



House Increases Water Infrastructure Funding

The House gave its first indication that under Democratic control it is willing to bump up federal funding for the Clean Water State Revolving Fund (CWSRF). The Interior Appropriations bill the House passed in June set aside \$1.125 billion for fiscal year 2008, which begins Oct. 1. That is \$437 million more than what President Bush asked for the CWSRF, and \$41 million more than Congress appropriated last year. The Senate has not passed its Interior appropriations bill yet – it's too early to determine whether the increased funding for the CWSRF will hold up. The House set fiscal 2008 funding for the Drinking Water State Revolving Fund at \$842 million, an increase of \$4.7 million over fiscal 2007. That is about the same level Congress has been appropriating for years.

In addition to the SRF infrastructure funding, the House bill also includes \$140 million in grants for what would be called "pork" water projects in local districts. These are the "earmarked" projects Democrats have been saying they are trying to stay away from. A staffer at the House Interior, Environment and Related Agencies subcommittee explains that the \$140 million is divided in half, with House members designating \$70 million of projects, Senate members doing the same. These are typically \$500,000 - \$1 million grants for combined sewer overflow (CSO) work where the city or county has some matching requirements attached to the federal funds. There were no CSO earmarks in fiscal 2007 because of political issues having to do with Democrats winning the 2006 congressional elections and its effect on the 2007 appropriations process, which was still in play after the elections. In fiscal 2006, the CSO earmarks totaled about \$280 million.

Energy Bill still tentative

The energy bill the House was likely to pass in July was a mixed bag for natural gas pipelines, but still better, in some regards, than the bill the Senate passed in June.

The House bill combines numerous provisions on all sorts of energy issues from a number of different committees. But the House bill, if provisions passed by those committees stand up, will contain some objectionable language based on a bill passed by the House Resources Committee. Its bill is called the Energy Policy Reform and Revitalization Act of 2007 (H.R. 2337) and was

narrowly passed by a committee of 26-22 on June 13.

"HR 2337, if enacted into law, would result in a decrease in natural gas supply and an increase in natural gas prices to consumers," says David N. Parker, president and CEO of AGA.

The bill contains a number of what appear, at first look, to be anti-energy development provisions. One requires a federal study within 18 months of energy congestion corridors, which are geographic swatches of territory, presumably in the western U.S., where there are heavy concentrations of pipelines and power facilities. That study would look at the need for energy-free corridors as a means of reducing that congestion, i.e. areas where pipelines could not be built.

Another provision would prohibit the Interior Department from giving the go-ahead to an oil or gas company to develop a tract on public land until the company completed a written surface use agreement with the surface owner of the property. That agreement could significantly limit gas development, for example.

A second House bill passed the Transportation and Infrastructure Committee (H.R. 2701) would require the Secretary of Energy to do a feasibility study look at the existing or potential barriers to the construction of pipelines dedicated to the transportation of ethanol. Pipelines have been considered less than preferable conduits for ethanol because of the moisture that accumulates in the pipeline, which would degrade the ethanol and compromise its use as a fuel. Also, according to the American Petroleum Institute, which published a paper on this topic, the dispersed nature and limited production volumes of ethanol facilities may not generate the volume demand needed for new pipeline construction.

The API has not taken a public position on the ethanol pipeline provision. But Bill Bush, a spokesman, says, "Government can play an appropriate role examining the feasibility of constructing ethanol pipelines. It is useful to take a look at that."

But while the House energy bill is likely to have some positive and negative provisions, the Senate bill has nothing to write home about. The one provision INGAA sought was dropped. It would have encouraged states to "de-couple" natural gas utility revenues from the volume of natural gas

sold to or transported on behalf of a utility's customers. INGAA saw that as a pro-conservation measure which had the potential for lowering gas customer's bills.

Moreover, the tax provisions in the Senate energy bill have oil and gas companies fuming. They include a 'severance tax' of up to 13 percent on production in the Gulf of Mexico, opening the door to double taxation on their foreign earnings, and repeal of the section 199 manufacturing deduction for the major oil and natural gas companies.

FERC Accedes to INGAA on compressor noise

FERC made some changes to its final rule, published this past January, which expands blanket certificate authority for transmission lines, and raises the dollar ceiling on projects which qualify for blanket certificates and for a second category, prior authorization. Liberalizing the blanket certificate and prior authorization requirements was a way for FERC to make it easier for interstate pipelines to move forward on smaller projects much more quickly.

But INGAA filed a request for rehearing, arguing that different parts of the order (686) ought to be revised. INGAA's concerns had to do with new restrictions on compression station noise, landowner notification timeframes, facilities that transport revaporized LNG from an LNG import terminal, abandonment authority and annual reports.

The noise issue was the most controversial. FERC did go back and change the final rule as INGAA had wanted; but it simultaneously issued a proposed rule whose purpose is to ensure that new compressor stations, subject to a lesser noise standard than originally contained in the final order, not be objectionable to people who live nearby.

To recap, when it issued the Order 686, FERC broadened the types of natural gas projects permitted under blanket certificate authority to include certain mainline, storage, and liquefied natural gas (LNG) and synthetic gas pipeline facilities, and (2) increased the blanket certificate project cost limits from \$8,200,000 to \$9,600,000 for automatic authorization projects and from \$22,700,000 to \$27,400,000 for prior notice projects. ■