

# Webinar: 2021 Midstream Outlook

NOVEMBER 10, 2020

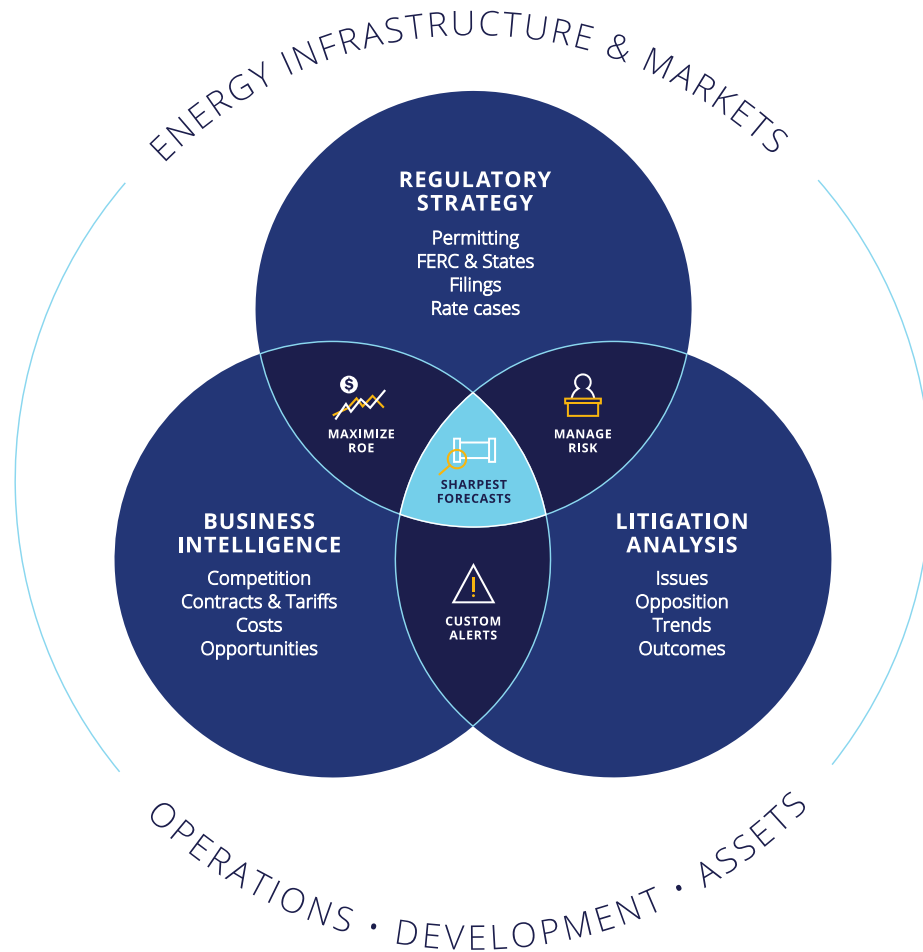


*Law*IQ®

# What We Do

We combine differentiated and enriched data, analytics platforms, insights, and advisory services for energy infrastructure operators, asset owners, investors, and commodity market intermediaries.

Our products and team help customers anticipate, interpret, and manage midstream oil and gas market events, project in-service dates, entity level ROEs, contracts, rates, regulatory and litigation issues, and more.



# Federal & State Developments

# FERC Commissioner Changes

- ▶ Rehearing process changes may create 5+ months of additional delay in the start of construction.



