

145 FERC ¶ 61,108
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony Clark.

Trunkline Gas Company, LLC

Docket No. CP12-491-000

ORDER APPROVING ABANDONMENT

(Issued November 7, 2013)

1. On July 26, 2012, Trunkline Gas Company, LLC (Trunkline) filed an application for authority under section 7(b) of the Natural Gas Act (NGA)¹ to abandon by sale to an affiliate² approximately 770 miles of mainline transmission pipeline and appurtenant facilities for conversion to oil pipeline transmission service. Trunkline also requested authority to abandon in place certain mainline compression facilities that it would no longer need after the pipeline facilities are abandoned. For the reasons discussed below, the Commission will grant the requested abandonment authorization.

I. Background

2. Trunkline, a limited liability company organized and existing under the laws of Delaware, is a natural gas company as defined by section 2(6) of the NGA engaged in the business of transporting natural gas in interstate commerce.³ Trunkline's interstate pipeline system extends from Texas, Louisiana, and production areas in the Gulf of Mexico, northeast to a principal terminus at the Indiana-Michigan state line near Elkhart, Indiana. Trunkline's interstate pipeline system extends from points near Premont, Texas and points near Patterson, Louisiana to Trunkline's Longville, Louisiana compressor

¹ 15 U.S.C. § 717f(b) (2012).

² Trunkline indicates that the affiliate will be designated by its parent company, Energy Transfer Equity, L.P. (Energy Transfer). Energy Transfer is the parent of Southern Union Company, which indirectly owns 100 percent of the equity interest in Trunkline.

³ 15 U.S.C. § 717a(6) (2012).

station and then north through Arkansas, Mississippi, Tennessee, Kentucky, Illinois, and Indiana to its terminus at the Michigan-Indiana border near Vistula, Indiana.

3. Trunkline states that its system was originally constructed in the early 1950s to transport Gulf Coast natural gas production to Panhandle Eastern Pipe Line Company (Panhandle).⁴ Trunkline subsequently expanded its system to provide additional firm supply service to Panhandle and other Midwest customers, including Ameren Illinois Company (Ameren Illinois)⁵ and Consumers Power Company (Consumers).⁶ Trunkline states that as demand increased, it further expanded its system to include mainline loops and extensions into the offshore Gulf Coast area.

4. Trunkline asserts that due to changes in the natural gas industry, its customers began to reduce contract demand in the mid-1980s. Trunkline states that this trend was exacerbated as other pipelines began transporting Canadian natural gas to Midwest markets in the late 1990s. As a result, in 2000, Trunkline's requested, and was granted, authorization to abandon a portion of Line 100-1 and related facilities, reducing its certificated system-wide mainline transportation service level from 1,810 thousand dekatherms (MDth) per day to its current level of 1,555 MDth per day (2001 Trunkline Abandonment).⁷ As discussed below, the instant proposal would reduce Trunkline's ability to provide mainline transportation service by an additional 597 MDth per day, to a total of 958 MDth per day through its Independence, Mississippi compressor station, and from 1,109 MDth per day out of the Texas portion of its system through the Longville, Louisiana compressor station to 920 MDth per day.

II. Proposal

A. Facilities

5. Trunkline proposes to abandon approximately 770 miles of mainline transmission pipeline and appurtenant facilities by sale to an affiliate to be designated by its parent, Energy Transfer, and abandon in place twelve compressor units. Trunkline states that the affiliate will convert the abandoned pipeline facilities to oil transportation service.

⁴ Trunkline Application at 7.

⁵ Ameren Illinois was formerly known as Central Illinois Public Service Company.

⁶ On May 22, 1959, the Commission authorized a system expansion that included the facilities that Trunkline intends to abandon herein. *Trunkline Gas Co.*, 21 FPC 704 (1959).

⁷ *Trunkline Gas Co.*, 94 FERC ¶ 61,381 (2001) (2001 Trunkline Abandonment).

6. The facilities Trunkline proposes to abandon include: (1) 45.0 miles of the 24-inch-diameter Line 100-1, extending east from Valve 43-1 near Buna, Texas to the Longville, Louisiana compressor station; (2) 725.5 miles of the 30-inch-diameter Line 100-2, extending northeast from the Longville, Louisiana compressor station to the Tuscola, Illinois compressor station; and (3) twelve compressor units, totaling 15,850 horsepower at compressor stations in Pollock and Epps, Louisiana; Shaw and Independence, Mississippi; and Joppa, Illinois. Trunkline states that the facility abandonments will result in a reduction of its ability to provide winter mainline transportation service from the current level of 1,555 MDth per day to 958 MDth per day through its Independence compressor station and from 1,109 MDth per day to 920 MDth per day out of the Texas portion of its system through the Longville compressor station.⁸

B. Trunkline's Explanation of Its Abandonment Request

7. Trunkline states that the interstate natural gas pipeline industry has continued to change since the Commission approved the 2001 Trunkline Abandonment, with new sources of gas supply and additional pipeline infrastructure providing its pipeline customers with alternative service options. Trunkline states that the majority of its major market-area customers have reduced their reliance on Trunkline's system as compared to long-term firm service levels of previous years.⁹

8. Trunkline asserts that 90 percent of its market area contract demand can be served by other interstate pipelines. Trunkline notes that after the proposed abandonment, it will continue to serve its core market area north of Tuscola through its remaining looped facilities with access to supplies through Panhandle and Rockies Express Pipeline L.L.C. (Rockies Express). Consequently, Trunkline states that it no longer needs the facilities it intends to abandon for their original purpose, i.e., transporting supply from the Gulf Coast region.

⁸ Historically, Trunkline calculated its system-wide mainline capacity through its Shaw, Mississippi compressor station. However, increases in Perryville, Louisiana area supply and receipts from the Fayetteville Express Pipeline downstream of the Shaw compressor station have replaced much of the traditional Gulf of Mexico production on Trunkline's system. For this reason, Trunkline now calculates mainline capacity through its Independence, Mississippi compressor station. Trunkline Application at 4.

⁹ As an example, Trunkline notes that in the 1970s and 1980s Consumers had a firm service contract demand of 700 MDth per day. Trunkline states that after the 2001 Trunkline Abandonment, Consumers, still its largest firm shipper, had a total contract demand of 336 MDth per day. Trunkline further states that as of November 1, 2012, Consumers held firm service entitlements of 100 MDth per day in winter months and 200 MDth per day in the summer. Trunkline Application at 8-9.

9. In support of its proposed abandonment, Trunkline asserts that there is excess pipeline capacity available in the Midwest,¹⁰ enhanced by recently constructed projects such as Rockies Express.¹¹ Trunkline contends that there is currently 32,609 million cubic feet (MMcf) per day of capacity existing on pipelines from the Gulf of Mexico region and 47,813 MMcf per day existing on pipelines from Southwest production areas, including Trunkline's production areas in Texas and Louisiana.¹² Trunkline also asserts that over 35 percent of the demand in the Northeast was supplied from the Marcellus and Utica shale production areas, as compared to less than 15 percent just two years ago.¹³ Trunkline contends that as a result, pipelines that have historically delivered gas into the Northeast from the Gulf Coast, such as Texas Eastern Transmission, LP (Texas Eastern) and Tennessee Gas Pipeline Company, L.L.C. (Tennessee Gas), are now transporting this new supply source. Trunkline explains that lower utilization of the Gulf-to-Northeast path on these systems frees up capacity that now competes for Midwest markets.

10. In addition, Trunkline contends that because of the excess capacity described above, it must offer firm service at substantially discounted rates in order to maintain capacity under contract. Trunkline notes that at the time of the 2001 Trunkline Abandonment, it was discounting over 90 percent of its firm maximum daily quantities.¹⁴ Trunkline asserts that the two open seasons it held in 2012, resulting in no requests for long-term firm service, and two requests to turn back existing discounted firm service, confirms that there is no additional demand for annual long-term firm transportation on its facilities.

11. Trunkline asserts that there is a limited natural gas market for the capacity it proposes to abandon. Trunkline asserts that Consumers has steadily reduced its capacity

¹⁰ Trunkline states that its primary market area is located in the Midwestern states of Illinois, Indiana, Michigan, and parts of Tennessee.

¹¹ Trunkline states that Rockies Express can transport up to 1,800 million cubic feet (MMcf) per day.

¹² Trunkline Application at 10 (citing the U.S. Energy Information Administration's *U.S. State-to-State Capacity* report).

¹³ Trunkline Application at 11 (citing the Commission's April 2012 Northeast Market Snapshot Report).

¹⁴ Trunkline states that over the past several years, the level of discounted firm quantities has varied from approximately 83 to 91 percent. Trunkline Application at Exhibit Z-3.

demand over the years.¹⁵ Trunkline also states that Ameren Illinois has consolidated its operations with affiliated local distribution companies, giving it multiple pipeline options that did not previously exist.¹⁶ Trunkline states that for many years it was one of two pipeline options for Memphis Light, Gas and Water (Memphis Light) and that Memphis Light held significant capacity on Trunkline. Trunkline states that in 2004, however, ANR Pipeline Company (ANR) constructed a delivery meter to Memphis Light and that Memphis Light's annual 80 MDth per day contract with Trunkline expired on March 31, 2012.¹⁷

III. Notice, Interventions, Comments, Protests, and Answers

12. Notice of Trunkline's application was published in the *Federal Register* on August 14, 2012.¹⁸ The intervenors identified in Appendix A filed timely, unopposed motions to intervene.¹⁹

13. The Illinois Commerce Commission, Liberty Energy (Midstates) Corp, Memphis Light, and Northern Illinois Gas Company d/b/a Nicor Gas Company filed late motions to intervene. The entities filing the untimely motions to intervene have demonstrated an interest in this proceeding and granting their motions will not delay, disrupt, or unfairly prejudice any parties to the proceeding. Thus, the Commission will grant the untimely motions to intervene.²⁰

14. As indicated in Appendix A, certain parties filed comments with their motions to intervene. In addition, several landowners, two U.S. Senators and twelve Members of Congress (jointly) (Congressional Delegation), and state and federal agencies filed

¹⁵ Consumers is a public utility and a firm transportation customer of Trunkline.

¹⁶ Ameren Illinois can be served by eight other interstate pipelines. Trunkline Application at 13.

¹⁷ Trunkline states the expiring contract was replaced with a winter-only agreement for 20 MDth per day. Trunkline Application at 13, Trunkline February 26, 2013 Data Response at 3.

¹⁸ 77 Fed. Reg. 48,509 (2012).

¹⁹ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's regulations. 18 C.F.R. § 385.214 (2013).

²⁰ 18 C.F.R. § 385.214(d) (2013).

comments on Trunkline's proposal. These commenters are identified in Appendix B to this order.²¹

15. Ameren Services Company (Ameren), the Association of Businesses Advocating Tariff Equity (ABATE), Consumers, the Governor of Michigan, Rick Snyder (Governor of Michigan), the Michigan Public Service Commission (Michigan PSC), and the Tennessee Valley Authority (TVA) protested the application.²² The protestors object to the proposed abandonment, arguing that: (1) Trunkline's open-season procedures were improper; (2) Trunkline will be unable to meet existing service obligations and future service demands in the Midwest; (3) the proposed abandonment will have a detrimental effect on the continuity of service provided by Trunkline; (4) the proposed abandonment raises rate issues that should be addressed; and (5) the Commission should convene a technical conference or evidentiary hearing to address the protestors' concerns.

