

THE
POWER
BEHIND THE
PIPELINES:

PENNEAST PIPELINE



public
accountability
initiative

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ennEast Pipeline LLC, a consortium of five fossil fuel utilities companies, is proposing a 120-mile pipeline that will deliver fracked natural gas from Luzerne County, Pennsylvania, to Mercer County, New Jersey. While PennEast claims the pipeline is needed to meet consumer demand and to increase grid reliability, opponents say the pipeline is unnecessary, harmful to the environment, in violation of landowner rights, and is motivated primarily by high rates of return.

With the Federal Energy Regulatory Commission's (FERC) January 19th, 2018 approval of PennEast, two main regulatory hurdles stand in the way of the pipeline: approval from the Delaware River Basin Commission (DRBC) and the New Jersey Department of Environmental Protection (NJDEP). On February 1, 2018, the NJDEP [rejected](#) PennEast's application - which, even after a previous rejection in June 2017, was still deemed insufficient - for a water-quality permit and said it could reapply. With the election and inauguration of New Jersey Governor Phil Murphy, a progressive Democrat who advocates strong environmental policies and has expressed skepticism towards PennEast, the fate of the pipeline hangs in balance.

The Murphy administration possesses the power to halt the pipeline, and there is reason to think it could do so to further the bold vision that Murphy has outlined for New Jersey's environmental and energy future (discussed more below). Given this, it's important to take stock of - and bring more transparency to - the powerful interests and networks of influence behind PennEast that have ties to the Murphy transition, the New Jersey Democratic Party (which holds large majorities in both houses of the New Jersey legislature), and important agencies, boards, and pressure groups in the state.

This report explores the power - the influential individuals and entities, revolving door lobbyists, conflicted regulators, and under-the-radar profit motives - behind the PennEast Pipeline. It has a primary - though not sole - focus on PennEast's power in New Jersey and its ties to the New Jersey political establishment, including the Murphy transition.

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KEY FINDINGS INCLUDE:

- **Five PennEast lobbyists in Murphy transition.** Governor Phil Murphy appointed five registered PennEast lobbyists to his transition committees, as well as another lobbyist who heads an energy industry coalition that counts PennEast as a member.
- **Senator Cory Booker tied to PennEast lobbyist.** New Jersey Senator Cory Booker's former advisor is a top lobbyist for PennEast, and Booker's former chief of staff is a principal at a firm that lobbies for PennEast.
- **Army of revolving door lobbyists with ties to New Jersey politicians.** PennEast has over a dozen revolving door registered lobbyists with extensive professional and personal ties to New Jersey politics, including the New Jersey Democratic Party.
- **PennEast pushed by Koch Brothers lobbyists.** A DC-based astroturf group backed by the Koch brothers has lobbied for the pipeline at the federal level.
- **Political donations from PennEast execs and lobbyists.** Governor Murphy accepted over \$23,000 combined from the CEO and a top executive of New Jersey Resources, a PennEast owner, as well as from two PennEast registered lobbyists and the head of an energy industry lobbying group that counts PennEast as a member.
- **Internal focus on "FERC level returns" and future expansion.** Nearly all of the 2017 quarterly reports and presentations of a PennEast owner emphasized the pipeline's "FERC level returns" - the higher returns, set by FERC, that come from an interstate pipeline - and said little about the need for gas supply, while also mentioning the possibility of the pipeline's "expansion potential" to investors, indicating possible ulterior motives.
- **New Jersey PennEast companies influential in state politics.** New Jersey Resources and South Jersey Industries' top executives and directors have close ties to the Chamber of Commerce, the New Jersey Economic Development Agency, and other influential entities.
- **Conflicts of interest at crucial regulatory agencies.** The Executive Director of the Delaware River Basin Commission, which must approve the pipeline, was formerly a top executive for a wastewater company that is a member of a major pro-fracking coalition with ties to a PennEast owner and shipper.

I. PENNEAST PIPELINE AND ITS CRITICS

The PennEast Pipeline is a [proposed](#) 120-mile pipeline that will deliver fracked natural gas from Luzerne County, Pennsylvania, to Mercer County, New Jersey, at the site Transco's pipeline interconnection near Pennington. The pipeline will be primarily 36 inches and have the capacity to ship about 1.1 billion cubic feet of gas per day. It will cost about \$1 billion to build.

Currently five companies [own](#) PennEast Pipeline LLC, the entity behind the pipeline, [each](#) with a 20% stake. They are:

- **UGI Energy Services**, a subsidiary of the Pennsylvania-based UGI Corporation
- **NJR Pipeline Company**, a subsidiary of New Jersey Resources
- **SJI Midstream**, a subsidiary of South Jersey Industries
- **Southern Company**, the Atlanta-based fossil fuel and utilities company
- **Spectra Energy Partners**, a subsidiary of Enbridge, the Canadian fossil fuel company

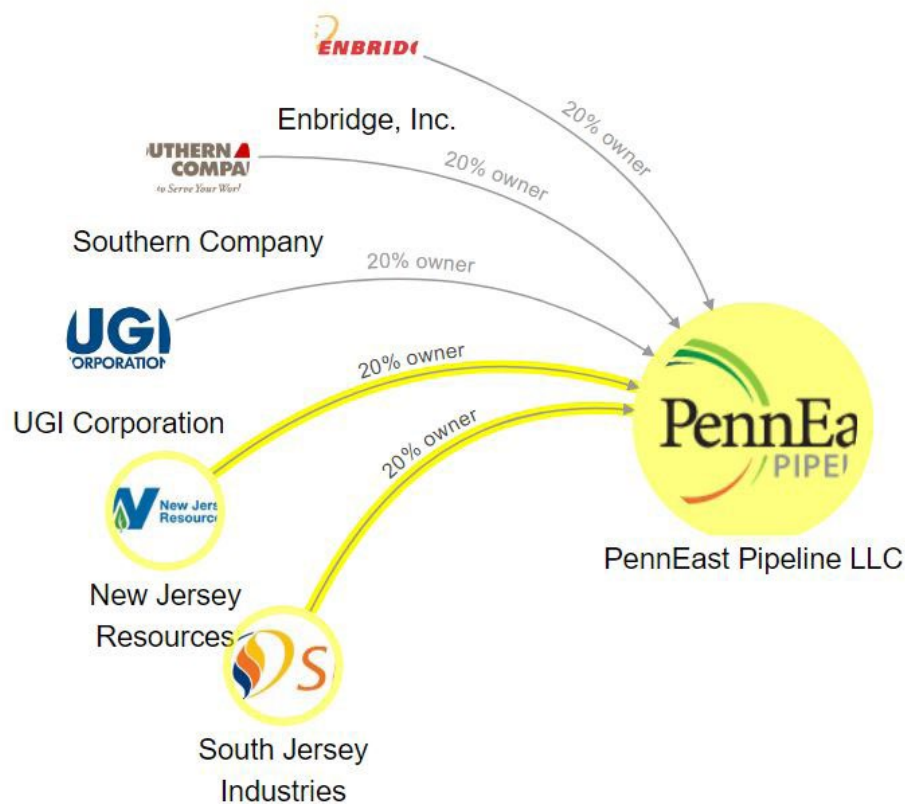
An original partner of the consortium was the New Jersey-based PSEG, which held a 10% stake until June 2017, when it sold its stake to Spectra. Spectra originally had a 10% stake, but has a 20% stake following the transaction.