**Chairman  
James Danly**

*Term ends June 30, 2023*

Republican



**Commissioner  
Neil Chatterjee**

*Term ends June 30, 2021*

Republican



**Commissioner  
Richard Glick**

*Term ends June 30, 2022*

Democrat



**Mark Christie**

*Term would end  
June 30, 2025*

Republican



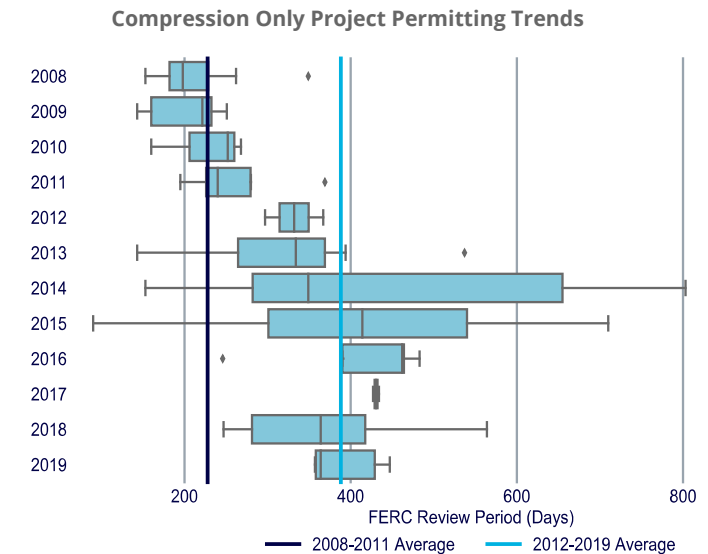
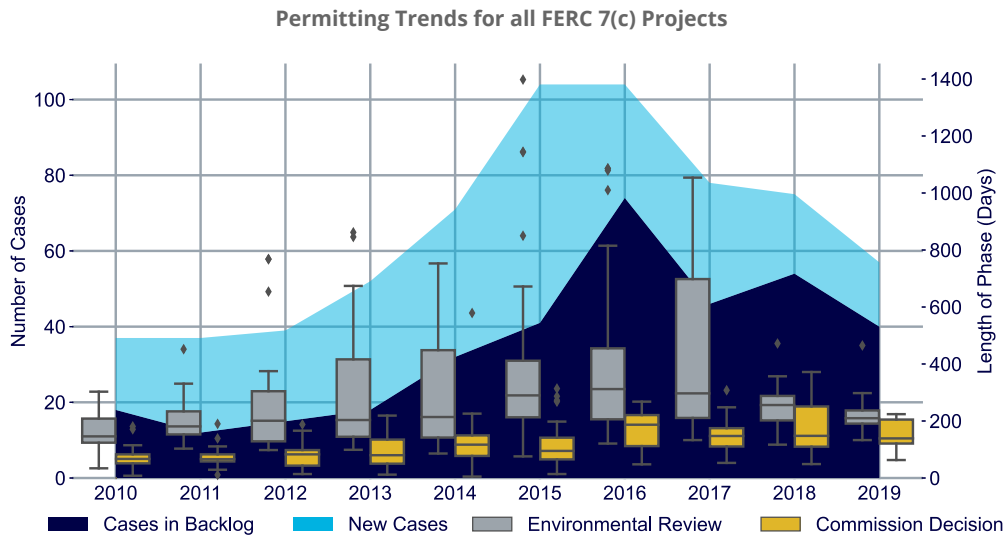
**Allison Clements**

*Term would end  
June 30, 2024*

Democrat

# Project Review Periods are Improving, but ...

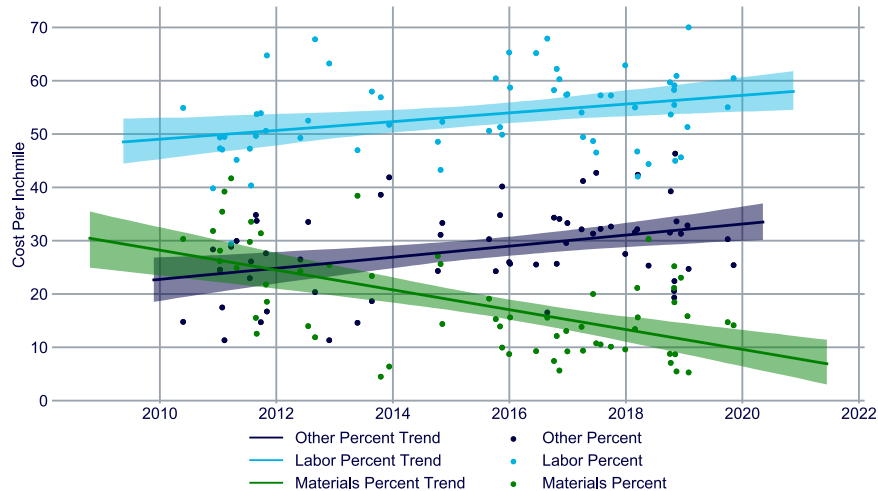
- ▶ Time for the Commission to issue a decision is 75% longer than 2013.



# Schedule Can Impact Costs

- ▶ Labor and other costs have risen as schedules have lengthened.

