125 FERC ¶ 61,086
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Transcontinental Gas Pipe Line Corporation — Docket Nos. CP08-31-001, CP08-31-002

ORDER AMENDING CERTIFICATE AND GRANTING REHEARING

(Issued October 23, 2008)

1. On September 11, 2008, Transcontinental Gas Pipe Line Corporation (Transco) filed an application in Docket No. CP08-31-002, pursuant to section 7(c) of the Natural Gas Act (NGA) and part 157 of the Commission's regulations, to amend the certificate for its Sentinel Expansion Project (Sentinel Project) issued on August 14, 2008.[1] Transco requests authorization to revise the approved initial recourse rates, including meter station surcharges, to reflect an increase in costs and to remove the cost of three meter stations for which Transco will be reimbursed. As discussed below, the requested authorization is granted.[2]

2. On September 11, 2008, Transco also filed for rehearing in Docket No. CP08-31-001 to request that the Commission eliminate the requirement in Ordering Paragraph (F) of the August 14 Order that Transco either allocate appropriate levels of its estimated costs of service for Phase 1 and Phase 2 services to interruptible services and recalculate its rates, or alternatively, provide a mechanism to credit 100 percent of interruptible revenues from services using the expansion capacity to its firm and interruptible shippers. Transco's request is granted for the reasons discussed herein.[3]

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[1] *Transcontinental Gas Pipe Line Corp.*, 124 FERC ¶ 61,160 (2008) (August 14 Order).

[2] The proposed amendment does not involve the construction of facilities. Therefore, this action qualifies as a categorical exclusion from environmental review. 18 C.F.R. § 380.4(a)(27) (2008).

[3] Phase 1 of the Sentinel Expansion Project is scheduled to commence service on November 1, 2008. In order for Transco to make timely rate filings for Phase 1 service, we are addressing Transco's rehearing request in this order. Five other timely rehearing requests have been received by the Commission and will be considered in a separate order.

I. Background and Proposal

3. Transco is a natural gas pipeline company engaged in the transportation of natural gas in interstate commerce by means of its natural gas transmission system extending from Texas, Louisiana, Mississippi, and the offshore Gulf of Mexico area, through Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania, and New Jersey, to its termini in the New York City metropolitan area.

4. The August 14 Order granted Transco a certificate of public convenience and necessity to construct the Sentinel Project and to provide up to 142,000 dekatherms per day (Dth/d) of incremental firm transportation capacity. Transco has executed binding precedent agreements with seven shippers for 100 percent of the incremental firm transportation service created by the project. Phase 1 of the project will provide 40,000 Dth/d by a target in-service date of November 1, 2008. Phase 1 construction includes installing 3.87 miles of pipeline loop, and modifying compressor stations and appurtenant facilities in Pennsylvania. Phase 2 of the project will provide 102,000 Dth/d by a target in-service date of November 1, 2009. Phase 2 construction includes replacing 7.15 miles of existing pipeline, installing 6.88 miles of pipeline loop, and modifying compressor stations and appurtenant facilities in Pennsylvania and New Jersey.

5. Transco proposes to make the following amendments to its certificate: (1) revise Exhibit K – Cost of Facilities – to capture increases in estimated costs; (2) revise Exhibit P – Tariff – to reflect the increased costs in the initial recourse rates, including meter station surcharges; and, (3) remove the cost of three PECO Energy Company (PECO) meter stations from Exhibit K and Exhibit P because PECO has chosen to reimburse Transco for the meter station costs through an advance payment.

II. Notices and Interventions

6. Transco has requested expedited treatment for the requested certificate amendment in Docket No. CP08-31-002 because the proposed revision of the initial recourse rates will be applicable to the Phase 1 services with an in-service date of November 1, 2008. As such, Transco asks for the application to be processed in accordance with the shortened procedures in Rules 801 and 802 of the Commission's Rules of Practice and Procedure.[4] To facilitate the shortened procedures, Transco waives oral hearing, and the opportunity for filing exceptions to the decision of the Commission.

7. Notice of Transco's application for certificate amendment in Docket No. CP08-31-002 was published in the *Federal Register* on September 16, 2008.[5] In accordance with the shortened procedures, an abbreviated comment period was granted, with interventions, comments, and protests due by September 19, 2008. One timely,

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[4] 18 C.F.R. §§ 385.801 and 385.802 (2008).

[5] 73 Fed. Reg. 53,419 (2008).

unopposed motion to intervene was filed on September 19, 2008, by Delmarva Power and Light (Delmarva), a local distribution company and anchor shipper on the Sentinel Expansion Project.[6] Delmarva states that Transco's requested certificate amendment would increase the portion of the project's costs assigned to Delmarva by almost 40 percent. Delmarva further states that it is working with Transco representatives to better understand the increased costs and that it reserved its right to file additional comments. However, Delmarva has filed no further comments.