PennEast also has 12 shippers [committed](#) to shipping a total of 990 Dth/day of fracked gas through the pipeline. They are, in order of the most to the least amount of committed gas to ship:

- New Jersey Natural Gas Company: 180,000 Dth/day
- PSEG Power LLC: 125,000 Dth/day
- Texas Eastern Transmission: 125,000 Dth/day
- South Jersey Gas Company: 105,000 Dth/day
- Consolidated Edison Company: 100,000 Dth/day
- Pivotal Utility Holdings, Inc (d/b/a Elizabethtown Gas): 100,000 Dth/day
- UGI Energy Services, LLC: 100,000 Dth/day
- Cabot Oil & Gas Corporation: 50,000 Dth/day
- Talen Energy Marketing, LLC: 50,000 Dth/day
- Enerplus Resources (USA) Corporation: 30,000 Dth/day
- Warren Resources, Inc.: 15,000 Dth/day
- NRG REMA LLC : 10,000 Dth/day

Five of these shippers are subsidiaries of the parent companies that will own the PennEast Pipeline: New Jersey Natural Gas Company (New Jersey Resources), Texas Eastern Transmission (Spectra), South Jersey Gas

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Company (South Jersey Industries), Pivotal Utility Holdings (Southern Company), and UGI Energy Services (UGI Corporation). This means that 610,000 Dth/day out of a total of 990,000 Dth/day gas will be shipped by the same companies that own the pipeline.

Out of those five companies, four have local Local Distribution Companies (LDCs) in Pennsylvania and New Jersey. The subscribed capacity of these four amounts to 485,000 Dth/day (about half of the total) that could potentially be shipped and purchased all within the same parent companies - a fact that has led to [accusations](#) of self-dealing as a motive for the pipeline. (Southern Company and its subsidiary Pivotal Utilities are [selling](#) Elizabethtown Gas and Elkton Gas to South Jersey Industries. If the acquisition is approved, it's unclear how this will impact the shipping and buying agreements of Southern Company and South Jersey Industries).

Several prominent organizations and individuals - including the [New Jersey Conservation Foundation](#) and a longtime [former communications director](#) for New Jersey Natural Gas - have strongly criticised the need for the pipeline and questioned the motives of the consortium behind it. Others have called out PennEast's [potential cost](#) through its impact on property values and the environment. Landowners threatened by the pipeline have [protested](#) it and spoken out against the potential use of eminent domain.

The most scathing critique of the pipeline has come from the New Jersey Division of Rate Counsel's [comments](#) to FERC. The Rate Counsel is an "independent state agency" that "represents the interests of consumers" of natural gas and other services. In two separate comments to FERC, it argued that the pipeline is not needed because sufficient capacity for energy supply already exists, and that PennEast's real motive appears to higher rates of return - a FERC-

regulated pipeline could set a 14% return on equity for New Jersey LDCs, several percentage points higher than what's authorized by the New Jersey Board of Public Utilities.

It should also be noted that the Rate Counsel's claims were [supported](#) in an affidavit by David Dismukes, a long time energy analyst who, as [we have shown](#), is no enemy of the fossil fuel industry.

In addition to critiques of the purported need for the pipeline, some have made the case for its harmful impact on the environment. For example, *Oil Change International* released an April 2017 [report](#) that argues PennEast will emit 49 million metric tons of greenhouse gases annually, which is the equivalent of 14 coal plants or 10 million cars. OIC's numbers take into account GHG emissions that FERC's final environmental impact statement (FEIS) failed to factor in, such as the full impact of methane leakage and upstream emissions.

II. PENNEAST AND NEW JERSEY GOVERNOR PHIL MURPHY

Phil Murphy was inaugurated as New Jersey Governor on January 16, 2018. Murphy has set bold [goals](#) for New Jersey's energy future, including a full transition to renewable energy for the state by 2050. He [supports](#) a permanent ban on fracking at the Delaware River Basin and a number of [measures](#) to reduce carbon emissions. He earned the endorsements of high profile, mainstream environmental groups, and he appointed representatives to his transition committees from groups who oppose the PennEast East pipeline, such as the Sierra Club and Delaware Riverkeeper Network. Murphy recently [brought](#) New Jersey back into the Regional Greenhouse Gas Initiative, a regional cap-and-trade agreement that Chris Christie pulled the state out of in 2012. He has been reported as saying he opposes the pipeline - he even agreed to take a [photograph](#) with anti-pipeline activists last year.

But while there are indications that point towards Murphy's skepticism about the PennEast pipeline, it's unclear whether he intends to stop its construction. The Murphy campaign [stated](#) that "fracking and fracking waste have no place in New Jersey," but its position on the transportation of new fracked gas through new pipelines across New Jersey, and the use of this gas in the state, is less clear. Murphy has spoken highly of fracking in the past - he [praised](#) the extraction technique in a speech in Germany in 2013. And as was reported during his campaign, Murphy himself was [invested](#) in at least 43 gas, oil, energy, and chemical companies, including three PennEast partner companies, even as he criticized the fossil fuel industry.

Most unsettling are signs that PennEast backers and lobbyists have influence within his transition - discussed in the next section below.

Murphy's mixed messages over the pipeline reflect larger tensions within the Democratic Party. While some Democratic leaders increasingly foreground the need to address climate change and enact policies to reduce carbon emissions, some of these same leaders waver on - or support outright - the expanded use of fracked natural gas. This comes as a widening swath of the Democrats' base opposes fracking and new fossil fuel pipelines. As tensions continue to play out in the Democratic Party over fracking and pipelines, what Murphy ultimately decides to do on PennEast could have a wide, even national impact.

III. PENNEAST'S POWERFUL REVOLVING DOOR LOBBYISTS

PennEast and its partner companies have hired several high-powered lobbying firms in New Jersey and Pennsylvania to push for the pipeline, or have deployed the partner companies' in-house lobbyists at the state level. PennEast has also hired lobbyists at the federal level or benefited from outside fossil fuel industry lobbying in Washington.

The army of lobbyists working for PennEast includes ones with significant influence in state politics and close ties to politicians - senators, congress members, assembly members, former governors - and regulatory entities. This raises serious questions about the undue influence that the fossil fuel and utilities' interests behind PennEast are exerting over the pipeline approval process at both the state and federal levels.

PennEast paid [\\$260,270](#) to outside lobbyists in New Jersey in 2016 (numbers for 2017 are not filed [until](#) February 2018). Lobbying firms hired by PennEast include:

- **Princeton Public Affairs Group (PPAG).** The most powerful lobbying firm in New Jersey, taking in [\\$3 million](#) more than its nearest competitor in 2016. It is the main outside lobbying firm for PennEast in New Jersey.
- **Mercury LLC.** Mercury is a global consulting and lobbying firm that has been hired by PennEast to lobby for the pipeline. Michael DuHaime, the head of Mercury, was named the 40th most powerful person in New Jersey in 2017 by [NJBIZ](#).
- **Buchanan Ingersoll & Rooney.** Buchanan is a powerful, Pittsburgh-based lobbying firm that represents the oil, gas, and coal industries. As we [reported](#) in 2013, Buchanan is a revolving door powerhouse – many of its employees have worked in Pennsylvania state government.