16. Trunkline filed an answer to the protests and comments, and Consumers filed an answer to Trunkline's answer. Trunkline and Consumers each filed subsequent answers. Rule 213(a)(2) of our regulations prohibits answers to protests and answers to answers unless otherwise ordered by the decisional authority.²³ The Commission finds good cause to waive Rule 213(a) and admit these answers because doing so will not cause undue delay and the pleadings may assist the Commission in its decision making process. The protests and answers are addressed below.

IV. Discussion

17. Since Trunkline proposes to abandon certificated facilities used for the transportation of natural gas in interstate commerce subject to the jurisdiction of the Commission, the proposal is subject to the requirements of section 7(b) of the NGA.²⁴

²¹ On December 19, 2012, ProLiance filed out-of-time supplemental comments. On December 21, 2012, Trunkline filed an answer asking the Commission to reject the late comments. The Commission will accept ProLiance's late-filed comments as they do not unduly prejudice or delay the proceeding.

²² LeCompte-Hall, L.L.C. filed a protest that was subsequently withdrawn.

²³ 18 C.F.R. § 385.213(a)(2) (2013).

²⁴ 15 U.S.C. § 717f(b) (2012).

A. Open Season Procedures

18. To gauge the demand for available capacity on its pipeline system, Trunkline held two open seasons from March 23 through April 20, 2012, soliciting bids for long-term firm transportation capacity and offers from existing shippers to turn back capacity to Trunkline.²⁵ Trunkline states that it received no requests for long-term firm service and that two shippers submitted requests to turn back existing discounted firm capacity. Trunkline asserts that the open-season results confirm that there is no additional demand for annual long-term firm transportation on its facilities and that its shippers' needs for additional transportation are being met by other means.

19. In its protest, TVA states that because it was unaware of Trunkline's abandonment plan prior to the turn-back solicitation, it had no reason to evaluate its existing long-term firm contracts.²⁶ TVA further states that it would have entered into discussions with Trunkline regarding reliability impacts, if it had known that Trunkline's turn-back solicitation had been related to a potential proposal to abandon facilities. TVA specifically asks the Commission to require Trunkline to hold a new turn-back solicitation.²⁷

20. In a January 9, 2013 data request, Commission staff asked Trunkline to hold a supplemental open season because at the time of the 2012 open seasons, Trunkline did not indicate that a proposal to abandon capacity would be submitted to the Commission if expiring contracts were not renewed. The data request stated that the additional open season would help staff assess the strength of demand among those protesting the abandonment application, as well as other shippers. Trunkline held a supplemental open season from January 18 through February 1, 2013. No bids were received.

²⁵ Trunkline Application at Exhibit Z-5.

²⁶ TVA August 29, 2012 Protest at 2-3. TVA is an electricity provider owned by the federal government that has multiple long-term firm contracts on Trunkline's pipeline used to serve its Lagoon Creek facility in Haywood County, Tennessee.

²⁷ It appears that at least some of Trunkline's customers were aware of Trunkline's abandonment plans at the time of the open seasons. In its discussion about the two open seasons held by Trunkline in 2012, Consumers asserts "[i]t is no surprise that, knowing the reliability/degradation of service issues that would result from the proposed abandonment" that Trunkline's customers were unwilling to enter into contracts for long-term firm service. Consumers August 29, 2012 Protest at 7. The protestors' concerns about the post-abandonment reliability of service on Trunkline's system are addressed below.

21. Consumers states that it agrees with Commission staff's decision to ask Trunkline to hold a supplemental open season.²⁸ However, Consumers asserts that the results of the supplemental open season do not accurately reflect the strength of demand for capacity on Trunkline's system. Consumers contends that once Trunkline announced its intention to abandon 38 percent of its current mainline capacity, Trunkline's shippers had no choice but to seek other options to meet their obligations to their customers. Consumers states that it wants to maintain its historical commercial relationship with Trunkline, but notes that it is not interested in paying the maximum rate to Trunkline for firm service that it asserts will not be as reliable post-abandonment as the service currently being provided.²⁹ Consumers contends that there is no mechanism to accurately gauge the strength of demand on Trunkline's system, and that the appropriate remedy is for the Commission to deny Trunkline's abandonment application.

Commission Response

22. As TVA requested, Trunkline held a supplemental open season. To the extent that TVA wished to enter into a long-term firm service agreement with Trunkline for additional capacity or turn back existing contracted-for service after learning of Trunkline's abandonment plan, TVA could have done so during that time. The Commission disagrees with Consumers' characterization of open seasons held in relation to an abandonment proposal as being essentially either too early or too late, depending on whether customers are aware of the abandonment plans. The use of results from open seasons to demonstrate the existence or lack of demand is standard in abandonment proceedings.³⁰ In this case, open seasons were held both before and after Trunkline filed its abandonment request and, under both scenarios, Trunkline received no requests for long-term firm service. The Commission finds the original and supplemental open seasons held by Trunkline to be sufficient and proper to assess the strength of demand for available capacity on its pipeline system.

²⁸ Consumers February 4, 2013 Answer at 6.

²⁹ *Id.* at 6-7.

³⁰ *See e.g., El Paso Natural Gas Co.*, 136 FERC ¶ 61,180, at P 26 (2011) (recognizing an open season where no customers bid on available capacity as support for El Paso's claim that there will be no future impact on firm transportation services as a result of the proposed abandonment). *See also, Transwestern Pipeline Co. L.L.C.*, 140 FERC ¶ 61,147, at PP 16-17 (2012) (finding that Transwestern's open season results demonstrate that there is little or no demand for additional firm service on the looped lateral Transwestern proposed to partially abandon).

B. Public Convenience or Necessity

23. Section 7(b) of the NGA³¹ provides that an interstate pipeline company may abandon jurisdictional facilities or services if the Commission finds the abandonment is permitted by the “present or future public convenience or necessity.” The courts have explained that in considering the criteria for abandonment under section 7(b), two important principles apply: (1) a pipeline which has obtained a certificate of public convenience and necessity to serve a particular market has an obligation, deeply embedded in the law, to continue to serve; and (2) the burden of proof is on the applicant to show that the public convenience or necessity permits abandonment, that is, that the public interest will in no way be disserved by abandonment.³² This does not mean, however, that abandonment is not permitted if there is any harm to any narrow interest. Rather, the Commission takes a broad view in abandonment proceedings and evaluates abandonment proposals against the benefits to the market as a whole.³³

24. The Commission examines abandonment applications on a case-by-case basis. In deciding whether a proposed abandonment is warranted, the Commission considers all relevant factors, but the criteria vary as the circumstances of the abandonment proposal vary. Historically, in reviewing a request for abandonment by sale, the Commission has considered: the needs of the natural gas systems and the public markets served, the environmental effects of the proposed abandonment, the economic effect on the pipelines and their customers, the presumption in favor of continued service, and the relative diligence of the respective pipelines in providing for adequate natural gas supplies.³⁴ The Commission also weighs the claimed benefits of the abandonment against any detriments.

³¹ 15 U.S.C. § 717f(b) (2012).

³² See *Transcontinental Gas Pipe Line Corp. v. FPC*, 488 F.2d 1325, 1328 (D.C. Cir. 1973); *Michigan Consolidated Gas Co. v. FPC*, 283 F.2d 204, 214 (D.C. Cir. 1960).

³³ See *Southern Natural Gas Co.*, 50 FERC ¶ 61,081, at 61,222 (1990). See also *Consolidated Edison Co. v. FERC*, 823 F.2d 630, 643-44 (D.C. Cir. 1987) (“We agree with [the Commission] that the ‘public convenience and necessity’ language of the NGA’s abandonment provision [cite omitted] envisions agency policy-making to fit the regulatory climate.”).

³⁴ *Southern Natural Gas Co.*, 126 FERC ¶ 61,246, at P 27 (2009).

1. Impact on Current Customers

a. Ability to Meet Contract Demands

25. Trunkline asserts that its proposal will result in no interruption, reduction, or termination of any firm natural gas transportation services it currently provides.³⁵ Trunkline states that on its proposed date of abandonment, November 1, 2013, it will have sufficient capacity to transport all of its firm commitments on the pipeline facilities that will remain after abandonment. Specifically, Trunkline states that its customers' firm commitments for November 1, 2013, are 953 MDth per day. This service commitment level is below Trunkline's proposed post-abandonment system capacity of 958 MDth per day.

26. Further, Trunkline notes that its actual pipeline utilization averages 45 to 70 percent of capacity under contract.³⁶ Given these utilization levels, Trunkline states that it expects to be able to continue to provide interruptible transportation in addition to providing contracted-for firm service. Trunkline states that consistent with the principles expressed in the 2001 Trunkline Abandonment order, the proposed abandonment will maintain the "optimum amount of capacity to meet demand, while avoiding unneeded capacity."³⁷

27. Consumers,³⁸ Laclede,³⁹ and ProLiance⁴⁰ express concern that Trunkline may have difficulties fulfilling its contractual delivery obligations. ProLiance states that the Commission should scrutinize whether Trunkline will have sufficient capacity to meet the demands of its firm shippers in the future.⁴¹ Laclede states that it relies on the

³⁵ Trunkline Application at 18.

³⁶ Trunkline Application at 9, noting that the percentage range is based on monthly averages over five years.

³⁷ Trunkline September 14, 2012 Answer at 7 (citing 2001 Trunkline Abandonment, 94 FERC at 62,420).

³⁸ Consumers February 4, 2013 Answer at 2-4.

³⁹ Laclede August 29, 2012 Comments at 4. Laclede is a public utility engaged in natural gas retail distribution to residential, commercial, and industrial customers in St. Louis and Eastern Missouri.

⁴⁰ ProLiance August 29, 2012 Comments at 3.

⁴¹ *Id.*

pipeline system of CenterPoint Energy-Mississippi River Transmission Company (MRT) for delivery of the bulk of its gas supplies into the St. Louis market through MRT's Main Line and East Line, which interconnect with Trunkline. Laclede questions whether, if after the 2013-2014 winter season, it determines that it will need to continue to transport the same level of gas on the MRT East Line as it does today, it may be left without sufficient supply given what Laclede characterizes as a slim anticipated reserve margin (5 MDth greater than Trunkline's firm capacity commitments) and given that the MRT East Line has an interconnect with only one other pipeline, Natural Gas Pipeline Company of America.⁴²

28. Consumers asserts that Trunkline will not be able to meet all of its existing firm service obligations if the requested abandonment authorization is granted.⁴³ Specifically, Consumers contends that there will be inadequate firm transportation capacity through Independence and north from April 1 through October 31, 2014. To reach this conclusion, Consumers interprets the information contained in Trunkline's November 8 Data Response as showing that the anticipated total firm transportation through Independence and north for the summer of 2014 is in excess of the capacity remaining post-abandonment. Consumers also states that Trunkline will be unable to meet its existing firm service obligation to Consumers after October 31, 2014, if Consumers chooses to exercise its right of first refusal under its contract. Consumers further questions Trunkline's ability to supply Consumers' Elkhart point without drastically changing current firm receipt points that have previously been made available to firm shippers.