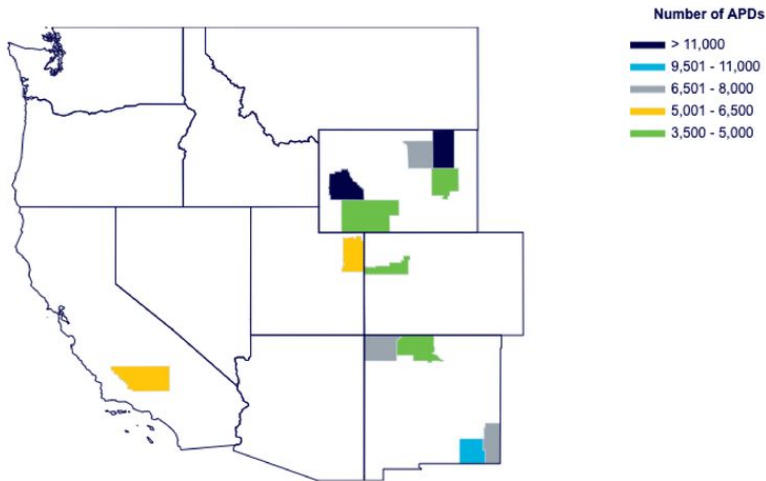
Costs Per Inch-mile for Pipeline Projects > 20 Miles



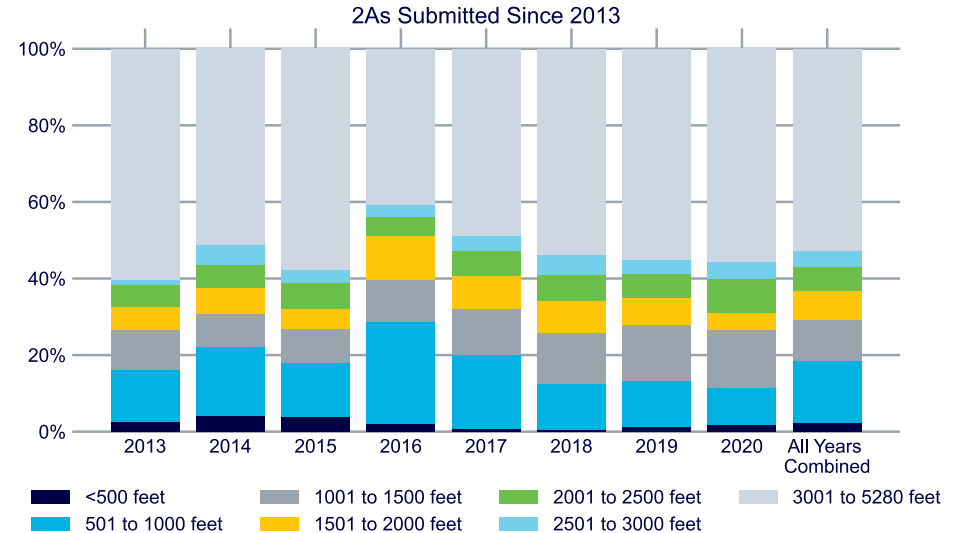
# Regulatory Changes

- ▶ Regulatory changes threaten federal and state drilling.

