- Can approve pipeline tariff rates – unopposed

# Presidential Nominees

- On May 8<sup>th</sup>, Trump nominated Neil Chatterjee and Robert Powelson
- Both are Republicans and are considered to be opponents of Obama's Clean Power Plan
- Neither will serve a full five-year term
  - Powelson was nominated to a term that ends on June 30<sup>th</sup>, 2020
  - Chatterjee was nominated to a term that ends on June 30<sup>th</sup>, 2021

# Neil Chatterjee



- Energy advisor to US Senator Majority Leader Mitch McConnell (R-KY)
- Prior to services as energy advisor to McConnell, he worked as a lobbyist for the National Rural Electric Cooperate Association and as an aide to House Republican Conference Chairwoman Deborah Pryce of Ohio
- Spearheaded the Republican push for Senate approval of Keystone XL pipeline
- Highly involved in energy policy
- Led McConnell's campaign to convince states to oppose the Clean Power Plan
- Worked to lift the ban on crude oil exports



# Robert Powelson



- Strong supporter of natural gas and fracking
- Has served as a Commissioner on Pennsylvania's Public Utility Commission since 2008
- Opposed the Clean Power Plan as a “disconnect” between state and federal authority
- Currently serves as the President of the National Association of Regulatory Utility Commissioners
- Considered one of Pennsylvania's top utility regulators

# What can we expect?

- Early June or longer
- Commissioner Honorable's term expires in June
  - Another pro industry commissioner?
  - Kevin McIntyre – Jones Day/Chairman?
- Approvals of new facilities
  - Faster rate?
- Enforcement
  - Market manipulation
  - Reversing the trends of Bay?



# Biogas: State Regulatory



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# Renewable Natural Gas (RNG)

- Produced by processing and cleaning methane-rich gas
- Processed to fully be interchangeable with traditional geological natural gas
- Most produced from landfills, livestock manure digesters and wastewater treatment plants
- Two Primary Processes
  - Anaerobic Digestion (AD)
    - Feedstocks with high moisture – animal manure, wastewater
  - Thermochemical conversion
    - Feedstocks with low moisture – woody biomass, crop residuals, and dedicated energy crops

# About RNG

- Industry Definitions (RNG Coalition, American Biogas Council)
  - Biogas: gas produced from the biological decomposition of organic materials
  - Syngas: thermochemical decomposition of organic and nonorganic
  - Conditioned Biogas – stripped of contaminants, medium BTU
  - Biomethane – high BTU, stripped of CO<sub>2</sub> and contaminants
  - RNG – biomethane that is natural gas quality: substitute for geological natural gas

# Uses of RNG

- Onsite biogas use
  - Produce process heat, generate electricity for onsite or export
- Interconnection with natural gas transportation and distribution systems
  - Often requires state regulatory approval
- Costly

# Regulatory Challenges for RNG

- No Standard Gas Quality and Constituent Requirements
- Gas Quality
  - Minimum heating values – tariff quality specifications
    - 50-60 vs. 90 percent
    - Why are heating values important?
      - Gas combustion turbines, appliances
  - Constituents
- Upgrading and cleaning raw biogas – costly

# Federal Regulatory

- Interstate vs. Distribution Systems
  - Directed Biogas – RNG, injected into interstate pipeline for use in state
    - In NC, flow this summer
  - Interstate pipelines
    - 44 active RNG projects inject biomethane into US interstate pipelines
  - Gas Quality – BTU content in tariff
    - RNG producers want between 950-970
    - Transco - 980



# State Regulatory

- Distribution Systems
  - Issues for LDCs
- CA – AB 1900 – Adoption of RNG quality standards
  - No new projects injecting since these standards
    - High costs
- NC – Docket involving Piedmont Natural Gas
  - Alternative Gas Standard
  - G-9, Sub 698
  - Order requiring collaborative meetings

# Barriers and Challenges

- Drivers
  - Federal and State Incentives
- Obstacles
  - Gas quality/ constituent standards
  - Interconnection Costs
  - No requirement to allow interconnection

# The Trump Administration: Looking Forward

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# March 28<sup>th</sup> Presidential Executive Order

## *Presidential Executive Order on Promoting Interdependence and Economic Growth*

- The Order contains multiple provisions that target sectors including coal, oil/gas, and other energy and manufacturing
- Reverses some of the broad set of climate and clean energy initiatives developed by the Obama administration
  - Formal review of Clean Power Plan
  - Removes the ban on coal leases on federal land
  - Revisits rules forcing drillers to detect and stop methane leakage
  - Reduces requirements to factor climate change for NEPA reviews (cost/benefit)

# What does it do?

- Lays out the Policy
  - Clean and safe development and use of energy resources
  - Nation's electricity is affordable, reliable, etc.
    - Produced from coal, natural gas, nuclear material, flowing water, and other domestic sources, including renewables
  - Avoiding regulatory burdens that unnecessarily encumber energy production, constrain economic growth and prevent job creation

# What else does it do?

- Calls for an immediate review of all agency actions that potential burden the safe, efficient development of domestic energy resources
  - Burden means to unnecessarily obstruct, delay, curtail, or otherwise impose significant costs on the siting, production, utilization, transmission, or delivery of energy resources
  - 120 days – draft final report detailing agency action consistent with policy
  - To be finalized within 180 days

# Key Components

- Rescinds executive actions, memoranda and reports based on climate change
- Disbands the Interagency Working Group on Social Cost of Greenhouse Gases (IWG) including reports on carbon costs
- Analysis regarding the monetizing of the value of changes in greenhouse gas emission – consistent with OMB Circular A-4 (2003)

# Clean Power Plan

- Dismantles the CPP – review then suspend, revise or rescind guidance and proposed rules
  - Emission Guidelines
    - Federal Plan to implement GHG emission guidelines for existing fossil fuel-fired EGUs under the Clean Air Act
      - Proposed rule entitled “Federal Plan Requirements for Greenhouse Gas Emissions from Electric Utility Generating Units” (2015)
      - Rate-based and mass-based model trading rules



# Other Issues

- Keystone Pipeline XL – approved in March; still requires state approval
- Dakota Access – Granted Easement
- LNG Exports
  - Certificating by FERC
  - Cove Point – 2017
  - Actual Exporting 6 by 2020
  - Golden Pass – Export to FTA Countries
    - FTA – NGA directs the Energy Department to grant export authorization unless “not consistent with public interest”
  - Jordan Cove – FERC denied initial application and request for rehearing
    - Jordan Cove refiled in December 2016
    - Pre-filing approved in February 2017



**BRIAN S. HESLIN**

Member

100 North Tryon Street  
Suite 4700  
Charlotte, NC 28202-4003

brianheslin@mvalaw.com  
T: (704) 331-1090 F: (704) 339-5883