29. Trunkline states that, contrary to the protestors' claims, it will continue to meet all firm transportation commitments following the proposed abandonment. Trunkline explains that Consumers' arguments regarding inadequate capacity during the summer of 2014, and the data it cites, are fundamentally flawed because they fail to take into account the seasonal nature of some of the firm contracts on Trunkline's system.⁴⁴ Trunkline points out that many of its customers have seasonal contracts which may have only winter capacity, or which have different contracted firm capacity in the summer as compared to the winter months. Trunkline provided supplemental information indicating that there will be sufficient capacity on its system to meet all firm transportation

⁴² Laclede August 29, 2012 Comments at 3-4.

⁴³ Consumers February 4, 2013 Answer at 3-4.

⁴⁴ Trunkline February 13, 2013 Answer at 3-4.

commitments, with 68,348 Dth per day less capacity under contract on April 1, 2014, as compared to November, 2013.⁴⁵

Commission Response

30. In the February 19, 2013 data request, Commission staff cites Trunkline's statement that its system has sufficient capacity to meet all of its firm transportation commitments following the proposed abandonment. The data request asked Trunkline to support this statement by submitting steady state and transient hydraulic pipeflow simulation studies of Trunkline's system for the upcoming winter season (November 1, 2013 through March 30, 2014) and summer season (April 1, 2014 through October 31, 2014).⁴⁶

31. Trunkline submitted steady state system flow diagrams that reflect primary receipt/delivery point volumes based on a winter 2013 contracted volume of 933 MDth per day with a maximum capacity of 958 MDth per day, providing an excess capacity of 25 MDth per day. The summer 2014 system flow diagram results reflect firm primary receipt/delivery point volumes based on a summer contracted volume of 842 MDth per day with a daily design capacity of 943 MDth per day, providing an excess capacity of 101 MDth per day. Trunkline also provided a summary of the results of the transient hydraulic pipeflow simulation studies for the winter and summer season. Trunkline states that its results confirm that it can reliably meet the hourly swing commitments on its system after abandonment.⁴⁷

⁴⁵ Trunkline February 26, 2013 Data Response, Attachment 1.

⁴⁶ Steady state simulation is the process of simulating a pipeline system under steady state conditions, which means that the conditions are assumed to not change with time. As noted below, pipeline systems do not operate under perfectly steady conditions, but some pipeline systems do remain steady enough so that steady state simulation can be used to adequately model their behavior.

Pipelines are dynamic systems. Weather, time of day, day of the week, and market forces cause constant changes in supply and demand. Such changes, coupled with planned and unplanned equipment outages along the pipeline, create a need for simulation tools designed to give a true representation of real-life conditions. A transient simulation model allows the user to look beyond immediate conditions to determine the likely state of the pipeline at various times in the future.

⁴⁷ Trunkline February 26, 2013 Data Response No. 1.

32. The Commission's engineering analysis confirms that the proposed abandonment will not impact the ability of Trunkline to meet its firm contractual obligations. Further, Trunkline has demonstrated that its post-abandonment system will still be able to maintain flexibility and reliability for its existing customers.

33. Consumers' concern about access to sufficient capacity to transport gas to the Elkhart delivery point is without merit. In its February 13, 2013 answer, Trunkline described a number of ways that shippers would be able to continue to access the available capacity at Elkhart. Moreover, Consumers did not bid for additional capacity in any of Trunkline's open seasons, and cannot now argue that it may not have access to such capacity. As noted above, Trunkline will have excess firm capacity on its system post-abandonment. If firm capacity is available at the Elkhart delivery point, firm shippers who may want to obtain firm capacity to Elkhart, despite not having selected Elkhart as a primary delivery point, can move their primary capacity to that point.

b. Rate Related Issues

34. The protestors generally request that if the Commission approves the proposed abandonment, Trunkline's base rates be adjusted to remove costs associated with the abandoned facilities. They point out that Trunkline's base rates result from a settlement in 2001 of its last general rate case.⁴⁸ Further, TVA and others estimate that the 2001 Trunkline Abandonment of another mainline loop and associated compression facilities,⁴⁹ combined with the proposed abandonment herein, would result in a 52.9 percent reduction of Trunkline's pre-2001 system capacity without a corresponding downward adjustment of its base rates to reflect removal of costs associated with the abandoned facilities.⁵⁰ The protestors and commenters claim that the proposed abandonment would exacerbate Trunkline's already existing over-recovery of cost of service components related to return on rate base, operation and maintenance, labor, and depreciation.⁵¹ For this reason, the protestors request that the Commission condition the abandonment on a requirement that Trunkline make a separate general or limited NGA section 4 filing to

⁴⁸ *Trunkline Gas Co.*, 95 FERC ¶ 61,049 (2001).

⁴⁹ 2001 Trunkline Abandonment, 94 FERC ¶ 61,381.

⁵⁰ TVA August 29, 2012 Protest at 4, Consumers August 29, 2012 Protest at 4-5, ProLiance August 29, 2012 Comments at 4.

⁵¹ TVA August 29, 2012 Protest at 4, Ameren August 29, 2012 Protest at 7, ProLiance August 29, 2012 Comments at 4, and Process Gas Consumers Group, the American Forest & Paper Association and the Independent Petroleum Association of America (Jointly) (Association Group) August 29, 2012 Comments at 5-6.

adjust its rates⁵² or institute an NGA section 5 proceeding to adjust Trunkline's rates prospectively.⁵³

35. ProLiance maintains that Trunkline and the affiliated pipeline to which the abandoned facilities would be transferred “should not both be allowed to recover the value of the [abandoned] facilities in their rates at the same time” to the benefit of their ultimate parent company, Energy Transfer.⁵⁴ To support this assertion, ProLiance relies on *Cross Bay Pipeline Co., L.L.C (Cross Bay)*, where the Commission authorized an abandonment, by transfer, of assets between affiliated natural gas pipelines. ProLiance points out that in so doing, the Commission directed the transferor pipeline to show cause why the Commission should not find under NGA section 5 that both pipelines collecting the same costs for the abandoned facilities would be an unjust and unreasonable practice that required removal of such costs from the transferor pipeline's rates when the transfer occurred.⁵⁵ According to ProLiance, the Commission's decision to issue a show cause order in *Cross Bay* suggests that the rate impacts of abandonments may be considered in an NGA section 7(b) abandonment proceeding.⁵⁶

36. ProLiance acknowledges that in the 2001 Trunkline Abandonment proceeding, the Commission rejected a request to require Trunkline to make a limited NGA section 4 filing to remove costs from its post-abandonment rates. However, ProLiance states that its request here for a condition requiring Trunkline to make a general NGA section 4 rate case filing avoids the “piecemeal modification of a pipeline's rates” that prompted the Commission to deny the request for a limited section 4 filing condition in the 2001 Trunkline Abandonment proceeding.⁵⁷

⁵² Consumers August 29, 2012 Protest at 10-11, ProLiance August 29, 2012 Comments at 4.

⁵³ Association Group August 29, 2012 Comments at 5.

⁵⁴ ProLiance August 29, 2012 Comments at 5.

⁵⁵ *Id.* (citing *Cross Bay Pipeline Co., L.L.C.*, 97 FERC ¶ 61,165, at 61,757 (2001) (*Cross Bay*), *order vacating certificates*, 98 FERC ¶ 61,080 (2002)).

⁵⁶ ProLiance August 29, 2012 Comments at 5, ProLiance December 19, 2012 Supplemental Comments at 4.

⁵⁷ ProLiance August 29, 2012 Comments at 5 (citing 2001 Trunkline Abandonment, 94 FERC at 62,422).

37. Finally, ProLiance relies on *El Paso Natural Gas Co. (El Paso)* to argue that the Commission has the authority to condition approval of a section 7(b) abandonment on Trunkline filing a general NGA section 4 rate case.⁵⁸ ProLiance points out that in *El Paso*, the Commission conditioned approval of an abandonment on a requirement that El Paso subsequently file a section 4 general rate case reflecting a \$120 million base rate reduction.

38. According to the Association Group, the Commission should take all necessary steps to fulfill its statutory responsibilities including relying on its NGA section 5 authority, its conditioning authority, or such other authority as may be appropriate to fashion a remedy that offers rate protection to Trunkline's shippers.⁵⁹ The Association Group asserts that such statutory mandates, as interpreted by the courts, apply to any abandonment and conversion in order to ensure that rates are properly designed based only on assets owned by the pipeline and properly included in rate base.

39. Trunkline contends that under the NGA and Commission precedent, a pipeline's rates can be changed only by the pipeline voluntarily filing under NGA section 4, or by a party or the Commission taking on the dual burden under section 5 to demonstrate that the pipeline's existing rates are unjust and unreasonable and to propose just and reasonable rates.⁶⁰ According to Trunkline, the Commission has previously held that rate issues associated with an abandonment by transfer must be considered exclusively in the context of a separate NGA section 4 proceeding.⁶¹

40. In answer to ProLiance's reliance on *Cross Bay*,⁶² Trunkline states that due to the particular circumstances in that case, the Commission carved out a narrow exception to

⁵⁸ ProLiance December 19, 2012 Supplemental Comments at 4 (citing *El Paso Natural Gas Co.*, 1 FERC ¶ 61,108, at 61,271 (1977) (*El Paso*)).

⁵⁹ Association Group August 29, 2012 Comments at 4-6 (describing the Commission's statutory authority under section 7(b) of the NGA).

⁶⁰ Trunkline September 14, 2012 Answer at 18 (citing 15 U.S.C. §§ 717c and 717d).

⁶¹ Trunkline September 14, 2012 Answer at 18 (citing *Panhandle Eastern Pipe Line Co.*, 77 FERC ¶ 61,284, at 62,254 (1996); and *NorAm Gas Transmission Co.*, 75 FERC ¶ 61,127, at 61,429 (1996)).

⁶² Trunkline points out that in *Cross Bay*, at the applicants' requests, the Commission subsequently vacated the certificates authorized in that proceeding. Trunkline September Answer at 20-21. *See Cross Bay, order vacating certificates*, 98 FERC ¶ 61,080.

the general Commission policy which routinely allows abandonments between rate cases without requiring the pipeline to re-justify its base rates to reflect the removal of the costs associated with the abandoned facilities. Trunkline states that in *Cross Bay*, the affiliate to which the abandoned facilities would have been transferred was a newly-formed jurisdictional natural gas company, and that the Commission sought to prevent both jurisdictional pipelines from concurrent recovery of the same costs.⁶³ Trunkline states that *Cross Bay* is distinguishable from this proceeding because Trunkline's facilities will be transferred to an affiliate for conversion to oil transportation under the Interstate Commerce Act. According to Trunkline, there is no chance of a duplicate cost recovery here and the Commission's reasoning in *Cross Bay* is not applicable.

