



The INGAA Foundation, Inc.

Request for Proposals for a study:

**The Evolution of the
Interstate Natural Gas
Facility Approval Process**

9/26/08

Table of Content:

- 1. Request for Proposal..... 3**
 - 1.1. Key sections of this RFP 3
 - 1.2. Contractor Qualifications 4
 - 1.3. Background Information 4
 - 1.4. Scope of Work5
 - 1.5. Deliverables..... 6
 - 1.6. Term of Contract.....7
 - 1.7. Payments, Incentives, and Penalties7
 - 1.8. Contractual Terms and Conditions7
 - 1.9. Requirements for Proposal Preparation7
 - 1.10. Evaluation and Award Process7
 - 1.11. Process Schedule.....7
 - 1.12. Points of contact for all correspondence 8

1. Request for Proposal

1.1. Key sections of this RFP

1. Why?

The INGAA Foundation, Inc. is seeking a proposal from qualified consultants to prepare an analysis of the relative merits of the current market-based process for reviewing and approving new interstate natural gas infrastructure vs. the historic process utilized prior to the competitive restructuring of the natural gas industry, as well as suggestions that the current policy be replaced by one that is predicated on a regional planning model.

2. Who?

The INGAA Foundation, Inc. (Foundation) was formed in 1990 by the Interstate Natural Gas Association of America (INGAA) to advance the use of natural gas for the benefit of the environment and the consuming public. The Foundation works to facilitate the efficient construction and safe, reliable operation of the North American natural gas pipeline system, and promotes natural gas infrastructure development worldwide.

3. What?

The purpose of this project is to produce a policy paper that analyzes the current regulatory approach of the Federal Energy Regulatory Commission (FERC) for authorizing natural gas infrastructure versus both the process used by FERC/Federal Power Commission (FPC) prior to the competitive restructuring of the natural gas industry and suggestions that the current policy be replaced by one that is predicated on a regional planning model. The paper should include a comparative analysis of the merits of each of these approaches.

4. How?

The Contractor will perform the research, analysis, consulting or other services necessary to complete this project for a total amount not to exceed a fixed amount presented in the proposal. This amount includes the Contractor's fee for services and all direct costs incurred in fulfillment of the contract, including, but not limited to, travel, communications and photocopying.

5. When?

Qualified contractors who are interested in responding must submit a proposal of no more than 10 pages (excluding resumes and references) by 5 PM Pacific Time October 17.

One electronic and three hard copies should be sent to:

Richard R. Hoffmann
Executive Director
The INGAA Foundation, Inc.
10 G Street NE
Washington, DC 20002
(202) 216-5909
rhoffmann@ingaa.org

1.2. Contractor Qualifications

The qualified contractor must have proven expertise in the legal, regulatory and business structure of the interstate natural gas pipeline industry. Equally important is a comprehensive knowledge of the FERC certificate processes, understanding of challenges facing the natural gas construction process.

The contractor must have the ability to develop a project schedule, meet deadlines, and provide regular project updates. The contractor must be able to deliver work products, both draft and final, that are well organized, professionally edited, and clearly written.

1.3. Background Information

Shifts in the source of natural gas supply and continued growth in demand for natural gas have caused a significant increase in the number of proposed new interstate natural gas pipelines and storage facilities. In some cases, these facilities are proposed in regions where notable pipeline and storage facility construction has not occurred in recent decades. In other regions where such economic activity is more typical, the level of proposed activity has accelerated to unprecedented levels. These developments, combined with other energy infrastructure and development activity (i.e., LNG regasification terminals, electric transmission lines, crude oil and refined product pipelines, and oil and gas exploration and development), have caught the attention of federal, state and local representatives.

As part of restructuring wholesale natural gas markets, the FERC adopted a market-driven policy for determining the need for interstate natural gas pipelines and storage facilities. In place of a fact-intensive, evidentiary process to determine market demand and whether a proposed facility is in the public convenience and necessity, FERC has looked primarily to shipper contracts for firm service on a proposed facility as evidence of market need. There often are multiple proposals for new and expanded natural gas pipeline facilities in response to a need for natural gas transportation service that becomes apparent to market participants. Individual shippers have the opportunity to choose the project that best meets their needs and the project or projects that prevail are the

ones that meet the needs of the market most cost effectively. Typically, not all proposed natural gas projects are constructed. In some cases, projects that begin the regulatory approval process are cancelled when it becomes clear either that the market has made another choice or that not all of the required permits and approvals can be obtained. The combination of a tight supply/demand balance for natural gas and the significant shifts in the sources of gas supply in North America has placed a premium on the market responsive approval and construction of natural gas pipelines and storage.