Drilling Permits on Federal Lands

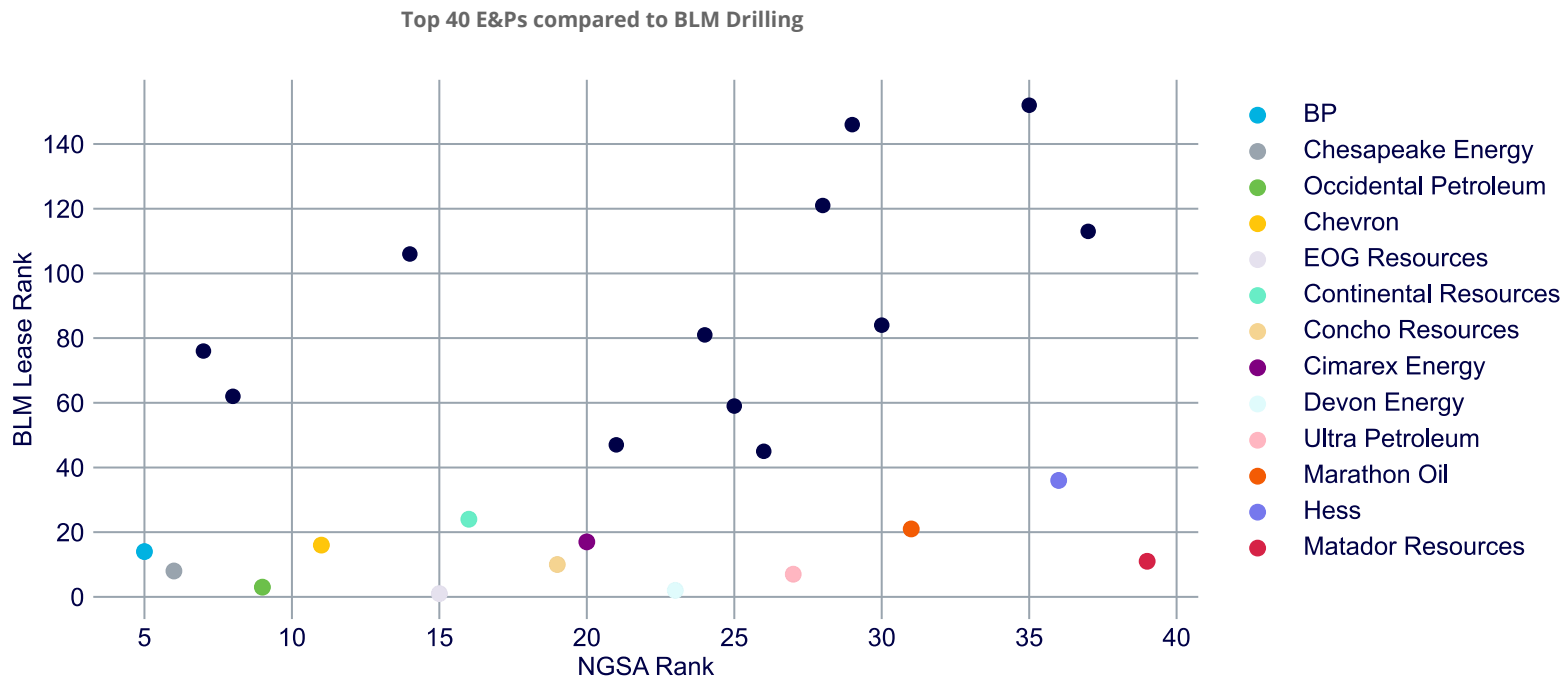


Drilling Permits in Colorado



# Which E&Ps are the winners/losers?

- ▶ Generally, E&Ps located in the Marcellus/Utica Basins will fare better than those to the west.





# Legal Challenges

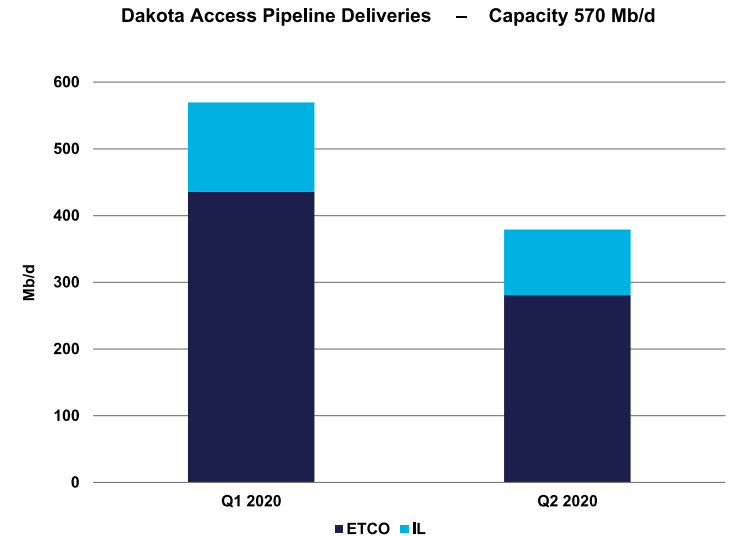
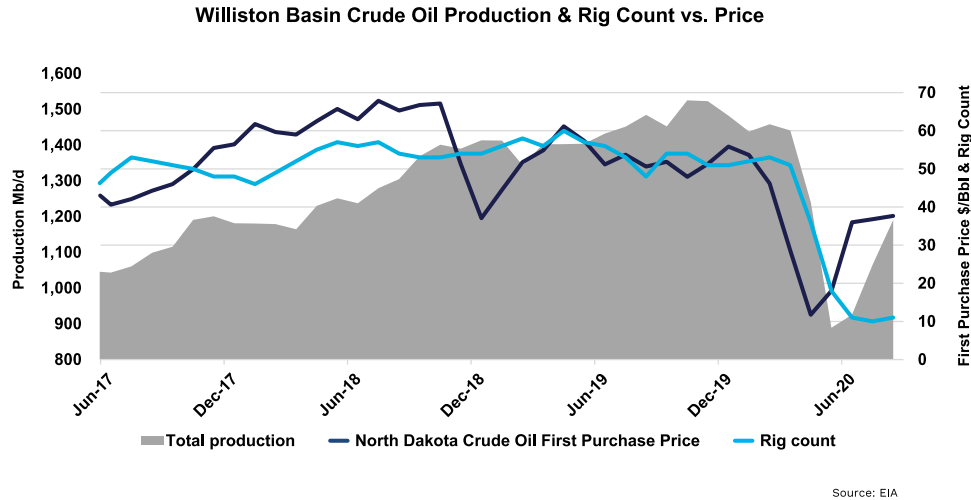
- ▶ Awareness of other cases is essential