41. Finally, Trunkline maintains that the show cause order in *Cross Bay* clearly indicated that the Commission believed it was acting under the authority of NGA section 5 and not section 4. Trunkline asserts that the protesters in this proceeding do not provide any analysis to warrant an NGA section 5 investigation. Moreover, Trunkline points out that approximately 90 percent of its existing firm contracts are discounted for the term of the service agreements. Trunkline reasons that even if any prospective rate change would be warranted after completion of a section 5 proceeding, such protesters could not benefit from the change.

Commission Response

42. The Commission denies the protestors' requests to condition the proposed abandonment on an adjustment or investigation of Trunkline's existing rates. As noted, a pipeline's existing rates may be changed only by the pipeline voluntarily making an NGA section 4 rate filing, or by a party or the Commission demonstrating under NGA section 5 that a pipeline's existing rates are unjust and unreasonable, and proposing rates that are found to be just and reasonable.⁶⁴ Earlier orders cited by protestors notwithstanding,⁶⁵ the Commission's current general policy as set forth in *Columbia Gas Transmission Corp.* is to allow abandonments between rate cases without requiring the pipeline to restate or re-justify its base rates to reflect the removal of the costs associated with the abandoned facilities.⁶⁶ As the Commission recently stated in an unrelated *Trunkline*

⁶³ Trunkline September 14, 2012 Answer at 19-21 (citing *Cross Bay*, 97 FERC at 61,757).

⁶⁴ 15 U.S.C. §§ 717c and 717d (2012).

⁶⁵ *E.g.*, *El Paso*, 1 FERC ¶ 61,108.

⁶⁶ 93 FERC ¶ 61,064, at 61,176 (2000).

order,⁶⁷ Trunkline's current rates were approved by the Commission and are considered just and reasonable.

43. The Commission's action in *Cross Bay* is inapplicable to this proceeding. In *Cross Bay*, the Commission was concerned about the possibility that two jurisdictional natural gas pipelines would have recovered, through their respective rates for natural gas transportation service, the same costs associated with the transferred assets. However, in this instance, the transferred assets are intended to be used for oil transportation, so there is no possibility of duplicate cost recovery from natural gas customers despite the fact that the costs related to the assets will remain in Trunkline's post-abandonment rates.

44. Nevertheless, the Commission believes it is appropriate to examine more fully the magnitude of the abandonment's impact on the relationship between Trunkline's post-abandonment costs and revenues. This is because, after the proposed abandonment, Trunkline's unadjusted base rates will have been designed to recover costs associated with its transportation system when it was roughly double the size, in terms of capacity, of its post-abandonment system. Therefore, the Commission will exercise its authority under section 10(a) of the NGA to require Trunkline to file a post-abandonment cost and revenue study based on actual, unadjusted costs and revenues.⁶⁸ The study should cover the period consisting of 12 full months of operations beginning on the first day of the month after Trunkline has transferred to its affiliate all of the facilities proposed to be abandoned in this proceeding. Trunkline is directed to file such study within 60 days after the last day of such 12-month period. The cost and revenue study required by this paragraph will provide a baseline of actual annual costs and revenues, which can then be used as a starting point for further analysis of Trunkline's costs and revenues. Finally, as an alternative to filing the cost and revenue study, Trunkline may file a general NGA section 4 rate case on the required filing date of the study.

2. Facility Utilization

45. Trunkline contends that its existing mainline capacity is underutilized. By way of example, Trunkline notes that following the 2001 Trunkline Abandonment, Consumers remained Trunkline's largest firm transportation customer, albeit with a reduced contract demand of 336 MDth per day. Trunkline states that as of November 1, 2012, Consumers held a firm transportation agreement for 100 MDth per day in the winter and 200 MDth per day in the summer months.⁶⁹

⁶⁷ *Trunkline Gas Co. LLC*, 139 FERC ¶ 61,239, at P 42 (2012).

⁶⁸ 15 U.S.C. § 717i (2012).

⁶⁹ Trunkline Application at 9.

46. Trunkline states that only a small fraction of the total capacity on its system is under firm service agreements at the maximum rate,⁷⁰ and states that capacity for those service agreements will continue to be available through its remaining facilities which will be unaffected by the proposed abandonment. Trunkline asserts that absent deep discounts, the actual utilization of its mainline would be substantially less.

47. Consumers contends that Trunkline's description of Consumers' firm transportation service agreement does not accurately reflect Consumers' level of reliance on service on Trunkline to serve its customers. Consumers asserts that its utilization of capacity on Trunkline has grown since 2003, from approximately 400 MDth per day to approximately 600 MDth per day, on occasion exceeding 800 MDth per day.⁷¹

48. Consumers also asserts that Trunkline's statements regarding the current usage of its system do not accurately reflect the importance of the Trunkline system for Michigan. Consumers notes that between 2009 and 2011, approximately 30 percent of natural gas consumed in Michigan was delivered on Trunkline's system. Consumers asserts that Trunkline is a key provider of interstate natural gas service in Michigan.⁷²

49. Consumers alleges that the facts serving as the bases for Trunkline's arguments that its system is currently underutilized were engineered by Trunkline and are not the product of market forces. Consumers asserts that Trunkline engaged in contracting practices, prior to announcing the proposed abandonment, that were designed to discourage Consumers from entering into a contract for a higher level of firm capacity for a longer term in order to ensure that the total amount of firm capacity under contract post-abandonment would be lower than the mainline capacity following the abandonment.⁷³

50. Trunkline states that Consumers has mischaracterized the issue of utilization. Trunkline asserts that the issue is not whether capacity is fully subscribed, but rather that no shippers have been willing to commit to obtain firm capacity at undiscounted tariff rates. Trunkline states that more than 95 percent of the capacity scheduled to terminate by its proposed abandonment date is provided at discounted rates.⁷⁴

⁷⁰ Trunkline states that over the last several years, it has discounted approximately 83 to 91 percent of its firm maximum daily quantities. Trunkline Application at 12.

⁷¹ Consumers August 29, 2012 Protest at 6.

⁷² *Id.* at 6-7.

⁷³ *Id.* at 7.

⁷⁴ Trunkline September 14, 2012 Answer at 11.

Commission Response

51. Trunkline's conclusion that its mainline capacity is underutilized, and hence, not highly valued by the market, is supported by the lack of customer interest in available firm capacity on Trunkline's system at maximum rates. Despite Consumers' assertion that its reliance on Trunkline's mainline capacity has grown since 2003, Consumers was unwilling to contract for firm capacity at undiscounted tariff rates during Trunkline's open season. Consumers provides no support for its claim that Trunkline engaged in contracting practices that were designed to discourage contracts for long-term firm service prior to announcing the abandonment. Further, Trunkline held a supplemental open season after submitting its abandonment application that again failed to garner bids for additional firm service at undiscounted rates. Thus, we find that Trunkline has adequately demonstrated the same lack of customer interest in obtaining additional firm service on its system.

3. Continuity of Service

52. Protestors claim that the proposed abandonment will have a detrimental effect on the reliability and quality of Trunkline's service.⁷⁵ Specifically, protestors assert that the reduction in capacity and abandonment of redundant facilities will result in a reduction in flexibility on Trunkline's system.

53. Consumers and ProLiance attempt to distinguish the proposals herein from the 2001 Trunkline Abandonment. Consumers and ProLiance state that the proposed abandonment would result in a much greater reduction in capacity than did the 2001 abandonment.⁷⁶ Consumers also notes that the current abandonment would result in there being no looping on Trunkline's mainline facilities. Consumers asserts that this raises significant reliability and degradation of service concerns that were not present with respect to the 2001 Trunkline Abandonment.⁷⁷ Consumers further states that any pipeline outage along the remaining 770 miles of unlooped pipeline upstream of Tuscola would necessarily interrupt supply destined for Trunkline's core market area.

⁷⁵ Consumers August 29, 2012 Protest at 4-5, TVA August 29, 2012 Protest at 3, Ameren August 29, 2012 Protest at 3-4, Michigan Governor August 29, 2012 Protest at 2, ABATE August 28, 2012 Protest at 3.

⁷⁶ Consumers August 29, 2012 Protest at 5, ProLiance August 29, 2012 Comments at 3.

⁷⁷ Consumers August 29, 2012 Protest at 5.

54. Similarly, TVA states that it has entered into long-term firm contracts with Trunkline, in part, because Trunkline had multiple line loops to enhance its reliability and to ensure continuous electric system support during periods of routine maintenance or unscheduled pipeline outages. TVA also expresses concern that Trunkline will not be able to meet its firm contracts for enhanced quick notice start-up after the proposed abandonment.⁷⁸ Consumers states that it expects shippers will have difficulty accessing gas supply from alternative receipt points on Trunkline's system. Consumers asserts that other pipelines cannot provide it comparable service or reliability.

55. Trunkline responds to concerns about reliability stating that it will continue to meet all firm commitments, as well as all swing, no-notice, quick notice, and hourly delivery commitments on the system.⁷⁹ Trunkline also states that there will be no changes to the capacity of any receipt or delivery point, nor will there be any change to the number of active interconnects. Trunkline explains that any active receipt or delivery point on the 30-inch diameter pipeline to be abandoned will be connected to the remaining 36-inch diameter pipeline with no change in capacity. Trunkline also affirms that its system will continue to operate at the current pressure and that the Maximum Allowable Operating Pressure of the pipeline will not change.⁸⁰

56. Trunkline further states that most of its major market-area customers do not rely solely on its system for service and that many of its customers' contracts have delivery points that are merely interconnections with various other interstate pipelines.⁸¹ Trunkline asserts that its shippers' access to supply at numerous receipt interconnections on the pipeline provides sufficient flexibility to address any outages that may occur on

⁷⁸ TVA August 29, 2012 Protest at 2-3.

⁷⁹ Trunkline September 14, 2012 Answer at 16, which addresses TVA's concern that Trunkline will not be able to meet its quick notice service requirements.

⁸⁰ Trunkline states that the Commission in *Transwestern Pipeline Co. L.L.C.* recently cited the maintenance of the same operating pressure as a factor indicating that a proposed abandonment would not reduce system flexibility or cause an adverse operational impact. Trunkline September 14, 2012 Answer at 7 (citing *Transwestern Pipeline Co. L.L.C.*, 140 FERC ¶ 61,147 at PP 26-27).