This process can appear chaotic and undisciplined to those unfamiliar with the competitive evolution of the natural gas industry and current market conditions. Already, one bill has been introduced in the 110th Congress - the Natural Gas Strategy Act - that would create a national commission to examine the adequacy of current federal policies governing the siting of natural gas infrastructure. Given the questions that this legislation would direct the national commission to answer, it is clear that the authors of this legislation would prefer a centralized process in which the government identifies market needs on a regional basis and the optimal locations for natural gas infrastructure to meet such needs. While the legislation does not propose to amend the current legal framework for authorizing interstate natural gas pipelines and storage facilities, it is likely that the authors of the bill view the report of the commission as a precursor to such a proposal to amend the law. On August 28, 2008, INGAA wrote to Representatives Bishop and Cummings, the original sponsors of the Natural Gas Strategy Act, to express its opposition and views on the proposal. It is possible that other proposals along the same lines will be introduced when the 111th Congress convenes in 2009.

The audience for this report will be federal, state and local officials, the media and other stakeholders with an interest in natural gas supply and infrastructure. With the new administration and congress, it is likely that there will be many newcomers in the federal government who will be unfamiliar with competitive restructuring of the natural gas industry that gave rise to current gas infrastructure policies.

1.4. Scope of Work

Develop a report that:

- i. Describes the policy rationale and practical experience of the present process for reviewing and approving new interstate natural gas infrastructure – pipelines, storage and LNG facilities with a possible new process along the lines intimated by the Natural Gas Strategy Act.
- ii. Describes previous FERC/FPC models for gas infrastructure review/approval and the experience with such models.
- iii. Analyzes the relative merits of the current, past and contemplated regulatory models for authorizing interstate natural gas infrastructure, including issues such as:

- Economics
 - Public Safety
 - Environment
 - Land use planning
 - Long term energy planning
 - Timeliness of approval
 - Commencement of construction
 - Legal risks
 - Capital attraction
- iv. Evaluates the current regulatory process and whether it: a) thoroughly addresses the necessary public interest considerations, and b) whether the proper agencies are effectively consulted during the review process.
- v. Identifies whether certain factors below are adequately assessed in the current review process. These are:
- Regional impacts
 - Climate change policies
 - Relationship to electric power development
 - National security
 - Public safety, including water and land based security; and
- vi. Assesses the potential for and ability of a successor regulatory regime/process to make more effective decisions concerning National energy, environmental, carbon and reliability issues than the current FERC process.

1.5. Deliverables

The primary deliverable will be a policy paper analyzing the various regulatory models and outreach/communication materials. The written report must contain an executive summary which highlights all important findings and must be conveyed to the project contact in a clean reproducible paper version, pdf version, and a Word version unless specified in the final contract agreement.

Other deliverables include:

- Project schedule;
- Report outline;
- Draft and final Reports;
- Draft and final PowerPoint summary presentation and tools for communicating the findings and conclusions to the expected audiences including members of congress. Specifically, as implied above, the effort should include simplified materials for advocacy, including one-pagers, fact sheets, key messages and template opinion-editorials that are both national in scope and if appropriate, can be tailored to address regional issues. Advocates will use these tools to educate national, state and local officials.

1.6. Term of Contract

The anticipated contract start date will be November 7, 2008. Any revisions in project scope, definition, cost, or schedule shall be made only by written mutual agreement by the authorized representatives of the parties whose signatures appear on the final contract agreement.

1.7. Payments, Incentives, and Penalties

The Contractor will perform the research, analysis, consulting or other services necessary to complete this project for a total amount not to exceed \$50,000 which includes the Contractor's fee for services and all direct costs incurred in fulfillment of the contract, including, but not limited to, travel, communications and photocopying. First payment to contractor will be made on January 2, 2009. Other terms will be detailed in the final contract agreement.

1.8. Contractual Terms and Conditions

The Foundation will own all rights to the module and supporting documentation. Other contract terms and conditions will be detailed in the final contract agreement.

1.9. Requirements for Proposal Preparation

The proposal, at a minimum, should include: a detailed statement of how the contractor proposes to meet the study objectives including the methodology, research, a budget that includes a breakdown of tasks and deliverables, a description of the firm's expertise in the subject matter, and the background of the team that will work on the project.

1.10. Evaluation and Award Process

Proposals will be evaluated, at a minimum, on the following criteria:

- Extent and quality of the project description and overall approach, including staff expertise/qualifications, and available resources, that can be dedicated to the project.
- Extent to which the proposal demonstrates knowledge regarding the legal, regulatory and public policy foundations of the FERC certificate process.
- Applicant's ability to complete and manage the proposed project successfully.
- A review of the budget narratives to determine if costs are reasonable and commensurate with activities proposed.

1.11. Process Schedule

September 26, 2008 - RFP distributed to potential contractors

October 17, 2008 - Proposals due to study contact

October 31, 2008 - Contract award decision

November 7, 2008 - Contract start date

February 2009 - Desired date of completion

1.12. Points of contact for all correspondence

Richard R. Hoffmann
Executive Director
The INGAA Foundation, Inc.
10 G Street NE
Washington, DC 20002
(202) 216-5909
rhoffmann@ingaa.org