145 FERC ¶ 61,194
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Equitrans, L.P.	Docket No. CP13-138-000
Peoples Natural Gas Company LLC Rager Mountain Storage Company LLC	Docket No. CP13-139-000 (not consolidated)

ORDER ISSUING CERTIFICATES AND GRANTING ABANDONMENT

(Issued December 4, 2013)

1. On April 10, 2013, Equitrans, L.P. (Equitrans) filed an application, pursuant to section 7(c) of the Natural Gas Act (NGA),[1] and Part 157, Subpart A of the Commission's regulations,[2] seeking authorization to lease certain facilities from its affiliate, Allegheny Valley Connector LLC (Allegheny LLC), and to operate the facilities pursuant to the terms and conditions of Equitrans' tariff.[3]

2. Simultaneously, on April 10, 2013, Peoples Natural Gas Company LLC (Peoples) and Rager Mountain Storage Company LLC (Rager Mountain LLC) filed a joint application, pursuant to sections 7(b) and 7(c) of the NGA,[4] and Part 157, Subpart A of the Commission's regulations. In the joint application, Peoples requests authorization to abandon the certificate of public convenience and necessity issued in *Rager Mountain Storage Co. LLC*[5] (2011 Order) authorizing Peoples to lease 2 Bcf of working gas storage capacity and 45,000 Dth per day of deliverability at its Rager Mountain Storage Facility

[1] 15 U.S.C. § 717f(c) (2012).

[2] 18 C.F.R. pt. 157, Subpart A (2013).

[3] FERC NGA Gas Tariff, Equitrans Tariff.

[4] 15 U.S.C. §§ 717f(b), (c) and (e) (2012).

[5] 136 FERC ¶ 61,151 (2011) (2011 Order).

to Rager Mountain LLC, and Rager Mountain LLC requests authorization to amend the certificate of public convenience and necessity issued to it in the same proceeding to enable it to lease storage capacity from Allegheny LLC.

3. For the reasons discussed herein, the Commission will grant the requested authorizations, subject to the conditions described below.

I. Background

A. Description of Applicants and Participants in this Proceeding

4. Equitrans is a natural gas company, as defined by section 2(6) of the NGA, that is engaged in the business of gathering, storing, and transporting natural gas in interstate commerce.[6] Equitrans' Mainline and Sunrise pipeline systems are located in northern West Virginia and southwestern Pennsylvania. Equitrans provides open-access transportation and storage services under its Part 284, Subpart G blanket transportation certificate pursuant to the rates, terms, and conditions set forth in its tariff.

5. EQT Corporation (EQT), the parent of Equitrans, formed Allegheny LLC for the purpose of acquiring and owning a passive interest in the transportation and storage assets that are the subject of the applications in this proceeding. Allegheny LLC is not currently a natural gas company under the NGA, nor will it be following the issuance of the authorizations requested herein, as it will not be operating any facilities or providing any services.

6. Peoples is a local distribution company (LDC) that provides natural gas transmission, distribution, and supplier of last resort services to customers, subject to the jurisdiction of the Pennsylvania Public Utilities Commission (Pennsylvania PUC). Peoples holds a section 284.224 blanket certificate to provide NGA-jurisdictional interstate gas services using its Pennsylvania distribution facilities.[7] Peoples is owned by PNG Companies LLC (PNG).[8]

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[6] Equitrans is currently owned 97.25 percent by Equitrans Investments, LLC, a subsidiary of EQT Midstream Partners, L.P. (EQT Midstream), and 2.75 percent by Equitrans Services, LLC, a subsidiary of EQT Midstream.

[7] *The Peoples Natural Gas Co.*, 55 FERC ¶ 62,223, *reh'g denied*, 57 FERC ¶ 61,111 (1991).

[8] PNG, in turn, is owned by Steel River Infrastructure Fund North America LP.

7. Rager Mountain LLC, an affiliate of Peoples, is a natural gas company, as defined by section 2(6) of the NGA. Rager Mountain LLC provides market-based rate storage services in interstate commerce through storage capacity leased from Peoples located at the Rager Mountain Storage Facility, which is described below.