⁸¹ Exhibit Z-1 of Trunkline's application provides interstate pipeline alternatives to the delivery points designated in its firm transportation contracts. For example, Trunkline notes that customers on Panhandle are not solely dependent upon Trunkline to access gas, as Panhandle can access supply from the Midcontinent, Permian, and Rocky Mountain supply basins through interconnects with other pipelines and processing plants in its production area.

the single-line portion of the system post-abandonment.⁸² Trunkline notes that supply receipt points tied to its mainline connect 6,916,000 Dth per day of supply from multiple sources. Trunkline further asserts that notwithstanding the proposed abandonment, it will be able to maintain service to municipalities where Trunkline is the sole transporter unaffected, with no cost impact, and that the customers that are currently serviced directly off the portion of the 30-inch diameter Line 100-2 to be abandoned will be reconnected to Trunkline's remaining mainline during the abandonment process.⁸³

57. Further, addressing the flexibility issues raised by TVA, Trunkline explains that customer no-notice storage and quick notice requirements were incorporated into its pipeline flow model design. Trunkline states that only two customers, TVA and Union Electric Company dba Ameren Missouri, hold quick-notice contracts, totaling 125,000 Dth per day. Trunkline states that with more available reserve horsepower at many mainline compressor stations post-abandonment, its analysis indicates it will have sufficient flexibility and pipeline pressure to meet the no-notice and quick notice requirements.⁸⁴

58. To the extent there will be less unutilized capacity available on Trunkline to potentially be used by Consumers for flexibility purposes, Trunkline's application notes that Consumers has existing firm transportation contracts on Great Lakes Gas Transmission L.P. (Great Lakes), ANR, and Panhandle. In addition, Trunkline states that Consumers can rely on its own system storage and can purchase delivered gas at its city gate, which is a liquid trading point.⁸⁵

⁸² TVA asserts that Trunkline should not simply assume that a shipper can choose to transport on an alternative pipeline. TVA August 29, 2012 Protest at 3. Trunkline notes however that TVA provides no evidence that it cannot transport on alternative pipelines and states that the TVA Lagoon Creek facility served by Trunkline is also currently served by Texas Gas Transmission, LLC (Texas Gas). Trunkline September 14, 2012 Answer at 15.

⁸³ Trunkline Application at 20.

⁸⁴ Trunkline November 7, 2012 Data Response at 15.

⁸⁵ Trunkline Application at 9.

59. Protestors express concern that the proposed abandonment could pose a threat to the continuation of gas supplies reaching Michigan.⁸⁶ ABATE states that Michigan utilities and customers have an expectation that they can use in the future pipeline facilities that they have been paying to support over the past several decades.⁸⁷

60. Trunkline asserts, however, that its delivery capability into Michigan will be the same before and after the proposed abandonment because, in part, no looping north of Tuscola, Illinois to the Indiana-Michigan border is affected by the proposed abandonment. Trunkline states that there will be no reduction of delivery capacity downstream of Tuscola because the facilities serving Trunkline's core market area north of Tuscola to the Indiana-Michigan border will continue to be served by looped facilities with access to gas supplies available from Panhandle and Rockies Express.⁸⁸ Trunkline states that all of its firm commitments to the Michigan city gates will continue to be met.

61. Consumers also asserts that the proposed abandonment of compression would compromise Trunkline's ability to meet the pressure commitment that it has with Consumers at the Trunkline Elkhart interchange. Consumers states that Trunkline is currently unable to provide the minimum pressure commitment of 575 pound-force per square inch gauge when upstream compression is disrupted and asserts that the proposed compression abandonment would reduce compression flexibility and redundancy, resulting in a degradation of service.

62. Trunkline states that contrary to Consumers' implication, Trunkline is not required to deliver gas at any specific predetermined pressure. Trunkline notes that its tariff states that "Deliveries of Gas at the Points of Delivery shall be at such pressure as may exist in Trunkline's pipeline at such point from time to time."⁸⁹ Trunkline asserts that not only is it under no obligation to deliver gas at a specified pressure, but that Consumers has provided no evidence that the pressure at Consumers' points will change following the abandonment.

⁸⁶ Michigan Governor August 29, 2012 Protest at 3, Michigan PSC August 29, 2012 Protest at 5. The Michigan PSC is the state agency with jurisdiction over rates, charges, and conditions of service for the retail sale of natural gas and electricity in Michigan.

⁸⁷ ABATE August 29, 2012 Protest at 4.

⁸⁸ Trunkline September 14, 2012 Answer at 15.

⁸⁹ Trunkline September 14, 2012 Answer at 17 (citing Trunkline's FERC NGA Gas Tariff, Fourth Revised Volume No. 1, GT&C Section 13., Quality, 2.0.0, Section 13.3).

Commission Response

63. There is no indication in the record that the facilities Trunkline seeks to abandon are needed to ensure continuity of service. In addressing the protesters' concerns about flexibility post-abandonment, Trunkline has supported its contention that no constraint points will result from the proposed abandonment. There is no evidence to suggest that Trunkline will be unable to provide the same level and quality of contracted firm open-access service on peak days after the abandonment as it currently provides. In addition, Trunkline's customers will have the same access to alternative supplies after the abandonment as before. Exhibit Z-1 to Trunkline's application lists interstate pipeline alternatives for existing contracts including ANR, MRT, Natural Gas Pipeline Company of America LLC, Northern Border Pipeline Company, Panhandle, Rockies Express, Texas Eastern, Texas Gas, Vector Pipeline L.P., Crossroads Pipeline Company, Tennessee Gas, and Great Lakes.

64. The Commission rejects the protesters' assertions about operational difficulties and quality of service after the abandonment as unsubstantiated. Further, concerns over Trunkline's operational flexibility are not compelling. As noted above, Trunkline has demonstrated that its post-abandonment system will still be able to maintain flexibility and reliability for its existing customers.

65. In response to the protesters' concerns about the reliability of service on a non-looped system, the Commission finds that Trunkline has adequately supported its claim that it will be able to continue to provide currently-contracted-for service as well as future anticipated service as reflected by its open seasons. As the Commission recognized in *Florida Gas Transmission Co.*, "there is no requirement that pipelines maintain redundant facilities to protect against all possible contingencies."⁹⁰ If the Commission finds that a pipeline's proposed abandonment of particular facilities will not jeopardize continuity of existing natural gas transportation services, it will defer to the pipeline's own business judgment.⁹¹

66. ABATE contends that Michigan utilities and customers have an expectation that they can use in the future pipeline facilities that they have supported through their rates. The Commission recognizes that Trunkline's customers have paid the costs of operating and maintaining Trunkline's system over the years; in return, these customers have received gas transportation service under their contracts. However, pipeline rates do not cover costs associated with maintaining capacity for future use. Trunkline is not

⁹⁰ 79 FERC ¶ 61,147, at 61,625 (1997).

⁹¹ *Northern Natural Gas Co.*, 142 FERC ¶ 61,120 (2013) (citing 2001 Trunkline Abandonment, 94 FERC ¶ 61,381).

obligated to continue to operate capacity that is not needed to meet its firm service obligations and for which there is no demonstration of market demand.

4. Availability of Capacity in the Future

67. The Congressional Delegation,⁹² Governor of Michigan,⁹³ ABATE,⁹⁴ Ameren,⁹⁵ and the Michigan PSC⁹⁶ express concern about the possibility that the proposed abandonment would contribute to future upward pressure on the cost of gas delivered into Michigan, particularly as new gas-fired electric power generators in Michigan replace existing coal-burning generators. Likewise, Consumers states that Trunkline's proposed abandonment is inconsistent with the need for more natural gas pipeline capacity to satisfy expected future increases in natural gas-fueled electric generation.⁹⁷ Consumers states that because the planning for such generation is in the early stages, shippers to these plants may not yet be ready to participate in an open season, but will, in the very near future, require firm pipeline capacity that will no longer be available if Trunkline's application is granted. Consumers alleges that a report prepared by the Midwest Independent Transmission System Operator (MISO)⁹⁸ indicates there is insufficient mainline capacity to service the 12.6 GW coal-to-gas retirement scenario projected for the period 2016-2030.⁹⁹

⁹² Congressional Delegation September 24, 2012 Comments at 1.

⁹³ Governor of Michigan August 29, 2012 Protest at 3.

⁹⁴ ABATE August 28, 2012 Protest at 4.

⁹⁵ Ameren August 29, 2012 Protest at 7-8.

⁹⁶ Michigan PSC August 29, 2012 Protest at 6-7.

⁹⁷ Consumers February 4, 2013 Answer at 6.

⁹⁸ MISO is a non-profit, member-based organization operating the power grid and energy markets in an area including 11 states and the Canadian province of Manitoba and is responsible for overseeing reliable operation of the electric power grid within the area that it serves.

⁹⁹ Consumers October 1, 2012 Answer at 3 (citing *Embedded Natural Gas-Fired Electric Power Generation Infrastructure Analysis: An Analysis of Daily Pipeline Capacity Availability* (MISO Report)).

68. In its comments, MISO projects that approximately 12,000 megawatts of existing coal-fired capacity will be retired as a result of the Mercury and Air Toxics Standards regulations adopted by the Environmental Protection Agency. MISO also projects that a significant number of new generation additions over the next 20 years will be gas-fired. MISO expresses concern that Trunkline's proposed abandonment may exacerbate the potential for natural gas curtailments to power generation facilities in the MISO service area. The Michigan PSC and ABATE also assert that the abandonment would hamper recent gas-electric coordination and electric generation in Michigan.¹⁰⁰

69. Consumers contends that cost-minimization strategies employed by local distribution companies, including Consumers, during the recent economic downturn should not provide a basis for an abandonment that could lead to higher rates in the future. Further, Consumers asserts that if the Commission allows facilities to be abandoned now, only to later approve replacement facilities to meet the expected increase in gas demand in Michigan, natural gas customers will be forced to pay increased rates for the same service.¹⁰¹

70. Trunkline characterizes concerns about potential future demand as speculative. Trunkline contends that the protestors' claims regarding the possibility of upward pressure on the cost of deliveries into Michigan are completely unsupported and should be disregarded.

Commission Response

71. The Commission finds the concerns expressed by protestors regarding the possibility of future increases in the cost of gas delivered into Michigan to be speculative and beyond the scope of this proceeding. The Commission considers the continuity of existing shippers' service to be the primary issue in deciding whether to authorize an abandonment, but will also examine a variety of other factors deemed relevant on a case-by-case basis. One such factor conceivably could be the future economic impact of the abandonment on existing shippers. However, in this regard, the Commission is not persuaded that the protestors' claim that the proposed abandonment, in the context of other industry-wide factors that are beyond the Commission's jurisdiction, could impact

¹⁰⁰ Michigan PSC August 29, 2012 Protest at 6, ABATE August 28, 2012 Protest at 4.

¹⁰¹ Consumers October 1, 2012 Answer at 4.

the cost of existing shippers' future Michigan gas deliveries, provides sufficient justification to deny the abandonment.¹⁰²

72. The protestors speculate that the loss of Trunkline's currently-excess capacity will exert upward pressure on the price of natural gas deliveries into Michigan. The Commission has previously noted that the extent to which the price of transportation affects the price of natural gas at either the wellhead or the end-use market in a competitive natural gas environment cannot be gauged precisely.¹⁰³ The protestors' speculation is further suspect in that Trunkline does not propose to abandon any delivery capacity into Michigan.