New Jersey Governor Phil Murphy appointed five registered PennEast lobbyists to his transition committees

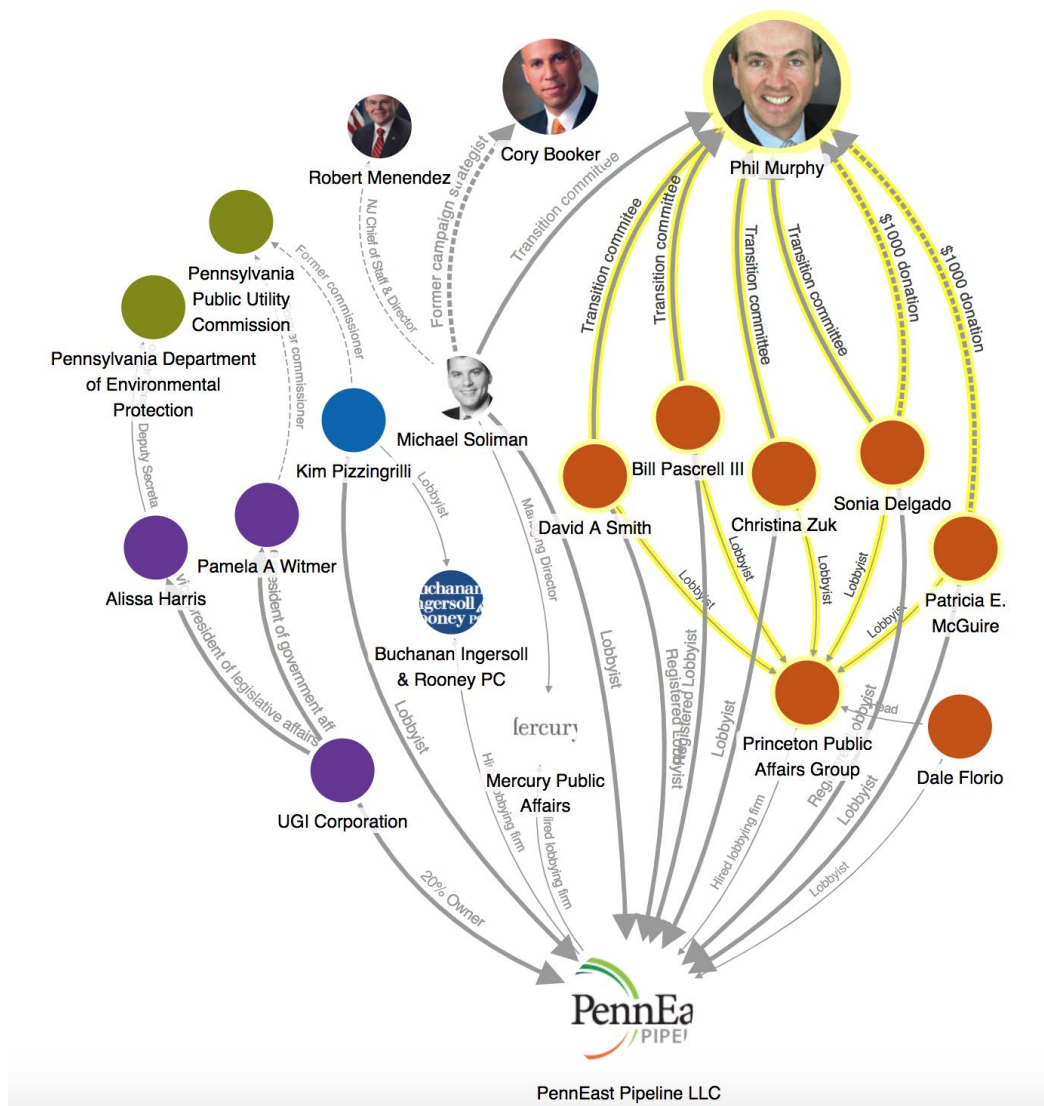
New Jersey Governor Phil Murphy appointed five registered PennEast lobbyists to his [transition committees](#) after winning the New Jersey gubernatorial race in 2017. At least two of the lobbyists have filed reports showing they lobbied politicians and state agencies on behalf of PennEast. The five registered lobbyists are:

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- **Michael Soliman, Mercury.** Appointed to Transportation and Infrastructure Committee. Soliman has been a [partner](#) at Mercury LLC since 2013. He was a lead strategist for Senator Cory Booker and has also been Senator Robert Menendez’s State Director, New Jersey Chief of Staff, and [spokesperson](#). Soliman has [other](#) extensive ties to New Jersey political figures. Soliman has been a registered lobbyist for PennEast since April 5, 2016. He [filed](#) a report on July 7, 2016 that shows he lobbied the New Jersey Speaker’s Office on behalf of PennEast.
- **Christina Zuk, PPAG.** Appointed to Budget Committee. Zuk [joined](#) PPAG as a lobbyist in October 2015. Zuk was Chief of Staff and campaign political director for former New Jersey State Senator Barbara Buono. She is also [dating](#) New Jersey State Senator Vin Gopal. Zuk is the [Executive Vice President](#) of the New Jersey Young Democrats of America and serves as a National Committeewoman. She filed reports on January 10, April 7, May 22, and July 7 of 2017 that show she lobbied one or more unspecified legislators on behalf of PennEast, and she remains a registered PennEast lobbyist.
- **William Pascrell III, PPAG.** Appointed to Transition Counsel Committee. Pascrell is a [lobbyist](#) with PPAG who has a long career in and family ties to New Jersey politics. His [father](#) is a 11-term member of Congress from New Jersey’s 9th district. He advised former New Jersey Senator and Governor Jon Corzine, Senator Robert Menendez, Governor James E. McGreevey, and others. Pascrell has been a registered lobbyist for PennEast since October 10, 2014.
- **David Smith, PPAG.** Appointed to Environment and Energy Committee. [Smith](#) is a longtime, well-connected lobbyist tied to major national lobbying associations, including the Beltway-based Advocacy Group and Public Affairs Council. Smith has been a registered lobbyist for PennEast since October 10, 2014.
- **Sonia Delgado, PPAG.** Appointed to Healthcare Committee. [Delgado](#) has held a range of appointments within New Jersey Democratic party initiatives and committees. Delgado has been a registered lobbyist for PennEast since October 10, 2014.

In addition, Modia “Mo” Butler of Mercury LLC was appointed to Murphy’s Stronger and Fairer Economy Committee. [Butler](#) is not a registered lobbyist for PennEast, but his firm lobbies for the pipeline.

PENNEAST
LOBBYIST
MICHAEL
SOLIMAN WAS A
TOP CAMPAIGN
STRATEGIST
FOR SENATOR
CORY BOOKER



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New Jersey Senator Cory Booker's former advisor is a top lobbyist for PennEast and Booker's former Chief of Staff is a principal at a firm that lobbies for PennEast

As mentioned above, a key PennEast lobbyist is Mercury LLC partner Michael Soliman. Soliman was a top advisor to New Jersey Senator Cory Booker - arguably the state's most high-profile politician - during his 2014 campaign. Soliman filed a report on July 7, 2016 that show he lobbied the New Jersey Speaker's Office on behalf of PennEast, and he has been a registered lobbyist for PennEast since April 5, 2016.