III. Discussion

8. The August 14 Order found that the Sentinel Expansion Project satisfied the requirements of the Commission's Certificate Policy Statement addressing new facilities.[7] As pertinent here, the Commission found that Transco met the Certificate Policy Statement's threshold requirement that the pipeline must be prepared to financially support the project without relying on subsidization from existing customers because Transco proposed incremental rates for the expansion capacity. The revisions proposed by Transco do not change the incremental rate structure. Therefore, the revised cost of facilities and the revised initial recourse rates do not unsettle the August 14 Order's finding that the project will not be subsidized by existing customers. Further, for the reasons discussed below, we find that the public convenience and necessity requires approval of Transco's proposed amendment to its certificate to increase its initial recourse rates for services using the expansion capacity.

A. Revised Cost of Facilities

9. Transco's revised estimate for the total cost of the Sentinel Expansion Project facilities, as amended, will be $169,000,289. This is an increase of approximately $14,400,000 over the estimated cost of facilities used in calculating the initial recourse rates approved in the August 14 Order. Transco explains that the higher cost estimates are largely attributable to more recent estimates of the scope of the work to be performed, the most recent pricing received from vendors and contractors, and the actual costs incurred on the Sentinel Project to date.

10. As part of the revised cost of facilities for the Sentinel Expansion Project, Transco proposes to remove the estimated $2.8 million cost to modify three PECO meter stations – West Parkesburg, Kennett Square, and Ivyland. Transco explains that PECO has

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[6] 18 C.F.R. § 385.214 (2008). Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.

[7] *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128 (2000), *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

chosen to reimburse Transco through an advance payment for the modifications. Transco will perform the required modifications to these meter stations under its part 157 blanket certificate.

B. Revised Rates

11. Based on the net increase in the estimated cost of facilities, Transco proposes to increase the Phase 1 daily reservation rate from $0.35104 to $ 0.41494 per Dth. Transco proposes to increase the Phase 2 daily reservation rate from $0.48729 to $0.53585 per Dth for firm capacity to non-New York delivery points, and to increase the Phase 2 daily reservation rate from $0.92005 to $0.98981 per Dth for firm capacity to delivery points in New York.

12. Transco also proposes to revise the meter station surcharges for its expansion services for Delmarva, Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas (Pivotal), and PSEG Power, LLC (PSEG). Specifically, Transco proposes to increase the Daily Reservation Rate Meter Station Surcharges as follows: Delmarva – from $0.07108 to $0.09778 per Dth; Pivotal – from $0.12402 to $0.16349 per Dth; and PSE&G from $0.07666 to $0.10842 per Dth. Since PECO has now agreed to reimburse Transco for the cost of modifications to PECO's meter stations, the surcharge approved by the August 14 Order for Transco's expansion service for PECO will be eliminated.

13. The Commission will approve Transco's revised incremental recourse rates and meter station surcharges for services using the expansion capacity. The increased rates are necessary to reflect the increase in the estimated total cost of Transco's expansion facilities. Further, Transco has recalculated its initial rates using the calculation factors previously approved in the August 14 Order, including a straight fixed-variable rate design methodology, a pre-tax return of 15.34 percent, a depreciation rate of 2.79 percent, and annualized billing determinants of 14,600,000 for Phase 1, 51,830,000 for Phase 2 non-New York delivery points, and 9,125,000 for Phase 2 New York delivery points.

IV. Transco's Rehearing Request

14. Transco requests that the Commission eliminate the requirement in Ordering Paragraph (F) of the August 14 Order that Transco either allocate appropriate levels of its estimated cost of service for Phase 1 and Phase 2 services to interruptible services and recalculate its rates or, alternatively, provide a mechanism to credit 100 percent of interruptible revenues (net of costs) from services using the expansion capacity to its firm and interruptible shippers. The allocation of costs to interruptible revenues was recently addressed and resolved in Transco's general rate case proceeding.[8] While it is Commission policy to require one of these options for new pipelines, we do not require this for expansion of existing systems which have already addressed the allocation of

[8] 122 FERC ¶ 61,213 (2008).

costs to interruptible services.[9] Ordering Paragraph (F) contradicts this policy and was inadvertently included in the order. Therefore, we will grant Transco's rehearing request.

The Commission orders:

(A) Transco's certificate issued by the August 14 Order is amended to authorize Transco's proposed revised initial rates for incremental firm transportation services using the Sentinel Expansion Project capacity as discussed herein.

(B) Transco must file actual tariff sheets setting forth its Phase 1 incremental rates at least five days before Phase 1 expansion service commences.

(C) Transco must file actual tariff sheets setting forth its Phase 2 incremental rates no sooner than 60 days but no later than 30 days before Phase 2 expansion service commences.

(D) Transco must file its Rate Schedule FT service agreements for the Sentinel Expansion Project shippers reflecting any negotiated reservation rates, the applicable receipt and delivery points, and the volumes to be transported at least five days before commencing firm transportation service for Phase 1 shippers, and no sooner than 60 days but no later than 30 days before commencing firm transportation service for Phase 2 shippers.

(E) The requirement in Ordering Paragraph (F) of the August 14 Order that Transco allocate costs to or credit interruptible revenues is eliminated. For interruptible service provided on the expansion capacity, Transco shall charge its currently effective system-wide rates for interruptible service as discussed herein and in the August 14 Order.[10]

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

[9] 122 FERC ¶ 61,162 at P16 (2008).

[10] 124 FERC ¶ 61,160 at P 28.