73. Also, the apparent lack of interest by existing and/or potential shippers in contracting for the capacity that Trunkline proposes to abandon, as demonstrated by their failure to participate in the three open seasons held by Trunkline, detracts from the general concerns expressed by the Congressional Delegation, the Governor of Michigan, and the Michigan PSC concerning the negative impact of the abandonment on retail, commercial, and industrial customers within Michigan. Such a lack of interest in obtaining additional capacity on a long-term basis, except at deeply discounted rates, suggests a belief on the part of the market that alternatives to serve the future needs of Michigan exist.

74. Trunkline has demonstrated that it will have sufficient capacity following the proposed abandonment to meet its firm shippers' current needs for gas transportation service. Trunkline continually posted its available capacity on its website for years and received no requests for additional firm service. After it decided to consider abandonment of its unutilized assets, Trunkline held three additional open seasons, and received no requests for additional firm service. Trunkline has demonstrated that even after the abandonment it will have unsubscribed firm capacity. Trunkline has also demonstrated that, due to its firm customers' normal capacity utilization profiles, it will

¹⁰² The executive summary of the referenced MISO report notes, "[t]his Analysis is but a first step for both the natural gas and electric power industries to better communicate the potential future pipeline capacity available for gas-fired power generation needs." The MISO report explicitly states that pipeline capacity is affected by a number of operational capabilities and factors including shale gas developments impacting pipeline flow patterns, infrastructure build-out, backhaul opportunities, structural contractual issues, pipeline utilization and utilization rates, integration of market-area storage capacity, market-area capacity versus mainline capacity, secondary capacity markets, asset management arrangements and other contracting options, and discretionary pipeline operations and flexibilities. MISO Report at 8.

¹⁰³ *Tennessee Gas Pipeline Co.*, 143 FERC ¶ 61,196, at P 72 (2013).

still have capacity to offer significant amounts of interruptible transportation service. Trunkline has demonstrated that the markets it serves are served by multiple pipelines, and that there are alternative pipelines that access the supplies Trunkline's system accesses for delivery to Trunkline's markets.

75. The Commission finds that the increment of capacity that Trunkline seeks to abandon is no longer essential to maintain natural gas transportation service to its current customers. The protestors had the opportunity to contract for firm service during the open seasons held by Trunkline and chose not to do so. The Commission will not require a pipeline to retain unused transmission capacity in reserve awaiting the arrival of potential firm demand that may not materialize.¹⁰⁴ Further, Trunkline has the right under section 4 of the NGA to propose to shift the costs of unsubscribed and unutilized capacity to the remaining recourse rate shippers. The Commission believes that shedding assets and their related costs that are no longer necessary to provide service is preferable to shifting the costs of maintaining capacity that shippers do not need but which some unidentified entity might or might not want in the future.

Conclusion

76. For the reasons discussed above, the Commission finds that there will be no significant adverse impacts to existing firm or interruptible services as a result of Trunkline's abandonment of the proposed facilities. Since Trunkline will be able to provide the same level and quality of service post-abandonment, there will be no continuity of service issues. Accordingly, the Commission finds that Trunkline's proposal to abandon the subject facilities to be permitted by the present or future public convenience or necessity and will grant Trunkline's request for abandonment authorization.¹⁰⁵ The Commission directs Trunkline to file tariff records pursuant to Part

¹⁰⁴ See *Transwestern Pipeline Co. LLC*, 140 FERC ¶ 61,147 at P 17 (citing 2001 Trunkline Abandonment, 94 FERC at 62,420, noting that a policy of requiring pipelines to maintain more capacity than needed to meet current demand could create false price signals and weaken the long-term gas transportation market).

¹⁰⁵ Consumers asserts that converting the pipeline facilities that Trunkline intends to abandon to crude oil transportation service will not benefit Trunkline's customers, and that there is no evidence that such a conversion will benefit the public. Consumers Protest at 8. We are concerned here only with whether the proposed abandonment is permitted by the present or future public convenience or necessity. Any future conversion of Trunkline's facilities to oil transportation service is outside the Commission's jurisdiction (aside from requiring Commission approval of an oil pipeline tariff).

154 of the regulations removing references in its tariff to its abandoned facilities at least 30 days prior to the effective date of the abandonment.

C. Accounting

77. Ameren requests that the Commission investigate the accuracy of the \$19.4 million net book value attributed by Trunkline to the facilities it proposes to abandon, as well as the net book value of Trunkline's post-abandonment facilities.¹⁰⁶ In its November 7, 2012, response number 2c to Staff's October 24, 2012 data request, Trunkline explained how the \$19.4 million net book value of the subject facilities was determined based upon an original total transmission plant cost of \$119,976,430 less an accumulated reserve of \$100,554,621, for a net book value of \$19,421,809. The Commission finds that Trunkline's response adequately addresses Ameren's concern.

78. The Michigan PSC requests a technical conference to explore, among other things, whether the transfer of these facilities to Trunkline's affiliate provides a true indication of their market value; whether Trunkline should be required to conduct an additional open season for the purpose of selling the facilities, thereby ascertaining their true value; and whether ratepayers should be entitled to a portion of the net proceeds from Trunkline's sale of the abandoned facilities.¹⁰⁷

79. The Commission has previously addressed the issues raised by the Michigan PSC regarding the propriety of transferring assets at net book value as opposed to fair market value and whether ratepayers should benefit from any gain realized from the transfer.¹⁰⁸ The Michigan PSC has provided no evidence of anticompetitive behavior or presented any other factual basis to disregard the Commission's consistent policy of allowing the transfer of facilities to an affiliate at net book value.

80. Moreover, we note that Trunkline will not realize a gain or loss since the facilities will be sold at net book cost. Further, under long-standing Commission policy, pipelines have not been required, absent special circumstances not present here, to pass through to their shippers gains from the sale of jurisdictional assets.¹⁰⁹

¹⁰⁶ Ameren August 29, 2012 Protest at 6-7.

¹⁰⁷ Michigan PSC August 29, 2012 Protest at 7.

¹⁰⁸ *Williams Gas Processing – Gulf Coast Gathering Co., L.P.*, 87 FERC ¶ 61,144 (1999).

¹⁰⁹ *Id.*

D. Sufficiency of Evidence in the Record

81. Several protestors request that the Commission hold an evidentiary hearing to address their concerns.¹¹⁰ Consumers lists what it characterizes as genuine issues of material fact that it alleges justify a hearing including: whether firm service will be impacted; whether Trunkline will be able to meet contract demand; and whether alternate gas supply sources are available. Consumers also notes that Trunkline filed additional information requested by Commission staff including system flow diagrams on a protected basis as Critical Energy Infrastructure Information (CEII).¹¹¹ Consumers asserts that all interested parties should have the opportunity to obtain such additional necessary information from Trunkline through the discovery process that a hearing would provide. ABATE requests an evidentiary hearing to examine restrictions on new gas-fired electric generation development and the impacts of a reduction in reliability. ProLiance requests an evidentiary hearing to determine the potential impacts on reliability and quality of service, necessity of the proposed abandonment, the benefits to current customers, and Trunkline's ability to meet firm commitments in the future.

82. The Michigan PSC requests a technical conference to analyze the extent to which capacity subject to abandonment is needed to serve existing and future gas demands in the region and to analyze the impact of removing capacity on the reliability of service to customers in Michigan. TVA requests a technical conference to ensure coordination and communication between gas and electric markets, to identify the consequences of capacity degradation, and develop possible resolutions to reliability issues.

Commission Response

83. Section 7(b) of the NGA provides for a hearing when an applicant seeks authorization to abandon facilities subject to the jurisdiction of the Commission, but does not require that all such hearings be formal, trial-type hearings. An evidentiary trial-type hearing is only necessary when material issues of fact are in dispute that cannot be resolved on the basis of the written record.¹¹² As demonstrated by the discussion above, the written evidentiary record provides a sufficient basis upon which to resolve the factual issues presented in this case. The Commission has satisfied the hearing

¹¹⁰ Michigan PSC August 29, 2012 Protest at 2-4, ProLiance December 19, 2012 Comments at 3, ABATE August 28, 2012 Protest at 4, TVA August 29, 2012 Protest at 4.

¹¹¹ Consumers August 29, 2012 Protest at 9.

¹¹² See, e.g., *El Paso Natural Gas Co.*, 136 FERC ¶ 61,180 at P 28; *Southern Union Gas Co. v. FERC*, 840 F.2d at 970; *Cerro Wire & Cable Co. v. FERC*, 677 F.2d 124; *Citizens for Allegan Cnty., Inc. v. FPC*, 414 F.2d at 1128.

requirement by giving interested parties an opportunity to participate through evidentiary submissions in written form. Consequently, there is no need for an evidentiary hearing in this proceeding.¹¹³

84. In regard to convening a technical conference, the Commission concludes that all material facts related to the issues raised by Consumers, ProLiance, the Michigan PSC, and TVA have been resolved on the basis of the written record, as discussed above. Thus, the Commission finds no reason to convene a technical conference in this proceeding.

V. Environmental Analysis

85. On October 26, 2012, the Commission issued a *Notice of Intent to Prepare an Environmental Assessment* (NOI). The NOI was mailed to interested parties including federal, state, and local officials; agency representatives; Native American tribes; local libraries and newspapers; and affected property owners.

86. The Commission received substantive comments in response to the NOI from the U.S. Environmental Protection Agency (EPA), the U.S. Fish and Wildlife Service (FWS), the Louisiana Department of Wildlife and Fisheries (LDWF), the Texas Commission on Environmental Quality (TCEQ), and two potentially affected landowners. Substantive comments raised during scoping of the project included indirect effects of the project, effects of the project on floodplains, groundwater contamination, impacts on federally listed threatened and endangered species, impacts of the project on scenic rivers and wildlife management areas, post-abandonment right-of-way maintenance, and post-abandonment safety concerns.

87. To satisfy the requirements of the National Environmental Policy Act of 1969 (NEPA), Commission staff prepared an environmental assessment (EA) for Trunkline's proposal.¹¹⁴ The analysis in the EA addressed geology, soils, water resources, wetlands, vegetation, fisheries, wildlife, threatened and endangered species, land use, recreation, visual resources, cultural resources, air quality, noise, safety, cumulative impacts, and alternatives. All substantive comments received in response to the NOI were addressed in the EA.

¹¹³ We note that the Commission has procedures in place for parties to obtain CEII and other non-publicly available information filed in support of a request for authorization. 18 C.F.R. §§ 388.112(b), 388.113(d)(4) (2013). Consumers has not alleged that it sought but was denied access to any information in the proceeding.

¹¹⁴ 42 U.S.C. §§ 4321-4347 (2012).

88. The EPA's scoping comments focused on the future uses of the abandoned pipeline and an apparent misconception regarding the scope of the abandonment activities to be performed by Trunkline. EPA suggested that the Commission consider the transportation of crude oil by the future pipeline operator, as an indirect effect of the pipeline abandonment. EPA further stated that because the pipeline would be converted to carry crude oil, the EA should include an analysis of oil pipeline safety, spill risk, and spill response issues.