B. Rager Mountain Storage Facility

8. Peoples owns and operates the Rager Mountain Storage Facility in Cambria County, Pennsylvania, which includes the Rager Mountain Storage Field, one and one-half miles of pipeline**,** and an interconnection with Texas Eastern Transmission, LP (Texas Eastern). The storage facility has a total capacity of 20.5 Bcf, of which 11.3 Bcf is working gas capacity and 9.2 Bcf is native cushion gas capacity. The facility's maximum reservoir pressure is 3,215 psia at the wellhead, with maximum deliverability of 180,000 Mcf per day.[9]

9. Currently, Peoples holds an NGA section 7(c) certificate authorizing it to lease 2 Bcf of working gas storage capacity and 45,000 Dth per day of deliverability at the Rager Mountain Storage Facility (Rager Mountain 2 Bcf Capacity) to its affiliate Rager Mountain LLC. Peoples historically used the entire capacity of the Rager Mountain Storage Facility to serve customers behind its city gates, subject to the jurisdiction of the Pennsylvania PUC. Since 2011, however, Peoples has leased a portion of the capacity at Rager Mountain Storage Facility, the Rager Mountain 2 Bcf Capacity, to Rager Mountain LLC. In turn, Rager Mountain LLC has used the leased capacity to provide open-access interstate gas storage services under the Rager Mountain tariff.[10]

C. Corporate Re-Focusing of Lines of Business

10. EQT and PNG have agreed to corporate restructurings involving the transfer of jurisdictional and non-jurisdictional facilities. As part of an asset exchange agreement executed on December 19, 2012, PNG has agreed to sell, or to cause its affiliates to sell, and EQT has agreed to purchase: (1) 200 miles of pipeline facilities, ranging from 12- to 30-inches in diameter; (2) three pipeline interconnections with Dominion Transmission, Inc. and one with Texas Eastern; (3) the Rager Mountain Storage Facility and the Truittsburg, Gamble Hayden, and Webster Storage Fields, as well as related assets;[11]

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[9] In addition to the Rager Mountain Storage Facility, Peoples owns the Truittsburg, Gamble Hayden, and Webster Storage Fields in Clarion County, Pennsylvania, Allegheny County, Pennsylvania, and Westmoreland County, Pennsylvania, respectively.

[10] FERC NGA Gas Tariff, Rager Mountain FERC Gas Tariff Volume No. 1.

[11] *See*, Appendices 1 and 2.

(4) two relay compressor stations with a total of 4,545 horsepower;[12] (5) three storage compressor stations with a total of 9,300 horsepower;[13] and (6) modernization facilities.[14] All the facilities to be acquired by EQT are currently owned and operated by Peoples for the purpose of providing its LDC and Part 284.224 transportation services and providing the jurisdictional lease of storage capacity to Rager Mountain LLC.

11. Simultaneously, at the closing of the sale: (1) EQT will transfer passive ownership of all of the facilities it acquired to its affiliate, Allegheny LLC; (2) Allegheny LLC will lease to Rager Mountain LLC the Rager Mountain 2 Bcf Capacity, under a lease that includes the same material terms and conditions as set forth in the current lease between Peoples and Rager Mountain LLC (Rager Lease); and (3) Allegheny LLC will lease to its affiliate, Equitrans, the Rager Mountain Storage Facility, including the remaining 9.3 Bcf of working gas capacity, along with the other facilities EQT acquired (Equitrans Lease).[15]

II. Proposals

A. Peoples' Proposals

12. As described above, Peoples, an LDC, currently has a certificate issued pursuant to section 7(c) of the NGA to lease the Rager Mountain 2 Bcf Capacity to Rager Mountain LLC. Peoples requests authority to abandon this certificate, stating that after the corporate restructurings described above, Rager Mountain proposes to lease the same Rager Mountain 2 Bcf Capacity from the new owner of the storage facility, Allegheny LLC.

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[12] The stations are the Laurel Ridge Compressor Station in Cambria County and the West Fairfield Compressor Station in Westmoreland County.

[13] The stations are the Rager Mountain Storage Facility Compressor Station, the Truittsburg Compressor Station, and the Wall Compressor Station in Allegheny County.

[14] Peoples is upgrading the facilities being acquired by Equitrans. Subsequent to the transfer of these facilities, Equitrans will complete the system modernization program.

[15] The Rager Mountain 2 Bcf Capacity that Allegheny LLC will lease to Rager Mountain LLC is the only portion of the facilities to be acquired by EQT that will not be leased to Equitrans. Equitrans April 10, 2013 Application at 5.

B. Equitrans' Proposals

13. Equitrans has entered into a lease agreement (Equitrans Lease) with its affiliate, Allegheny LLC to lease and operate all of Allegheny LLC's facilities (Leased Facilities).[16] Equitrans proposes to offer open access transportation service utilizing all of the associated storage and transportation capacity with the exception of the Rager Mountain 2 Bcf Capacity. Under the proposed Equitrans Lease, Equitrans will pay Allegheny LLC monthly rent. The term of the lease is 25 years following the commencement of the lease agreement. The lease also has an evergreen provision that allows the parties to extend the lease for additional five-year terms. Under the lease Equitrans will be able to use its existing Part 157, Subpart F, blanket construction certificate to construct additional facilities including receipt or delivery points (Additional Facilities)[17] and maintain the Leased Facilities.

