

ENBRIDGE LINE 5

ISSUE

Enbridge, Inc. operates a pipeline (Line 5) that runs through the Straits of Mackinac in Michigan. Designated as Enbridge's Line 5 pipeline, it serves as an important source of propane in the Midwest beyond just the State of Michigan. A disruption in this source of supply to the region would have significant consequences. Opponents of Line 5, including some Michigan state government officials, have sought to shut down the pipeline because of environmental concerns. Enbridge's solution to alleviate these concerns is to build a new pipeline that would replace the 4-mile stretch of existing pipeline that runs through the Straits. The company has applied for a permit to construct the new pipeline with all relevant agencies having jurisdiction.

ACTION

In November, Michigan Governor Gretchen Whitmer issued an order revoking a 1953 easement that allowed Enbridge to initially build the Line 5 pipeline. The order would require Enbridge to completely shut down the existing Line 5 by May 2021.

OUTLOOK

Because Line 5 provides such a critical need by supplying propane to customers in Michigan and the surrounding states in the Midwest region, NPGA is supporting Enbridge in its efforts to oppose the Governor's recent action to shut down existing Line 5. We are also working with our partners at the Michigan Propane Gas Association in supporting Enbridge's application to replace the existing pipeline with a new 4-mile line under the Straits of Mackinac.

FERC 5-YEAR INDEX

ISSUE

The Federal Energy Regulatory Commission (FERC) regulates the rates of liquids pipelines that carry propane, gasoline, and other commodities. FERC uses an index, which is updated every 5 years, to establish "just and reasonable rates." On the whole, the propane industry prefers lower pipeline rates, and hence a lower index, as these costs are typically passed through to marketers.

In 2015, the FERC-determined index was Producer Price Index for Finished Goods plus 1.23%. This FERC decision, advocated for by NPGA, is estimated to have resulted in rates that are in the aggregate \$2 billion less than the original FERC proposal (for the years 2016-2021) for all liquids and \$300 million less for propane.

ACTION

On December 17, 2020, FERC issued a new index of Producer Price Index for Finished Goods plus 0.78% for the 5 years starting on July 1, 2021. This rate is higher than the 0.09% advocated for by NPGA but lower than the 2015 index rate of 1.23% and far lower than the 1.46% rate proposed by certain pipeline industry representatives. FERC also shifted its methodology to use data from the middle 80 percent of pipelines instead of the middle 50 percent, as it initially proposed.

OUTLOOK

NPGA is analyzing the impact of the final price index to calculate the savings to the propane industry as well as long-term consequences of the shift in FERC's methodology. NPGA and our partners will assess any potential challenges to the decision.

ENGAGING THE 117TH CONGRESS

ISSUE

During the 116th Congress, NPGA scored a number of significant legislative wins, navigating a divided Congress in a highly partisan political environment. To build on this success in the 117th Congress, NPGA will need to establish contact with the nearly 70 new Members of Congress that are taking office following the 2020 elections. The House of Representatives has at least 60 new Members (45-R and 15-D), and the Senate has at least seven new Members (4-R and 3-D). As of late December, there are still a handful of undecided Congressional races, including two House seats that are too close to call and the two run-off elections for Georgia's Senate seats.

ACTION

In the first 90 days of 2021, NPGA plans to meet with the offices of all the new Members of Congress to discuss the importance of the propane industry for their constituents and the nation. NPGA's goal is to educate these Members and their staff on the essential benefits of the direct use of propane for the nation's economy and environment.

OUTLOOK

Each Congress presents a new set of opportunities and challenges for the propane industry. NPGA will develop new strategic alliances with both political parties to advance the industry's legislative priorities and enhance its reputation with policymakers in Washington, DC. NPGA's bipartisan advocacy strategy will be instrumental for legislative success under the new Democratic Administration.