89. Indirect impacts are effects that are caused by the action but occur later in time or farther removed in distance and are reasonably foreseeable.¹¹⁵ As stated in the EA, the proposed action is Trunkline's abandonment of the pipeline. Although Trunkline has indicated that the future operator intends to use the abandoned pipeline for oil transportation, the eventual disposition of the pipeline after abandonment, whether it would be left idle, converted for another use, or eventually sold to another entity, is not a factor in the Commission's decision to grant abandonment. Further, the particular future use of the pipeline is neither defined nor caused by the authorization for abandonment. After the abandonment, Trunkline would no longer be responsible for the facilities and the Commission will have no remaining jurisdiction. Thus, the EA did not include a detailed analysis of the impacts that could occur after the abandonment.¹¹⁶ However, the EA did provide available information about the anticipated conversion and about potential cumulative impacts associated with the construction of facilities to support the proposed future use.

90. The EPA also suggested that the scope of the project is large enough to trigger a myriad of detailed analyses, more typically associated with a major project. The Commission disagrees with this assessment. As stated in the EA, the entire footprint of ground disturbance for the project would total about 10.1 acres across 80 sites. The area of ground disturbance at each of the 80 sites would average about 0.13 acre and, in general, the duration of ground disturbing activities at any of these locations would last from a few days to one week.

91. The EPA recommended that the EA should consider how climate change could potentially influence the potential project and assess how the projected impacts could be exacerbated by climate change. EPA further stated that the EA should include an

¹¹⁵ 40 C.F.R. § 1508.8 (2013).

¹¹⁶ As stated in the EA, oil pipeline safety is regulated, monitored, and enforced by the U.S. Department of Transportation. In the event that the abandoned pipeline is converted for use in oil transportation, the relevant authorizing and permitting state and federal agencies, including the U.S. Department of Transportation, are responsible for addressing environmental and safety matters.

evaluation of environmental justice populations and should describe outreach conducted to communities that could be affected by the project. EPA also suggested that the EA should describe the original drainage patterns in the project locale, drainage patterns of the area during project operations, and whether any project components are within 50- or 100-year floodplains.

92. Trunkline's proposed abandonment project does not include siting, construction, or operation of any new facilities. Due to the minimal amount of ground disturbance at each of the project's 80 sites, an evaluation of climate change, environmental justice impacts on minority and low-income populations, and floodplains is not warranted.

93. The EPA's scoping comments suggested that water discharges from the facility may require a National Pollutant Discharge Elimination System (NPDES) permit under the Clean Water Act, and that the EA should address the potential effects of project discharges, if any, on surface water quality. As stated in the EA, Trunkline would abandon the project facilities in accordance with the Commission's Upland Erosion Control, Revegetation, and Maintenance Plan (Plan) and Wetland and Waterbody Construction and Mitigation Procedures (Procedures). In addition, Trunkline would apply for its NPDES Permit for Construction Stormwater Discharges with Illinois, Kentucky, Tennessee, Mississippi, and Arkansas prior to any ground-disturbing activities because these states require NPDES permits for projects that have an area of disturbance greater than five acres. No NPDES permit is required in Texas and Louisiana because these states follow federal guidelines and, as such, Trunkline is exempted from NPDES permit requirements under EPA's regulations in accordance with 40 C.F.R. § 122.26(a)(2) and 122.26(c)(1)(iii) (2013).

94. The EPA recommended that the EA address potential direct, indirect, and cumulative impacts of hazardous waste from construction and operation of the project. The EPA also suggested that if the project would entail new landscaping, the EA should describe how the project would meet the requirements of Executive Order 13112, Invasive Species (February 3, 1999). The project does not involve an operational phase and, because it is an abandonment by transfer, very limited work and equipment would be required to complete the abandonment activities. As stated in the EA, Trunkline would implement the Commission's Plan and Procedures, which contain provisions for the preparation and implementation of a Spill Prevention and Response Plan and appropriate mitigation for controlling the invasion and spreading of undesirable exotic species and noxious weeds.

95. The EPA suggested that Trunkline implement fugitive dust and other emission control mitigation strategies, such as water or other palliative measures during construction, and use a traffic management plan to limit vehicle trips and maintain traffic flow. The EA identified measures that Trunkline would take to minimize fugitive dust emissions such as watering exposed soil surfaces, maintaining soil storage piles and restoring and revegetating disturbed areas. Given the small footprint of ground

disturbance associated with the project, the EA concluded that Trunkline's measures were sufficient to control fugitive dust.

96. The EPA commented that additional measures for reducing construction air emissions should be included in the project. As stated in the EA, impacts from construction activity emissions would be highly localized, temporary, intermittent and minor at each abandonment site. Thus, the Commission does not believe EPA's suggested measures for further minimizing emissions from project construction activities are necessary.

97. The FWS' scoping comments recommended that the EA identify all federally listed and protected species that may occur in the project area and assess the potential impact that the project may have on those species, as well as on bald eagles. The FWS also recommended that the EA assess impacts on migratory non-game bird species, as they relate to management practices on the project's right-of-way that may result from a change in ownership of the pipeline.

98. The federally listed endangered red-cockaded woodpecker and Indiana bat were identified as potentially occurring in the project area in Louisiana and Illinois, respectively. The EA stated that no suitable habitat was identified in the project area for the red-cockaded woodpecker. With respect to the Indiana bat, the EA concluded that given the limited scope of the project's abandonment-related construction activities, the project is not likely to adversely affect the Indiana bat. Regarding the bald eagle, the EA stated that no suitable nesting habitat for bald eagles would be affected. The EA concluded that migratory bird species would not be adversely affected because no tree clearing would occur and all lands that would be affected by the abandonment activities are previously disturbed and routinely maintained as a right-of-way.

99. In its scoping comments, the LDWF stated that if any new pipeline or pipelines to be abandoned in Louisiana cross any Scenic Rivers or Wildlife Management Areas, Trunkline would need to obtain authorization from the LDWF. The EA stated that no Scenic Rivers or Wildlife Management Areas would be affected by Trunkline's abandonment activities.

100. The TCEQ's scoping comments recommend that the EA address actions that would be taken to prevent surface and groundwater contamination. The EA stated that the potential for impact on groundwater is not anticipated given the small area of ground disturbance that would occur at each site during project abandonment activities (on average 0.13 acre). However, water table depths could be within 10 feet of ground surface within many areas traversed by the existing pipeline. To protect groundwater resources within the project area from contamination due to an inadvertent release of fuels, lubricating, or hydraulic fluids, Trunkline would implement its Spill Prevention and Response Plan, which describes the handling protocols for fuels and oils as well as the measures to be taken to address an inadvertent release of these materials.

101. In her scoping comments, landowner Jenilee Whitnell Lemmon supported the project and the subsequent proposal to convert the pipeline to crude oil transportation, but requested that vegetation growth be controlled by a concrete layer laid on the ground surface of the mainline valve station located on her property in Vienna, Illinois, in lieu of the current practice of herbicide spraying. As stated in the EA, upon the granting of abandonment authorization, the Commission would no longer have any authority over the pipeline, and it would be up to the future operator of the pipeline to conduct maintenance activities on the pipeline right-of-way.

102. In her scoping comments, Kathleen Vance Eskridge, another landowner, expressed concerns about the conversion of the pipeline to crude oil transportation in the event that an earthquake occurs and the segment of pipeline that traverses her property in Dyer County, Tennessee, becomes compromised. As stated above, and in the EA, Commission jurisdiction over the pipeline would cease upon completion of the abandonment activities. Oil pipeline safety is regulated, monitored, and enforced by the U.S. Department of Transportation.

103. The EA was issued for a 37-day comment period and placed into the public record on April 15, 2013. The Commission received comments on the EA from the EPA, LDWF, and from Terry Simmons, a landowner and President/Chief Executive Officer of the Ballard County, Kentucky, Economic & Industrial Development Board, on behalf of himself and Vickie Viniard, Ballard County Judge/Executive (Simmons).

104. In comments on the EA, the EPA reiterates many of its scoping comments. The comments that are new or provided slightly different concerns than those provided during scoping are addressed in the following discussion. The EPA expresses concerns about air quality and environmental justice. The EPA also recommends that the Commission analyze whether transporting crude oil through the abandoned pipeline may have the potential to affect production and refining levels of crude oil and assess the resulting impacts on air quality, including greenhouse gasses. On air quality, the EPA asserts that the geographic scope of the project is “large enough to potentially capture a range of areas with specific air quality concerns.” The EPA requests that the Commission disclose areas of air quality nonattainment.

105. As previously noted, the proposed action is the abandonment of a pipeline; future operations of the abandoned pipeline are not a factor in the Commission’s decision to authorize the abandonment. Further, the Commission has no regulatory authority over the pipeline once it is abandoned. Consequently, the Commission disagrees that the EA should have analyzed the indirect effects on air quality of actions taken by a future operator of the facilities. The Commission also disagrees that identifying specific non-attainment or maintenance areas where project activities would be located, and estimating emissions from these activities in each area, is relevant to the analysis of the proposed action.

106. As stated in the EA, because of the limited size and duration of activities associated with abandonment, there is no potential risk that emissions would approach the threshold for general conformity determination.

107. The EPA inquires whether a “permanent” decrease in emissions would occur and points to statements in the EA discussing conversion of existing facilities for future use. The EA states that “abandonment of 12 natural gas-fired engines totaling 15,850-horsepower at the five compressor stations (Joppa, Pollock, Independence, Shaw, and Epps) would result in a permanent decrease in criteria, hazardous air pollutant and greenhouse gas pollutant emissions equivalent to the operational baseline emission levels of these pollutants at each abandoned compressor station.” The Commission clarifies that compression facilities will be disconnected and abandoned in-place. Regarding the permanent decrease in emissions, Trunkline states in a January 15, 2013 data response that the future operator intends to install electric-driven pumps in four of the new pumping stations, and one station would not require pumps. Thus, based on the information currently available, the EA’s conclusion that abandonment of the compression facilities would result in a permanent decrease in emissions is valid.

108. The EPA advises that the EA should include an evaluation of environmental justice populations and describe the outreach conducted to communities that could be affected. The EPA states that over 80 sites would require ground disturbing activities, that the pipeline would stretch over 700 miles, and that the conversion of the pipeline to transport crude oil would change the nature of impacts to residents along the pipeline. The EPA states that the Commission should recognize that environmental justice issues can be specific to the history or circumstances of a particular community, to the particular type of environmental or human health impact, and to the nature of the proposed action itself.

109. As discussed in the EA, all of the abandonment activities would take place within the footprint of Trunkline’s right-of-way for the previously certificated facilities. The project would not involve the construction of new facilities and the locations in which the minimal ground disturbing activities would occur were determined by the location of the existing pipeline. Thus, a review of environmental justice is not warranted.

110. The EPA also recommends that the Commission consult with state-recognized tribes in Louisiana, citing Executive Order 13175. In fact, Executive Order 13175 only requires consultations with federally-recognized Indian tribes. The EA documented our consultations with federally-recognized Indian tribes, as required by the National Historic Preservation Act.