As mentioned, another Mercury lobbyist, Mo Butler, is Senator Booker's former Chief of Staff, though Butler is not a registered lobbyist for PennEast.

Governor Murphy appointed lobbyist to transition committee who heads industry group that counts PennEast as a member

Governor Murphy also appointed [Edward Salmon](#) to his Government Technology and Innovation transition committee. Salmon is head of Salmon Ventures Limited, a powerful New Jersey lobbying firm. He chairs the New Jersey Energy Coalition, an energy industry lobbying group that has PennEast on its [advisory board](#). Salmon is a former president of the New Jersey Board of Public Utilities and former member of the New Jersey state assembly.

PennEast has an army of revolving door lobbyists with extensive professional and personal ties to New Jersey's Democratic Party establishment

PennEast has hired over a dozen revolving door lobbyists in New Jersey from PPAG and Mercury. These lobbyists have extensive ties to powerful New Jersey Democratic Party politicians and other state political entities. Among other ties not mentioned here, PennEast lobbyists are connected to:

- **NJ Senate President Steve Sweeney.** PPAG lobbyist Kevin P. [Hagan](#) (registered PennEast lobbyist since October 10, 2014) was Steve Sweeney's Chief of Staff [from](#) January 2011 to February 2012. NJBIZ [ranked](#) Sweeney as the 6th most powerful person in New Jersey in 2017.
- **New Jersey State Assembly.** PPAG lobbyist Jack Collins (registered Penneast lobbyist since October 10, 2014) [served](#) 16 years in the New Jersey legislature and was Speaker of the New Jersey Assembly from 1996 to 2002, the longest tenure ever at that position, and he was thought of as a potential gubernatorial race [front-runner](#).
- **US Senator Cory Booker.** As mentioned above, Mercury lobbyist Michael Soliman was a lead advisor to Senator Cory Booker.
- **US Senator Robert Menendez.** As mentioned above, Mercury lobbyist Michael Soliman has served as Senator Robert Menendez's State Director, New Jersey Chief of Staff, and spokesperson. PPAG lobbyist Patti [McGuire](#) (registered Penneast lobbyist since October 10, 2014) was Menendez's Chief of Staff when he was a New Jersey Congressman. PPAG's William Pascrell III was an advisor to Menendez.
- **Former Governor Jon Corzine.** PPAG's Patti McGuire served three years as Corzine's Deputy Chief of Staff, while PPAG's William Pascrell III was an advisor to Corzine. Mercury lobbyist Conor [Fennessy](#) (registered PennEast lobbyist since April 5, 2016) worked for Corzine.

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- **Former Governor Jim McGreevey.** PPAG lobbyist Kevin P. Hagan was Governor McGreevey's Deputy Chief of Staff, while PPAG's William Pascrell III was an advisor to McGreevey.
- **NJ State Senator Vin Gopal.** As mentioned, PPAG lobbyist Christina Zuk is [dating](#) New Jersey State Senator and [rising](#) political star Vin Gopal.
- **NJ Congressman Bill Pascrell.** PPAG's William Pascrell III is the son of longtime assemblyman Bill Pascrell. Mercury lobbyist Michael Soliman was a campaign advisor for Pascrell.
- **New Jersey Young Democrats of America.** As mentioned, PPAG lobbyist Christina Zuk is the [Executive Vice President](#) of the NJYDA and serves as a National Committeewoman. Zuk's fellow NJYDA executive board members have close ties to powerful New Jersey politicians.

In addition, a top lobbyist for PennEast has been [Dale Florio](#), the longtime head of PPAG who is arguably New Jersey's most powerful lobbyist. Florio has been a registered lobbyist - and one of the most active - for PennEast since October 10, 2014. He filed nine lobbying reports between April 8, 2016 and January 1, 2017 that show he lobbied the New Jersey legislature, Department of Environmental Protection, Department of Transportation, Department of Law and Public Safety, and Governor's Office on behalf of PennEast.

Two former Pennsylvania PUC commissioners and Pennsylvania DEP officials are lobbying for PennEast in Pennsylvania

Unlike in New Jersey, PennEast has already gained approval from the Pennsylvania DEP and expects to easily obtain all necessary permits, but it's worth noting the extent of the revolving door between that state's regulatory agencies and lobbyists for PennEast:

- **Pamela Witmer.** Former PPUC commissioner Pamela Witmer is a lead lobbyist for the pipeline in Pennsylvania. Witmer is currently vice president of government affairs for UGI, a PennEast owner. Prior to joining UGI, she served a five-year term (2011-2016) as a commissioner on the Pennsylvania Public Utility Commission, which must approve pipelines in the state. She left the PPUC to join UGI, in a move that was [condemned](#) by environmentalists. As vice president of government affairs, Witmer's position involves interacting with and persuading the very regulators she used to work with. *Marcellus Drilling News*, a fracking industry news site, called UGI's hiring of Witmer a "[brilliant move](#)" for PennEast. Witmer also [worked](#) under current Pennsylvania DEP Secretary Patrick McDonnell, who was her executive policy manager, and she worked closely with

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current FERC commissioner [Robert Powelson](#), who was the PPUC's Chairman for most of Witmer's tenure and who [co-authored](#) an op-ed with her.

- **Kim Pizzingrilli.** Former PPUC commissioner Kim Pizzingrilli is a lobbyist for PennEast with the firm Buchanan Ingersoll & Rooney. Pizzingrilli has worked at Buchanan [since](#) March 2010. Immediately prior to joining Buchanan, she served eight years as a PPUC commissioner. Before that, from 1998 to February 2002, she worked in the Pennsylvania Department of State as secretary of the commonwealth under Governors Tom Ridge and Mark Schweike. From 1987 to 1998 she worked with the Pennsylvania Independent Regulatory Review Commission, a public body that reviews agency regulations in Pennsylvania.
- **Alissa Harris.** Former Pennsylvania DEP official [Alissa Harris](#) is vice president of legislative affairs at UGI, a position she's held since December 2015. Prior to that, she was UGI's vice president of government affairs, the position Witmer now holds. Harris was Special Deputy Secretary of the Pennsylvania DEP from February 2011 to September 2013, a regulatory position she left immediately to work for UGI.
- **Robert L. Shuster.** Shuster is an influential revolving door lobbyist with Buchanan who has deep ties to Pennsylvania politics. His family is [very powerful](#) within Pennsylvania - his [brother](#) represents the state's 9th District in the US House of Representatives, and his [father](#) was a 14-term Pennsylvania Congressman who retired in 2001 after being criticized for taking improper gifts from and giving access to a lobbyist who had been a former top aide. Shuster previously worked for the former president pro tempore of the Pennsylvania State Senate.

Astroturf group backed by Koch brothers has lobbied for PennEast at federal level

Paul N. Cicio is President of the Industrial Energy Consumers of America (IECA), an astroturf group that lobbies for the fossil fuel, chemical, and manufacturing industries and is [run by](#) the lobbying firm Carbonleaf LLC. Members and funders of IECA include Koch Industries, Dow Chemicals, and Marathon Refining. IECA's [board members](#) represent different member-companies, and many, like Koch Industries' Brian Henneberry, are lobbyists. Cicio worked for Dow for 30 years before becoming head of the IECA. Cicio and IECA [recently](#) advocated for the US to leave the Paris Climate agreement.