14. The Equitrans Lease provides that the lease payment will be recalculated monthly and will be the lower of: (1) a cost of service composed only of plant-related costs (using Equitrans' currently effective pre-tax return and depreciation rates) for the Leased Facilities; or (2) a revenue-based payment reflecting the revenues generated by Equitrans from the operation of the Leased Facilities, minus the cost to Equitrans of operating the facilities. Equitrans states that the lease payment represents the negotiated distribution of costs and benefits only between Equitrans and Allegheny LLC and will not affect, outside the context of an NGA section 4 or 5 rate case, the cost of providing service on the Leased Facilities under Equitrans' tariff or the incremental rate paid by customers for service on those facilities.

15. Equitrans states that under the terms of the Equitrans Lease, costs associated with the lease will always be equal to or lower than the cost of service used to develop the rates as proposed herein. Equitrans proposes to establish a separate rate zone for transportation and storage service on the Leased Facilities (Allegheny Valley Connector zone). Equitrans proposes to assess separately stated rates for service in the Allegheny Valley Connector zone.

16. Equitrans has entered into precedent agreements with Peoples for all of Equitrans' Allegheny Valley Connector zone transmission and storage capacity. Equitrans will provide storage and transportation services to Peoples that will enable Peoples to continue to meet the requirements of its retail end-use customers. Equitrans, as the new

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[16] Equitrans April 10, 2013 Application at Exhibit Z-2, sections 1.1(ff), 1.1(ii) and exhibit A thereto.

[17] Equitrans April 10, 2013 Application at Exhibit Z-2, section 1.1(a).

operator of the Allegheny Valley Connector zone capacity, or Peoples, through its capacity release rights, will be able to market any unused capacity.

C. Rager Mountain LLC's Proposals

17. Rager Mountain LLC proposes to amend its certificate to reflect that, going forward, it will be acquiring the Rager Mountain 2 Bcf Capacity by lease from Allegheny LLC, instead of from Peoples. Rager Mountain LLC requests continued authority to use the leased capacity to provide firm and interruptible storage services at market-based rates under its tariff.[18]

III. Notice, Comment and Intervention

18. Notice of the applications was issued on April 22, 2013, with comments and interventions due by May 10, 2013.[19] Chevron U.S.A. Inc. and the Pennsylvania Independent Oil & Gas Association filed timely, unopposed motions to intervene in Docket No. CP13-138-000. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.[20] There were no motions to intervene filed in Docket No. CP13-139-000, and there were no protests filed in either docket.

19. On May 13, 2013, Peoples filed a late motion to intervene in Docket No. CP13-138-000, with comments supporting Equitrans' application. Peoples demonstrated an interest in this proceeding and granting its untimely motion to intervene will not delay, disrupt, or unfairly prejudice any parties to this proceeding.[21] Thus, the Commission will grant the untimely motion to intervene.

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[18] Equitrans, Rager Mountain LLC, and Allegheny LLC have negotiated lease agreements that will govern the terms under which Equitrans and Rager Mountain LLC will lease and operate facilities. Under the leases, Allegheny LLC will not have any right to use, control, possess, or operate the Leased Facilities or the Rager Mountain 2 Bcf Capacity at any time prior to, during, or subsequent to the term of the lease agreements. Consequently, Allegheny LLC is not seeking separate certificate authorization herein.

[19] 78 Fed. Reg. 25071.

[20] 18 C.F.R. § 285.214(c) (2013).

[21] 18 C.F.R. § 385.214(d) (2013).

IV. Discussion

20. Because Peoples, Equitrans, and Rager Mountain LLC propose to abandon, acquire, and operate facilities that will be used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the proposals are subject to the requirements of sections (b), (c) and (e) of section 7 of the NGA.

A. People's Request for Abandonment Authority

21. Currently, Peoples has a certificate to lease the Rager Mountain 2 Bcf Capacity to Rager Mountain LLC. Under the proposed corporate restructuring, EQT will purchase the Leased Facilities and the Rager Mountain 2 Bcf Capacity from Peoples and will immediately transfer these assets to Allegheny LLC. Consequently, after the sale, Peoples will no longer own or operate the Rager Mountain Storage Facilities and, thus, Peoples proposes to abandon its certificate.