111. The LDWF states that Trunkline must obtain authorization from the LDWF’s Scenic Rivers Program prior to initiating any abandonment activities within or adjacent to the banks of Beckwith Creek and Hickory Branch because both are designated as Louisiana Natural and Scenic Rivers. The LDWF also has concern for suitable nesting

and foraging habitat for the federally listed endangered red-cockaded woodpecker that may occur within one mile of three worksites.

112. As stated in the EA, only an unnamed perennial tributary to Bayou Bertrand at milepost 61.17 would be affected by Trunkline's abandonment activities in Louisiana. The worksites identified by LDWF do not apply to Trunkline's abandonment activities, but rather to activities that may be undertaken by the future operator of the pipeline upon the granting of abandonment authorization. As previously stated, the Commission has no oversight authority over any activities undertaken by the future operator of the abandoned pipeline.

113. Simmons states that the pipeline crossing his property may, in time, deteriorate to a point where petroleum product residues left in the pipeline would be released into the soil and/or the air, and he would be responsible in mitigating the spill. However, Trunkline does not propose that the abandoned pipeline be left idle. As stated in the EA, a future operator intends to convert the abandoned pipeline to the transportation of crude oil and that operator would be responsible for the maintenance and operations of the pipeline.

114. Based on the analysis in the EA, the Commission finds that Trunkline's proposed abandonment would not constitute a major federal action significantly affecting the quality of the human environment, if the abandonment activities are conducted in accordance with Trunkline's application and as described in the EA and in compliance with the environmental conditions in Appendix C to this Order.

115. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorization sought herein, and upon consideration of the record,

The Commission orders:

(A) Trunkline's request to abandon facilities, as described in this order and in the application, is granted, subject to the conditions described herein and in Appendix C.

(B) Trunkline shall notify the Commission within 10 days of the date(s) of its abandonment(s) of facilities as authorized by this order. Trunkline shall complete authorized abandonments within one year from the date of this order.

(C) Trunkline shall account for the transaction in accordance with Gas Plant Instruction No. 5 and Account 102, Gas Plant Purchased or Sold, of the Uniform System of Accounts. Trunkline shall submit its final accounting entries within six months of the date that the transfer is consummated, and the accounting submission shall provide all the accounting entries related to the transfer along with narrative explanations describing the basis for the entries.

(D) Trunkline shall notify the Commission's environmental staff by telephone, e-mail, and/or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Trunkline. Trunkline shall file written confirmation of such notification with the Secretary of the Commission (Secretary) within 24 hours.

(E) Trunkline shall file a post-abandonment cost and revenue study based on actual, unadjusted costs and revenues for the period consisting of 12 full months of operations beginning on the first day of the month after Trunkline has transferred to its affiliate all of the facilities authorized for abandonment in this order. Alternatively, Trunkline may file a general NGA section 4 rate case on the required filing date of the cost and revenue study.

(F) Trunkline shall comply with the environmental conditions set forth in Appendix C to this order.

(G) The requests for an evidentiary hearing or a technical conference are denied.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix A
Interventions

Ameren Service Company
Association of Businesses Advocating Tariff Equity
BG Energy Merchants, LLC
Boardwalk Pipeline Partners, LP
Chevron USA Inc.
ConocoPhillips Company
Consumers Energy Company
Governor Rick Snyder of Michigan
Illinois Commerce Commission+
Laclede Energy Resources, Inc.
Laclede Gas Company*
LeCompte-Hall, LLC
Liberty Energy (Midstates) Corp*+
Memphis Light, Gas & Water Division+
Michael C. Karcher*
Michigan Public Service Commission
Midwest Independent Transmission System Operator, Inc.*
NiSource Distribution Companies
NJR Energy Services Company
Northern Illinois Gas Company d/b/a/ Nicor Gas Company+
Process Gas Consumers Group, the American Forest & Paper Association and the
Independent Petroleum Association of America (Jointly)*
ProLiance Energy, LLC*
PSEG Energy Resources & Trade LLC
Sequent Energy Management, L.P.
Tenaska Marketing Ventures
Tennessee Valley Authority

* Intervention includes comments.

+ Motion to intervene out-of-time

Appendix B
Commenting Entities

Chickasaw Nation
Choctaw Nation of Oklahoma
Department of Defense Siting Clearinghouse
Jenilee Lemmon
Kathleen Eskridge
Kentucky Heritage Council and State Historic Preservation Office
Louisiana Department of Environmental Quality
Louisiana Department of Wildlife and Fisheries
Mississippi Department of Archives and History
National Park Service
Tennessee Historical Commission
Terry Simmons
Texas Commission on Environmental Quality
U.S. Congressional Delegation (jointly)
 Senators Debbie Stabenow and Carl Levin, and Members of Congress John D.
 Dingell, Fred Upton, Sander Levin, Mike Rogers, Candace Miller, Gary Peters,
 Hansen Clarke, Tim Walberg, Bill Huizenga, Dan Benishek, Dale Kildee, and
 Dave Camp.
U.S. Environmental Protection Agency
U.S. Fish and Wildlife Service
William and Estella Grant

Appendix C
Environmental Conditions

1. Trunkline shall follow the abandonment procedures and mitigation measures described in its application and supplements, including responses to staff data requests, and as identified in the environmental assessment (EA), unless modified by the Order. Trunkline must:
 - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary;
 - b. justify each modification relative to site-specific conditions;
 - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
 - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) before using that modification.

2. The Director of OEP has delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during activities associated with the abandonment project. This authority shall allow:
 - a. the modification of conditions of the Order; and
 - b. the design and implementation of any additional measures deemed necessary (including stop-work authority) to assure continued compliance with the intent of the environmental conditions as well as the avoidance or mitigation of adverse environmental impact resulting from project abandonment..

3. **Prior to any abandonment activities**, Trunkline shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors (EIs), and contractor personnel will be informed of the EI's authority and have been or will be trained on the implementation of the environmental mitigation measures appropriate to their jobs **before** becoming involved with abandonment and restoration activities.

4. The authorized facility locations shall be as shown in the EA. **As soon as they are available, and before the start of abandonment activities**, Trunkline shall file with the Secretary any revised construction workspace configuration drawings at a scale not smaller than 1:6,000 with station positions for all activities approved by the Order. All requests for modifications of environmental conditions of the Order or site-specific clearances must be written and must reference locations designated on these alignment maps/sheets.

5. Trunkline shall file with the Secretary detailed alignment maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying any areas that would be used or disturbed and have not been previously identified in filings with the Secretary. Approval for each of these areas must be explicitly requested in writing. For each area, the request must include a description of the existing land use/cover type, documentation of landowner approval, whether any cultural resources or federally listed threatened or endangered species would be affected, and whether any other environmentally sensitive areas are within or abutting the area. All areas shall be clearly identified on the maps/sheets/aerial photographs. Each area must be approved in writing by the Director of OEP **before abandonment activities occur in or near that area.**

6. **Within 60 days of the acceptance of the certificate and prior to abandonment activities,** Trunkline shall file an Implementation Plan with the Secretary for review and written approval by the Director of OEP. Trunkline must file revisions to the plan as schedules change. The plan shall identify:
 - a. how Trunkline will implement the abandonment procedures and mitigation measures described in its application and supplements (including responses to staff data requests), identified in the EA, and required by the Order;
 - b. how Trunkline will incorporate these requirements into the contract bid documents, construction contracts (especially penalty clauses and specifications), and construction drawings so that the mitigation required at each site is clear to onsite construction and inspection personnel;
 - c. the number of EIs assigned per spread, and how the company will ensure that sufficient personnel are available to implement the environmental mitigation;
 - d. company personnel, including EIs and contractors, who will receive copies of the appropriate material;
 - e. the location and dates of the environmental compliance training and instructions Trunkline will give to all personnel involved with abandonment activities and restoration (initial and refresher training as the project progresses and personnel change);
 - f. the company personnel (if known) and specific portion of Trunkline's organization having responsibility for compliance;
 - g. the procedures (including use of contract penalties) Trunkline will follow if noncompliance occurs; and
 - h. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - (1) the completion of all required surveys and reports;
 - (2) the mitigation training of onsite personnel;
 - (3) the start of abandonment activities; and

- (4) the start and completion of restoration.
7. Beginning with the filing of its Implementation Plan, Trunkline shall file updated status reports with the Secretary on a **biweekly basis until all abandonment and restoration activities are complete**. On request, these status reports will also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
- a. an update on Trunkline's efforts to obtain the necessary federal authorizations;
 - b. the status of the project, work planned for the following reporting period, and any schedule changes for stream crossings or work in other environmentally sensitive areas;
 - c. a listing of all problems encountered and each instance of noncompliance observed by the EI(s) during the reporting period (both for the conditions imposed by the Commission and any environmental conditions/permit requirements imposed by other federal, state, or local agencies);
 - d. a description of corrective actions implemented in response to all instances of noncompliance, and their cost;
 - e. the effectiveness of all corrective actions implemented;
 - f. a description of any landowner/resident complaints which may relate to compliance with the requirements of the Commission Order, and the measures taken to satisfy their concerns; and
 - g. copies of any correspondence received by Trunkline from other federal, state or local permitting agencies concerning instances of noncompliance, and Trunkline's response.
8. **Prior to receiving written authorization from the Director of OEP to commence abandonment of any project facilities**, Trunkline shall file with the Secretary documentation that it has received all applicable authorizations required under federal law (or evidence of waiver thereof).
9. **Within 30 days after completing the abandonment**, Trunkline shall file an affirmative statement with the Secretary, certified by a senior company official:
- a. that the facilities have been abandoned in compliance with all applicable conditions, and that continuing activities will be consistent with all applicable conditions; or
 - b. identifying which of the Order conditions Trunkline has complied with or will comply with. This statement shall also identify any areas affected by the project where compliance measures were not properly implemented, if not previously identified in filed status reports, and the reason for noncompliance.

10. Trunkline shall **not begin ground disturbing activities in Mississippi**, including the use of associated staging, storage, or temporary work areas and new or to-be-improved access roads, **until**:
 - a. Trunkline files with the Secretary:
 - (1) a report of the cultural resources investigations requested by the Mississippi State Historic Preservation Officer (SHPO), and any site evaluation reports, and avoidance/treatment plans, as required; and
 - (2) comments from the SHPO and interested tribes on the reports and plans, including Trunkline's Unanticipated Discovery Plan for Cultural Resources, Human Remains, and Contaminated Media;
 - b. the Advisory Council on Historic Preservation is afforded an opportunity to comment if historic properties would be adversely affected; and
 - c. Commission staff reviews and the Director of OEP approves all cultural resources reports and plans, and notifies Trunkline in writing that treatment measures (including archaeological data recovery) may be implemented and/or abandonment activities may proceed.

All materials filed with the Commission containing location, character, and ownership information about cultural resources must have the cover and any relevant pages therein clearly labeled in bold lettering: "CONTAINS PRIVILEGED INFORMATION - DO NOT RELEASE."