### Permit Timeline: USACE Huntington and Norfolk Districts



# Litigation Trends

- Impacts on operational pipelines - DAPL



# Litigation Trends

- ▶ DAPL risk of shutdown rises under a Biden presidency

## DC Circuit Overturns Lower Court Decision Requiring EIS



## DC Circuit Upholds Lower Court Decision Requiring EIS and Trump Wins Re-Election



## DC Circuit Upholds Lower Court Decision Requiring EIS and Biden Wins Election

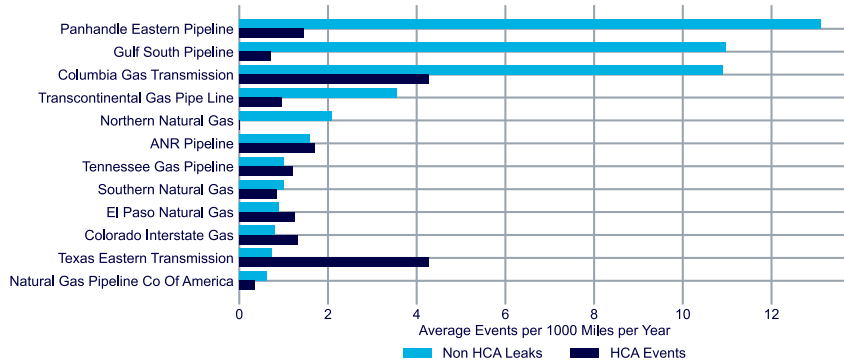


# Asset Level Risks

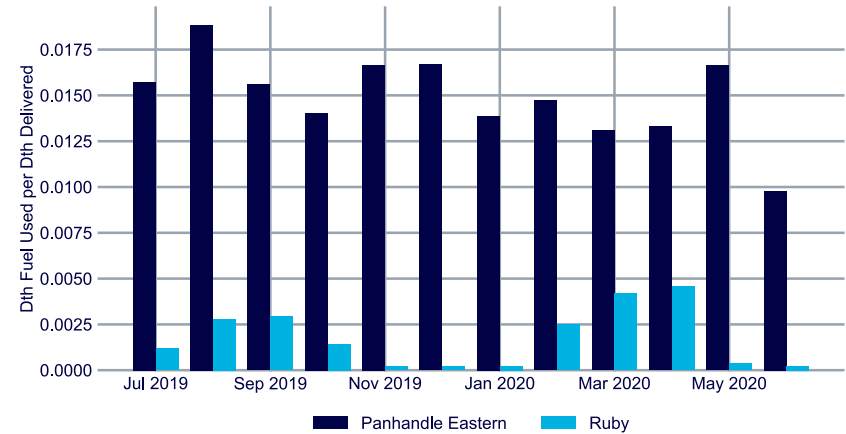
# ESG Comes into Focus

- ▶ Asset level ESG metrics are becoming a critical benchmarking tool for investments.

