

Marcellus Shale Update: NESE Rejected

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At 8:30 p.m. yesterday, the State of New York Department of Environmental Conservation rejected Williams Corporation's proposal for the Northeast Supply Enhancement (NESE) natural gas pipeline. Citing potential water contamination from the project, which mostly would run into New York Bay, the DEC refused to issue the required Section 401 Clean Streams Certification.

The decision was made "without prejudice," meaning Williams can resubmit its application. The company said it planned to do so.

In reaction to the DEC decision, the two power companies that serve New York City and Long Island, National Grid and Consolidated Edison, are expected to follow through on their moratoria against any new gas hookups in practically the entire New York City metropolitan area within New York State. Among other things, that means that a planned new arena for the New York Islanders ice hockey team to be located in Elmont, New York likely is dead.

A more interesting question will be how this move affects New York City's bond rating as a whole. Without available new natural gas service, will the rating agencies feel as confident about Downstate New York's future growth potential?

All of this, and many other questions, remain to be answered.

ATTORNEYS MENTIONED

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