



FLORIDA GAS UTILITY 2019 ANNUAL MEETING

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FERC Leadership Update



- ❑ Chairman Neil Chatterjee (R)
- ❑ Commissioner Cheryl LaFleur (D)
- ❑ Commissioner Richard Glick (D)
- ❑ Commissioner Bernard McNamee (R)



Natural Gas and Oil Production Trends and Pipeline Development

- ❑ Permian (including Delaware Basin), Denver-Julesburg Basin and Powder River Basin all western hot spots for shale-based production of gas, NGLs and oil
- ❑ Marcellus, Utica in the east remain strong.
- ❑ Many existing eastern pipelines are redirecting flows north to south to access Mexican market, LNG export market and US growth markets
- ❑ Using different regulatory models, a vast number of new pipelines are being proposed and built for oil and natural gas delivery
- ❑ Oil pipelines (which are FERC-regulated only as to service) use an open season/committed service approach
- ❑ Natural gas pipelines require FERC certification



Natural Gas Project Permitting Developments

- ❑ **Public Resistance to New Fossil Fuel Projects, Including Pipeline and LNG Projects**
 - Issues:
 - GHG issues following the D.C. Circuit's *Sabal Trail* decision
 - Determination of “public need”/eminent domain issues
 - State permitting issues under the Clean Water Act
 - Presidential Permit issues on border-crossing oil pipeline projects
 - Responses:
 - FERC Commissioners split 2-2 or 3-1 on GHG policy
 - President Trump issues Executive Orders directing EPA to adopt rules to limit states’ water permitting rights and to streamline Presidential Permits for border-crossing oil pipeline projects
 - Reviewing courts send mixed messages
 - DOE Actions:
 - Fast approval of large-scale LNG export applications once FERC issues favorable EIS for the project in question (cumulative effects on US markets basically ignored)
 - Adoption in 2018 of rules for expeditious approval of applications for small-scale LNG export projects



Gulf Coast LNG Developments

- ❑ As of June 1, 2019, DOE has authorized a total of 32.99 Bcf/d of LNG exports to FTA countries. In a 2018 study, DOE concluded that it could authorize up to 52.8 Bcf/d without causing negative economic impacts.
- ❑ By early 2020, the US stands to have LNG export capacity of about 7.5 Bcf/d, most of which is in the Gulf Coast.
- ❑ In addition to Cheniere Sabine Pass, Cheniere Corpus Christi and Dominion Cove Point, all of which are in current operation, three new projects - Cameron LNG (in Louisiana), Freeport LNG (in Texas) and Elba Island (in Georgia) - will have come on line, cumulatively adding about 4.0 Bcf/d of export capacity.
- ❑ By the mid-2020's, there could theoretically be 36 LNG export projects in place, totaling five times the projected 2020 LNG export capacity. It is, however, more likely that number will turn out to be in the 11 Bcf/d range. This number embraces projects that are online, under construction, or for which final investment decisions have been made.



Gulf Coast LNG Developments

- ❑ Factors influencing how this all plays out include:
 - availability of long-term off take contracts;
 - US regulatory permitting changes in the event of a change of executive leadership;
 - world supply competition;
 - Chinese market dynamics (*e.g.*, tariff warfare); and
 - physical risks, such as Gulf storms that can curtail construction, vessel traffic limitations in crowded shipping lanes and labor shortages during construction.
- ❑ China is the primary target market for this LNG. South Korea and Japan also form important parts of the Asian market. Europe, with its liquid trading hubs and generally lower netbacks, operates as more of a seasonal balancing market.



Natural Gas Pipeline Ratemaking Developments

- ❑ Order No. 849: Form No. 501-G filings to address the effect of 2017 Tax Cuts and Jobs Act on pipeline costs and rates
 - FGT and SNG exempted by virtue of rate settlements with rate-filing moratoria
 - Tennessee and several other pipelines negotiated rate reductions
 - Several Section 5 investigation proceedings were initiated by FERC; most have been settled with rate reductions
- ❑ Several Section 4 rate cases filed by major pipelines (*e.g.*, Transco TETCO), raising issues such as:
 - Return on equity (FERC policy is in flux on this)
 - Effect of FIT reductions and flow-back of ADIT
 - Cost tracker for new environmental costs
 - Modernization program (like that adopted by Columbia Gas Transmission)
 - Rate design in light of changes in flow pattern
 - Roll-in of incremental projects



FGT Update

- ❑ **NGA Section 4 Rate Case (Docket No. RP15-101)**
 - FGT filed a Section 4 rate case with FERC on October 31, 2014.
 - FERC approved rate case settlement on December 4, 2015.
 - Roll-in of FTS-1 and FTS-2 service, subject to a \$0.10/Dth surcharge on FTS-2 service through July 31, 2021.
 - FGT must file next rate case on February 1, 2021, with rates filed in that case taking effect as of August 1, 2021.
 - Settlement Periods I and II rates, with Settlement Period II reduced rates taking effect on February 1, 2019.
 - Electric cost tracker taking effect on July 1, 2018.
 - Regulatory asset for levelized FTS-2 rates, capped at \$220 million as of the end of the test period of the 2021 rate case.
 - Obligation to discuss with shippers potential changes in: (1) market area pooling, (2) segmentation, and (3) flow day diversion (this discussion was waived by mutual agreement of FGT and its customers).



FGT Update

❑ **Completed Projects**

- East-West Project (Docket No. CP17-8)
- Wekiva Parkway Relocation Project (Docket No. CP17-79)
- 18-Inch Abandonment Project (Docket No. CP18-33)

❑ **Projects Pending at FERC**

- Turnpike-Palmetto Rd Relocation Project (Docket No. PF18-5)
- East Louisiana Project (Docket No. CP19-12)
- Sanford Project (Docket No. CP19-58)