Incidents for Pipes >6k Miles Interstate Service

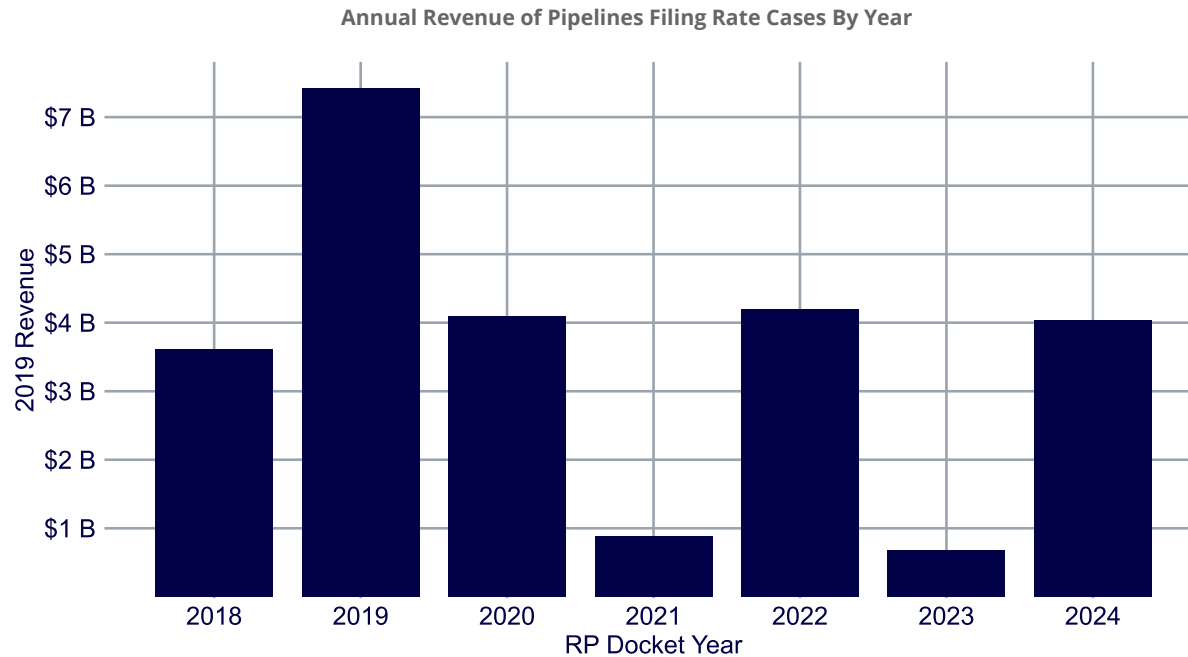


Fuel per dekatherm Delivered



# Rate Cases Are More Common

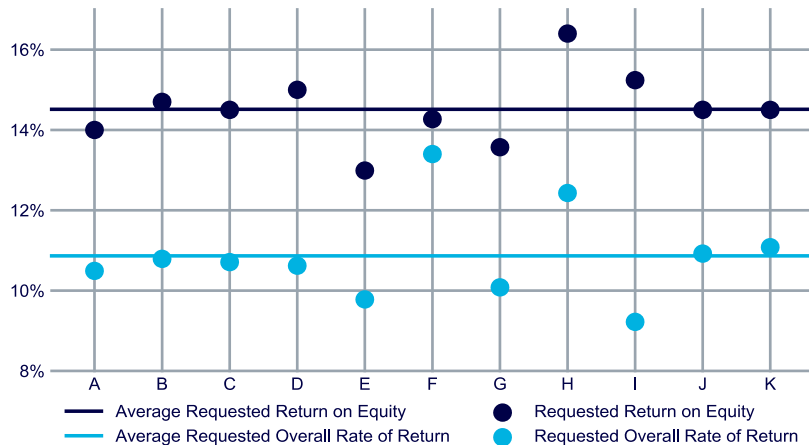
- ▶ Future rate cases are mandatory under settlements and a Biden tax increase could drive cases up.