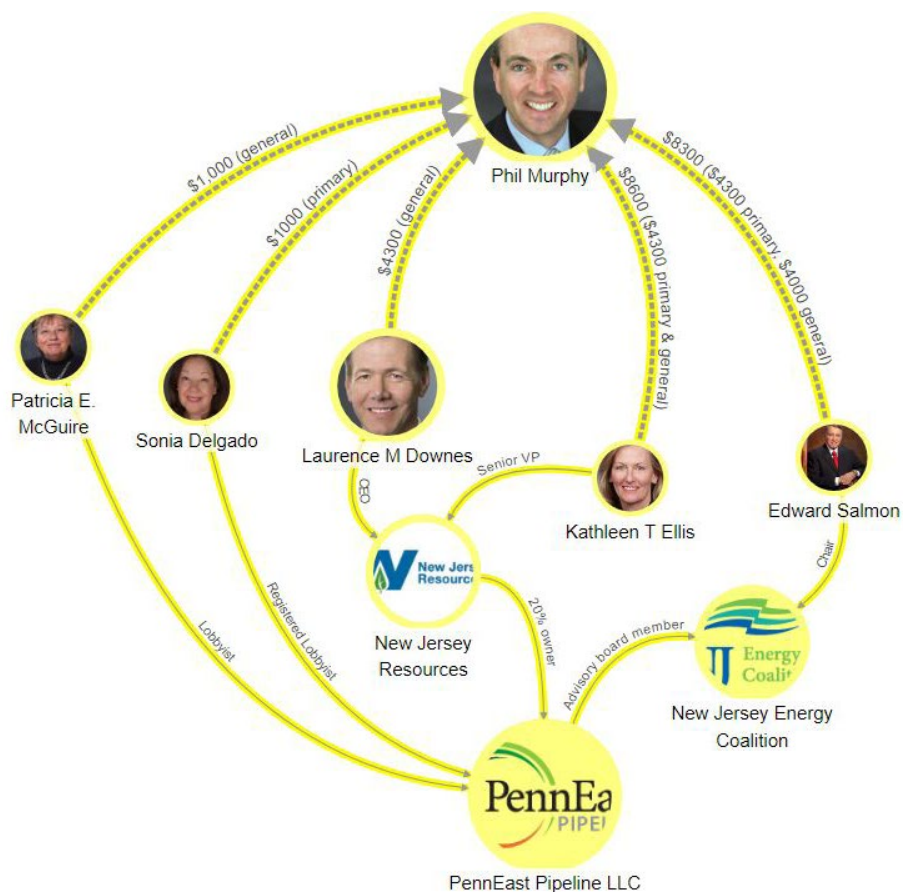
In May 2017, Carbonleaf, on behalf of IECA, reported \$1.04 million in lobbying income. Cicio lobbied a host of federal agencies, including FERC, the EPA, the Department of Energy, and both houses of Congress. He lobbied on many issues, [including](#) PennEast.

A FOSSIL FUEL
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IN DC

IV. PENNEAST CAMPAIGN DONATIONS TO PHIL MURPHY

In addition to the presence of PennEast lobbyists in the Murphy transition, the Murphy campaign also accepted nearly \$15,000 from two NJR executives - including CEO Larry Downes - as well as two registered PennEast lobbyists, along with \$8,300 from the head of an energy industry coalition of which PennEast is a member.

- **NJR Execs donated \$12,900 to Murphy.** NJR executives [gave](#) \$12,900 to Murphy in the primary and general elections. NJR's Executive Vice President of Policy and Strategy Development Kathleen Ellis gave Murphy \$4,300 in the primary and another \$4,300 in the general, while NJR CEO Larry Downes gave Murphy \$4,300 in the general.
- **PPAG lobbyists gave at least \$2,000 to Murphy.** PPAG's Patti McGuire gave \$1,000 in the primary and PPAG's Sonia Delgado gave \$1,000 in the general. Both are registered lobbyists for PennEast, and McGuire filed two reports on October 10, 2016, that show she lobbied Assemblymen Thomas Giblin and Andrew Zwicker on behalf of PennEast.
- **Pipeline industry group head gave \$8,300 to Murphy.** Edward Salmon, lobbyist and head of New Jersey Energy Coalition, of which PennEast is an advisory member, gave \$8,300 to Murphy (\$4,300 in the primary, \$4,000 in the general).



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V. ARE "FERC LEVEL RETURNS" AND "EXPANSION POTENTIAL" THE REAL MOTIVES OF PENNEAST?

Critics of PennEast have tried to show that the pipeline is not needed to meet the region's energy needs and that the true motive behind the pipeline is the high rate of returns it will bring. While PennEast [denies](#) this, and some company documents and comments repeat talking points about the need for expanded gas supply, a deeper analysis of at least one the PennEast partners' SEC filings and presentations to investors show that a primary focus, within the company, is the big profits the pipeline will ensure, as well as the possibility for further "expansion potential" around the project.

In 2017, nearly all of SJI's quarterly reports and presentations emphasized PennEast's "FERC level returns" and said little about the need for gas supply

South Jersey Industries consistently emphasized pipeline profits as its primary motive in its 2017 SEC filings and investor presentations. Its SEC filings from all four 2017 quarters, and its presentations to the American Gas Association Financial Forum and Morgan Stanley Utilities conference, emphasize "FERC level returns projected" while making no mention of any supply need to build the pipeline as a core motivation. "FERC level returns" refers to higher rates on equity - likely 14% - that are set for interstate pipelines as opposed to intrastate pipelines.

For example, SJI's March 2, 2017 [presentation](#) at the Morgan Stanley Utilities conference in New York has as the top bullet point on its PennEast slide, "\$200M investment with FERC level returns projected." [Other](#) filings and presentations from that year have an identical emphasis.

An admission by CEO Michael Renna further speaks to suspicions of SJI's main motive with regards to PennEast. In SJI's 2017 second quarter business update [filed](#) with the SEC, Renna is quoted:

Growth driven improvements in customer margins and infrastructure investments designed to enhance the safety and resiliency of our system continue to drive utility performance, *while contributions from our Midstream investment in PennEast and from our niche fuel supply management business reflect our focus on growth through high quality and repeatable earnings.* (PAI's emphasis in italics).

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What this shows is that - in contrast to “infrastructure investments designed to enhance the safety and resiliency of our system” - Renna mainly frames PennEast as contributing to SJI’s focus on “high quality and repeatable earnings” - precisely what PennEast’s “FERC level returns” have to offer. All this leads to further speculation that PennEast’s guaranteed, regulated higher rates of return are a core motivation for one of its key investors.

SJI’s mentioned the possibility of the pipeline’s “expansion potential”

In several 2016 presentations, SJI hinted at larger possibilities for PennEast that may go beyond what is currently being proposed. For example, a May 15th, 2016 [presentation](#) to the American Gas Association Financial Forum emphasized projections of PennEast’s FERC level returns, but also declared: “favorable location creates potential for incremental opportunities” and that “opportunities exist beyond PennEast to participate in additional FERC regulated investments including LNG projects and natural gas pipelines.” This emphasis on “expansion potential” was mentioned in at least [five](#) other presentations in [2015](#) and [2016](#).

