



Project Finance Due Diligence

Since 2002, the attorneys in Chapman and Cutler's Environment, Energy and Resources group provided due diligence in several significant pipeline acquisition projects, including representation of:

- A major international energy company negotiating the acquisition of an extensive portfolio of natural gas production, gathering, transmission, and distribution assets in the South and Northeast.
- An investor bidding on the acquisition of a significant Midwestern petroleum pipeline, including a number of inland and marine terminals and related assets.
- An investor bidding on the acquisition of significant natural gas pipeline assets located in the Northwest.
- An investor bidding on the acquisition of an 8,000-mile interstate natural gas pipeline, gathering and storage system located in the U.S. Gulf Coast.
- A West Coast municipality's purchase of a non-functioning, intrastate petroleum pipeline for the purpose of conversion to provide natural gas delivery to electric power generation facilities and other entities.
- A Southeastern utility company bidding on the acquisition of a portfolio of natural gas gathering, transportation, and distribution lines in the State of Texas.
- An investor acquiring a portfolio of propane terminals in the Midwest and Canada.

As part of these projects, we advised clients on actual and potential liabilities arising from natural gas gathering, transmission, and distribution lines, as well as petroleum transportation pipelines, terminals, and refineries. These transactions involved assets located in almost every state in the continental United States.

Areas Of Concentration

Public-Private Partnerships
Redevelopment/Land Use Planning
Sports Facilities

Related Practices

Environment, Energy and Resources
Public-Private Partnerships
Redevelopment/Land Use Planning
Sports Facilities
Utility Finance

Natural Gas Assets

In the last three years, our environmental attorneys have taken the lead role in environmental due diligence with respect to a total of approximately 32,500 miles of natural gas transmission pipeline, 57,000 miles of natural gas distribution lines, and 7,200 miles of natural gas gathering lines. In these matters, we have coordinated and managed virtually all aspects of the environmental due diligence process. We have scoped out environmental issues and developed environmental due diligence teams, as necessary, to meet the client's specific needs, including retaining and directing the work of engineers and other technical experts as necessary. We have reviewed relevant documents, reports, records, and other materials, interviewed representatives of the target companies and other entities as necessary, and conducted on-site inspections and audit processes to verify information. We have also negotiated and drafted environmental-related provisions in the purchase agreements with respect to each transaction.

In our work on these projects, we have evaluated and managed, in a manner acceptable to the clients, environmental liabilities relating to the following:

- Liabilities arising from known and unknown land and groundwater releases of mercury, solvents, and other hazardous substances at scores of active remediation sites, and thousands of inactive or potential sites,
- Liabilities relating to a total of 99 manufactured gas plant (MGP) sites in more than a dozen states;
- Compliance with NSR, NESHAPS, and other Clean Air Act requirements at more than 230 compressor stations, nearly half of which were subject to Title V air permits, as well as at facilities collectively providing more than 770 billion cubic feet of natural gas storage capacity;
- Compliance with RCRA and Clean Water Act regulations and requirements; and
- Compliance with the integrity management and other requirements of the Pipeline Safety Act and state regulatory counterparts, including detailed evaluation of the adequacy of capital budgets to upgrade aging lines to allow for in-line integrity testing ("smart pigging") and other management practices.

Petroleum and Other Hazardous Liquid Assets

The office has also undertaken environmental due diligence on more than 6,000 miles of petroleum pipeline, as well as more than a 1,000 miles of other "hazardous liquid" pipelines. These reviews have included assessments of:

- Liabilities, including toxic tort liability, arising from petroleum releases, PCB contamination, and other known or suspected releases at more than 100 active remediation sites, including compressor stations, metering stations, inland and marine terminals, refineries and various other types of facilities;
- Compliance with NSR, NESHAPS, and other Clean Air Act requirements at approximately 60 compressor stations and at tank farms with collectively more than 26 million barrels of storage capacity;
- Compliance with RCRA and Clean Water Act regulations and requirements; and

- Compliance with the integrity management and other requirements of the Pipeline Safety Act, including assessments as to the adequacy of capital budgets to upgrade aging lines to allow for "smart-pigging" and other management practices;

Summary

The collective pipeline experience of our EHS group is both deep and broad, as the following summarizes:

Natural Gas

Transmission Pipelines 32,500 miles
Gathering Pipelines 7,200 miles
Distribution Pipelines 57,000 miles
Storage Facilities 770 billion cubic feet
Compressor Stations 170
Terminals 3 Propane

Hazardous Liquids

Transmission Pipelines 7,000 miles
Gathering Pipelines n/a
Distribution Pipelines n/a
Storage Facilities 26.5 million barrels
Compressor Stations 61
Terminals 23 Inland

We recognize that Environmental Health and Safety issues are often significant aspects of pipeline transactions. We therefore strive to provide clients with a complete, but easily understood, assessment of the material EHS issues associated with a given transaction. Once identified, we then seek to provide clients with options to address any risks that are unacceptable or insufficiently assessable.

In addition to the specific transactional experience described above, our attorneys regularly assist clients formulate and implement strategies for the acquisition, remediation and redevelopment of contaminated properties. Our group also regularly represents clients defending allegations of noncompliance with substantive environmental laws, defending permits, and defending or prosecuting cost recovery claims under CERCLA and other federal and state laws.