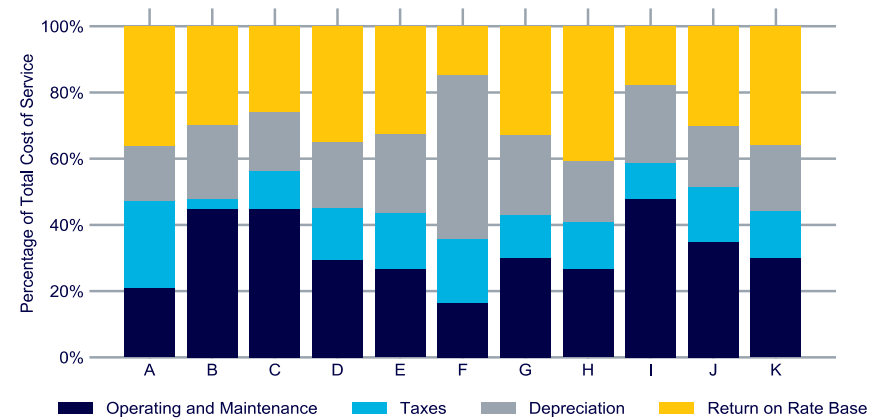
# Key Variables in Cost of Service

- Focus is usually on the ROE and not the capital structure or debt cost.

Requested ROE and Overall Cost of Capital in Recent Cases



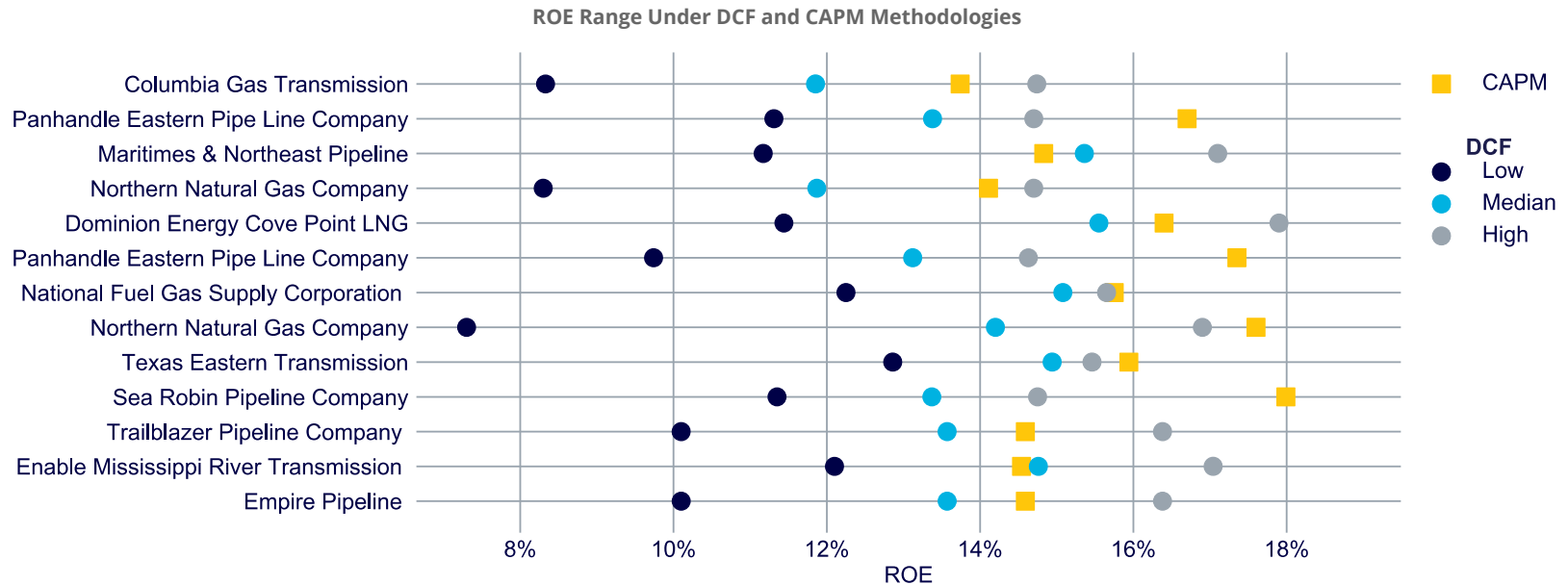
Breakdown by Category for Total Cost of Service in Recent Cases





# Returns May Be Going Up

- ▶ FERC's new ROE policy leaves room for increasing returns and creative use of proxy groups.



# Thank you!

## Contact Us

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