While it’s not precisely clear what SJI is alluding to, its focus on further expansion relating to PennEast confirms fears that some critics have about pipeline expansions or a move toward LNG exports, all of which will likely see an upsurge under a fossil fuel-friendly Trump administration. PennEast opponents have raised the [spectre](#) - which there is no clear cut evidence for yet - of the shipment of the pipeline’s gas out of the Cove Point LNG export facility in nearby Maryland (some have also [commented](#) on New Jersey Resources’ ties to Dominion Energy, which owns and operates Cove Point, including NJR’s equity stake in [Dominion Midstream](#)).

NJR’s allusions to “demand” for natural gas fail to mention that much of the gas that PennEast will ship will be bought by partner companies’ own subsidiaries - a possible conflict of interest

In its filings and calls with analysts, NJR executives emphasize the demand for natural gas that PennEast will meet, and that proof of this is revealed by commitments already in place to purchase the bulk of the gas that the pipeline will deliver. However, what the documents don’t say is that much of commitments to buy PennEast gas come from the pipeline owners’ very own subsidiaries, which means they are buying gas from themselves and creating their own demand.

For example, in a February 2017 call with analysts, NJR CEO Larry Downes [emphasized](#) that “90% of PennEast capacity is already contracted by local distributions and others to serve customers including those in New Jersey.” This leads him to conclude that “it’s clear that PennEast will responsibly support our region’s growing energy needs.”

But Downes fails to say that much of the “demand” for PennEast gas would come from the partner companies themselves. As mentioned above in Section I, 485,000 Dth/day of subscribed capacity out of 990,000 Dth/day - about half - will be shipped by midstream segments of parent companies who could be selling the gas back to their LDCs in Pennsylvania and New Jersey. As one journalist [put it](#), PennEast companies “would be both owners and customers of the pipeline, meaning they would essentially be selling to themselves.” Critics such as [ReThinkEnergyNJ](#) and [Oil Change International](#) have said that this scenario - partner companies committing their LDCs to buying half of their midstream subsidiaries’ gas supply through PennEast, and thereby locking their customers into paying for it - is a form of self-dealing.

VI. THE POWER AND INFLUENCE OF NEW JERSEY RESOURCES AND SOUTH JERSEY INDUSTRIES

Two of the New Jersey-based utilities companies behind PennEast - New Jersey Resources and South Jersey Industries - are led by top executives and board members with significant ties to entities and individuals with strong influence within New Jersey’s political power structure. These include the Chamber of Commerce, business-boosting and subsidy-granting entities, non-profit boards, and others.

SJI CEO Michael J. Renna and NJR CEO Laurence M. Downes

Michael J. Renna has been the CEO of SJI since May 2015. He [earned](#) \$2,352,374 in total compensation in 2016 and has taken in \$5,030,208 between 2014 and 2016.

Larry Downes has been the CEO of NJR since 1995. He [earned](#) \$4,597,830 in 2017, and has taken in a total of \$15 million between 2015 and 2017. Downes was named the 45th most powerful person in New Jersey in 2017 by [NJBIZ](#), and was ranked 26th in 2016.

Renna and Downes are tied to several very influential entities that have significant sway in New Jersey politics:

- **New Jersey Chamber of Commerce (NJCOC).** Renna is a [director](#) of the New Jersey Chamber of Commerce, a big [supporter](#) of the PennEast pipeline whose chairman sits on the SJI board.
- **New Jersey Economic Development Authority (NJEDA).** Downes is a [board](#) member of the NJEDA, which finances business development in the state. Members of the NJEDA board are appointed by the Governor. EDAs tend to be powerful entities within cities and states because of their influential members and interests and their control of financing.
- **Choose New Jersey (CNJ).** Renna and Downes both sit on the [board](#) of Choose New Jersey (CNJ), a state-sanctioned, corporate-funded, non-profit marketing arm for business investment in New Jersey whose members and supporters include a range of the state's major companies, trade unions, and colleges and universities. The CNJ's chairman is [Ralph A. LaRossa](#), the CEO of PSEG, the New Jersey utilities powerhouse that is a former PennEast partner, and CNJ's CEO is [Michele Brown](#), a former CEO of the NJEDA.
- **Drumthwacket Foundation.** Downes sits on the [board](#) of the Drumthwacket Foundation, which manages aspects of conservation, education, tourism, and promotion of the New Jersey Governor's mansion. In this capacity, Downes sits on the board alongside the spouse of the current Governor. He also serves alongside Rich Boornazian, Assistant Commissioner of Natural & Historic Resources within the New Jersey DEP, who must approve the PennEast pipeline.
- **The Hun School.** Renna is also a trustee of the [Hun School](#), a prestigious private school in Princeton. Renna served on the Hun School board alongside Leslie Florio, the spouse of Dale Florio, who is one of New Jersey's most powerful lobbyists and who has lobbied for PennEast. The Hun School board chair is Hugh Hurley, a [senior executive](#) at BlackRock, the largest beneficial owner of [the two](#) New Jersey utilities companies' behind PennEast, including NJI.

Renna's wife was an aide to former Governor Chris Christie who had to [resign](#) in 2014 because of a conflict of interest that involved Renna and NJR trying to push through a pipeline in the New Jersey Pinelands region that Christie supported.

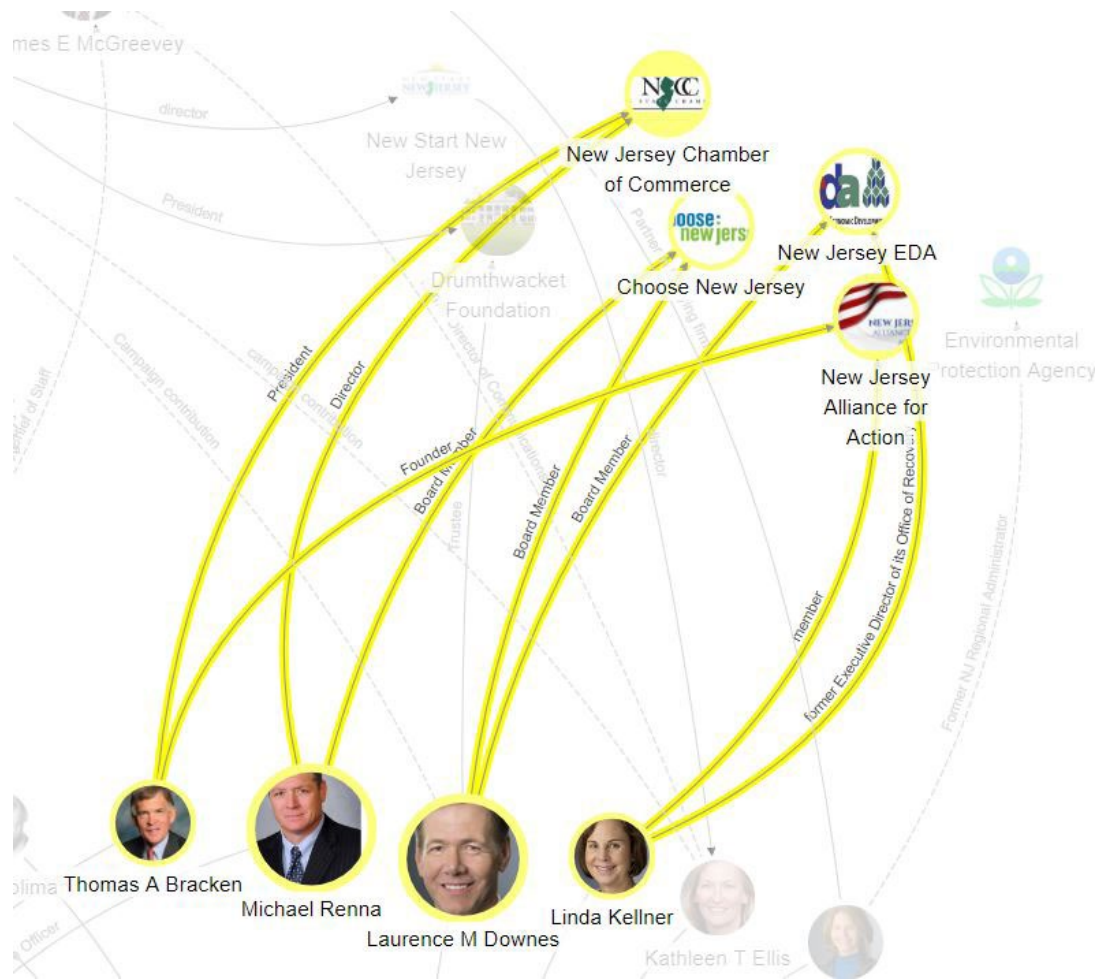
CEO LARRY
DOWNES IS A
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SJI and NJR Executive and Board Ties

Both [SJI](#) and [NJR](#) have executives and board directors with extensive powerful ties that give the companies avenues for influence within New Jersey politics, including with politicians and entities who could impact the fate of the PennEast pipeline. With their stock ownership in the companies, these figures stand to profit from the pipeline.

- **New Jersey Chamber of Commerce head is on SJI board.** Thomas A. Bracken, the [President](#) and CEO of the New Jersey Chamber of Commerce, has been a vocal supporter of the pipeline. As the head of one of the state's most powerful business groups, Bracken's agenda carries significant weight. Bracken has been an SJI board member since 2004. He receives \$164,431 in total compensation from SJI and owns 52,583 SJI shares (worth about \$1.55 million as of February 1, 2018).
- **Former New Jersey BPU Executive Director is on SJI board.** Victor A. Fortkiewicz was the former [Executive Director](#) of the New Jersey Board of Public Utilities from September 2005 to June 2010. The BPU has regulatory power (setting rates, etc.) over utilities companies like SJI. Fortkiewicz [owns](#) 26,343 shares of SJI stock and receives \$161,931.
- **NJR Exec sits on board with NJ Governor's wife.** Kathleen T. Ellis, NJR's Executive Vice President of Policy and Strategy Development, sits on the advisory [board](#) of New Start New Jersey, a non-profit state economy booster organization chaired and co-founded by Tammy Snyder Murphy, Governor Phil Murphy's wife. Ellis owns 102,366 in NJR stocks and received \$1,047,105 in 2017.
- **NJR director is past CEO of American Water, former employer of DRBC head.** Donald L. Correll has [been](#) an NJR director since 2008. Correll is the former CEO of American Water, a major water and wastewater utilities company. Correll receives \$217,565 in compensation and owns 29,372 shares of NJR stock. As is discussed below, DRBC Executive Director Steve Tambini is a former top-level executive at American Water. The DRBC must approve the PennEast Pipeline.
- **NJR Exec was Communications Director for former NJ Democratic Governor.** NJR Executive Vice President of Policy and Strategy Development Kathleen T. Ellis was also Director of Communications for former New Jersey Democratic Governor James E. McGreevey before she joined NJR in 2004.
- **NJR Exec held a top spot in New Jersey EDA.** Linda B. Kellner, NJR's Director of Government Affairs, formerly served at the New Jersey EDA as its Executive Director of its Office

THE NJ
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COMMERCE
CHAIRMAN
SITS ON THE
BOARD OF
SOUTH JERSEY
INDUSTRIES,
WHILE SJI
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DIRECTOR



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of Recovery. As discussed above, the EDA is influential because it represents powerful business interests and controls financing for development. Kelner also headed up the New Jersey Business Action Center within the NJ Department of State from March 2010 through April 2012.

- **SJI director is founder of influential NJ infrastructure business group.** SJI board member Tom Bracken - who, as mentioned, heads up the NJ Chamber of Commerce - is also a founder of [New Jersey Alliance for Action](#), a corporate-backed construction and infrastructure boosting group whose board also included New Jersey BPU former head and current commissioner Richard Mroz. NJR's Director of Government Affairs Linda Kellner is also an NJAA member.
- **NJR director is former New Jersey EPA regional administrator.** Jane M. Kenny has been an NJR director since 2006. She is a [former](#) Regional Administrator of the U.S. EPA in New Jersey.
- **NJR director is partner at former NJ governor's lobbying firm.** Kenny is also founder and managing partner at Whitman Strategy Group, former New Jersey governor Christine Todd Whitman's lobbying firm.

SJI's recent CEO before Renna, Edward J. Graham, who left SJI in 2015, is also very influential, having sat on or currently sitting on the [boards](#) of Choose New Jersey, the New Jersey Business & Industry Association, the New Jersey Alliance for Action's foundation, and the United Way of Greater Philadelphia and Southern New Jersey.

VII. CONCERNS OF CONFLICTS AND REVOLVING DOORS AT REGULATORY INSTITUTIONS

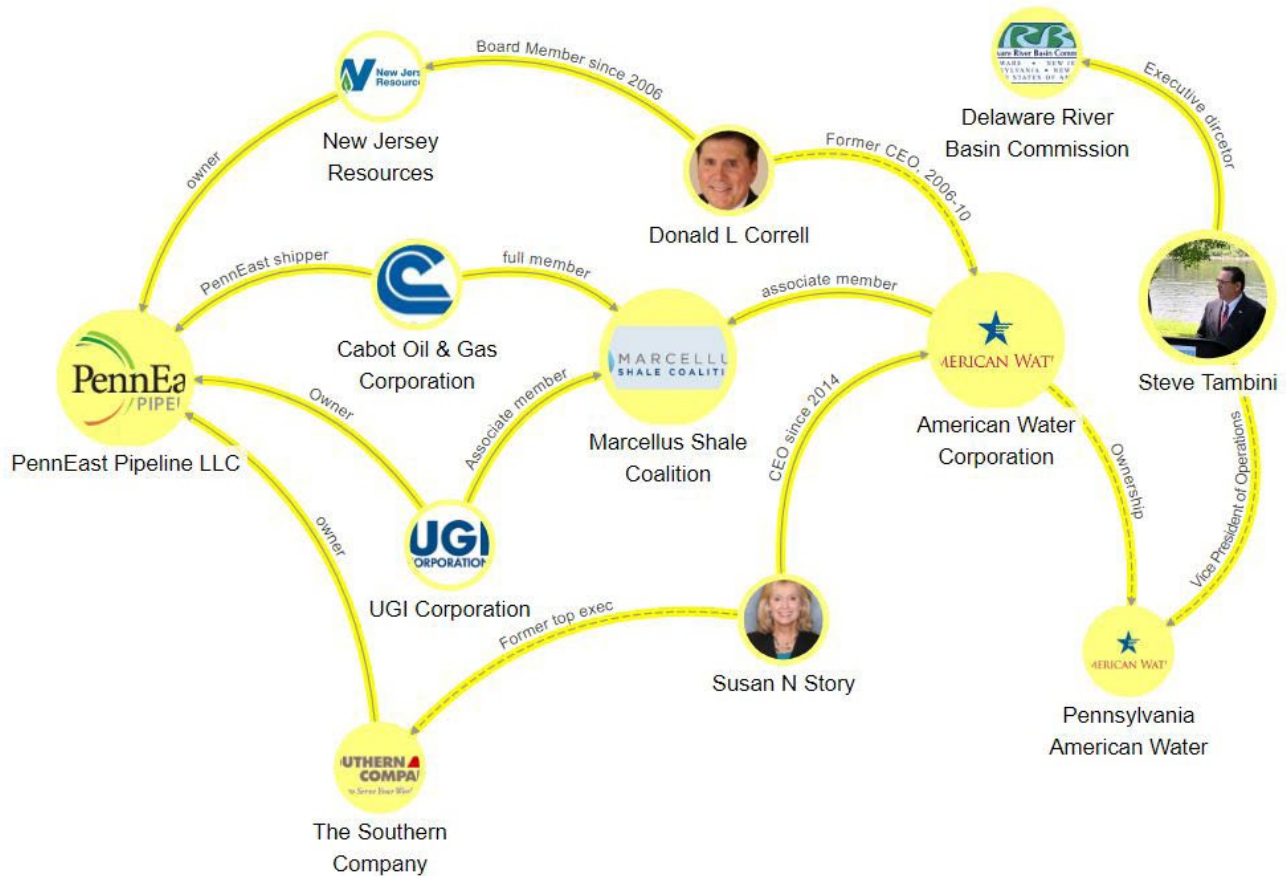
PennEast must still gain approval from several regulatory institutions, including the New Jersey Department of Environmental Protection and the Delaware River Basin Commission. Furthermore, while the New Jersey Board of Public Utilities doesn't need to approve the pipeline, and it doesn't set rates for FERC-approved pipelines like PennEast, it oversees regulated utilities in the state such as New Jersey Natural Gas and South Jersey Gas. Governor Phil Murphy's administration holds significant influence over whether entities within New Jersey will ultimately approve the pipeline in that state, which may be the last hope for pipeline opponents.

PAI found a range of potential conflicts within these entities that raise concern over industry influence in the approval and regulatory process. (It should be noted that the end of Christie administration has resulted in the removal or demotion of some of these individuals, which means some regulatory conflicts may carry less weight. However, it's worth noting these conflicts since this was the regulatory framework in which the pipeline plan was conceived and developed).

- **Steve Tambini, Executive Director, DRBC.** Since 2014, Tambini has held the top position at the DRBC, which oversees water in the Delaware River Basin and is in the process of deciding whether to approve the pipeline. Tambini [came](#) to DRBC from American Water, a major water and wastewater utilities company. Tambini oversaw American Water's operations in Pennsylvania, where the fracking industry has major influence. American Water is an [associate member](#) of the pro-fracking, Pennsylvania-based Marcellus Shale Coalition, alongside PennEast partner UGI and PennEast fracked gas shipper Cabot Oil & Gas. The fracking industry [signalled](#) its pleasure with Tambini's 2014 appointment to the DRBC. Moreover, Donald L. Correll, American Water's former CEO, has been an NJR board member since 2006, and the [current](#) American Water CEO spent over three decades at Southern Company, a PennEast owner. Other fossil fuel companies such as Dominion, Anadarko, and others are represented on the American Water board.

THE DRBC
HEAD WAS A
TOP EXECUTIVE
AT AMERICAN
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FRACKING
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HAS TIES TO
PENNEAST
OWNERS

- Robert F. Powelson, Trump FERC Commissioner Appointee.**
[Powelson](#) was confirmed as a FERC commissioner in August 2017. He was previously a PPUC commissioner since June 2008, serving as PPUC chairman from February 2011 to May 2015. Two PennEast lobbyists, Kim Pizzigrilli and Pamela Witmer, served with Powelson on the PPUC. Powelson is friendly with the energy industry, having accepted multiple [gifts](#) and reimbursements from NRG Energy, the Edison Electric Institute, and others. At a conference last March, Powelson openly [praised](#) the fracking industry and spoke of his ties to the federal government, while also claiming that pipeline opponents are engaged in a “jihad” to prevent natural gas from expanding to consumers. Though other FERC commissioners raise revolving door and conflict of interest concerns, Powelson’s position is especially troubling given his ties to Pennsylvania and PennEast backers.
- Richard Boornazian, NJ DEP Assistant Commissioner.**
 Boornazian sits on the board of the Drumthwacket Foundation alongside NJR CEO Larry Downes. According to a 2011 [bio](#), he was also the former Chief Operating Officer of an “unnamed environmental consulting and laboratory services firm.” His LinkedIn [page](#) lists him as Senior Vice President at Rx Solutions International from 2005 to 2010 and Senior Vice President of Operations at BTS Laboratories from 2005 to 2009.
- Richard Mroz, Commissioner, NJ BPU.** [Mroz](#), who is currently a BPU commissioner and chaired the BPU from October 2014 to January 2018, has extensive ties to the companies and interests tied to PennEast. While the BPU won’t set rates for PennEast, an interstate pipeline, it is an influential entity within the politics of New Jersey energy. Mroz was a lobbyist for the two main New Jersey companies behind PennEast - South Jersey Gas/South Jersey Industries (from February 2007 through end the end of 2013) and New Jersey Natural Gas/New Jersey Resources (from February 2006 to August 2006) - as well as Elizabethtown Gas (from February 2006 through end the end of 2013), which is in the process of being acquired by SJI. Furthermore, Mroz [lobbied](#) for the New Jersey Coalition for Affordable Clean and Reliable Energy, or NJ ACRE, from October 2007 through end the end of 2013. NJ ACRE was an energy industry-backed PR and lobbying group backed by such PennEast supporters as NJ Alliance for Action and the NJ Chamber of Commerce. Mroz lobbied for multiple other fossil fuel and utilities companies, such as Hess, Exelon, Sunoco, and others. Furthermore, Mroz is a former director of the New Jersey Chamber of Commerce and the NJ



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Alliance for Action, who both support PennEast and whose boards contains multiple interlocks with PennEast companies. Given all this, Mroz's influential position within the BPU over the past three years raises serious concerns.

- **Victor A. Fortkiewicz, former NJ BPU Executive Director.** Fortkiewicz served at the BPU's Executive Director from 2005 to 2010. He has been a director of PennEast owner SJI since November 2010 - joining a company that just months earlier he was assigned to regulate. Prior to his BPU tenure, Fortkiewicz worked at Elizabethtown Gas for 25 years, during which he also served as president and director of the New Jersey Utilities Association. This stark revolving door between two PennEast companies and a key regulatory entity raises significant alarm.