22. When deciding whether a proposed abandonment is permitted by the public convenience or necessity, the Commission considers all relevant factors, but the criteria vary as the circumstances of the abandonment proposal vary.[22] In making our determination, the Commission weighs the claimed benefits of the abandonment against any detriments. As discussed below, Rager Mountain LLC will acquire access to the same level of storage services it currently receives from Peoples through a capacity lease with Allegheny LLC. There will be no diminution of storage capacity available to the interstate pipeline grid, nor will Rager Mountain LLC's customers' storage service be reduced. Thus, the Commission will approve Peoples' proposal to abandon its certificate to lease the Rager Mountain 2 Bcf Capacity to Rager Mountain LLC.

B. Equitrans' Proposals

1. Certificate Policy Statement

23. The Certificate Policy Statement provides guidance as to how the Commission will evaluate proposals for certificating new construction.[23] The Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. While Equitrans does not contemplate any construction of new facilities, the Commission will apply its

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[22] *Northern Natural Gas Co.*, 135 FERC ¶ 61,048 (2011).

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

Certificate Policy Statement in cases where, as here, a company seeks to lease and operate significant existing facilities.[24]

24. As explained in the Certificate Policy Statement, in deciding whether to authorize the construction of major new pipeline facilities, we balance the public benefits against the potential adverse consequences. A proposal to lease and operate facilities with no related construction of facilities, such as in this proceeding, does not invoke the Certificate Policy Statement's concerns with overbuilding, disruptions of the environment, and the exercise of eminent domain.[25]

25. The threshold requirement under the Certificate Policy Statement, that a pipeline must be prepared to financially support the project without relying on subsidization from existing customers, is however equally applicable to proposals to lease and operate facilities involving no new construction. Similarly, whether the applicant has made efforts to eliminate or minimize any adverse effects the proposal might have on the applicant's existing customers and existing pipelines in the market and their captive customers is also relevant to our evaluations.

26. Equitrans' proposal satisfies the Certificate Policy Statement's no subsidy requirement because Equitrans proposes that to recover all costs associated with the Leased Facilities through its new Allegheny Valley Connector zone rates proposed for transportation and storage services provided on those facilities. Peoples, the current owner of the Leased Facilities, has contracted for all the available capacity on the facilities to be leased to Equitrans. Thus, neither Peoples nor its LDC customers will experience any adverse effects as a result of this proposal. The proposal should also have no adverse effects on other pipelines in the area or their captive customers. Lastly, the proposal involves the change in ownership and continued operation of existing facilities and will have a minimal, if any, impact on landowners and communities, and the environment.

27. In view of the above findings, the Commission finds, consistent with the Certificate Policy Statement and section 7(c) of the NGA, that the public convenience and necessity requires approval of Equitrans' proposals to acquire by lease and operate all of the facilities leased by Allegheny LLC to Equitrans. Further, as more fully

[24] *See, e.g. Trunkline Gas Co., LLC,* 132 FERC ¶ 61,069 (2010); *BGS Kimball Gas Storage, LLC,* 117 FERC ¶ 61,122, at PP 19-23 (2006).

[25] *Cf. Cimarron River Pipeline, LLC*, 124 FERC ¶ 61,069, at P 40 (2008) (acquisition of facilities with no related construction does not educe the Certificate Policy Statement's concerns with overbuilding, disruptions of the environment, and the exercise of eminent domain).

discussed below, in accordance with the Commission's lease policy, the Commission finds that there are benefits to the lease, that the lease payments are no more than the reasonable rates provided by Equitrans, and the lease arrangements will not adversely affect existing customers.

2. Equitrans Lease with Allegheny LLC

28. Historically, the Commission views lease arrangements differently from transportation services under rate contracts. The Commission views a lease of interstate pipeline capacity as an acquisition of a property interest that the lessee acquires in the capacity of the lessor's pipeline.[26] To enter into a lease agreement, the lessee generally needs to be a natural gas company under the NGA and needs section 7(c) certificate authorization to acquire the capacity. Once acquired, the lessee in essence owns that capacity and the capacity is subject to the lessee's tariff. The leased capacity is allocated for use by the lessee's customers. The lessor, while it may remain the operator of the pipeline system, no longer has any rights to use the leased capacity.[27]

29. The Commission's practice has been to approve a lease if it finds that: (1) there are benefits for using a lease arrangement; (2) the lease payments are less than, or equal to, the lessor's firm transportation rates for comparable service over the terms of the lease on a net present value basis; and (3) the lease arrangement does not adversely affect existing customers.[28]

30. The Commission has found that capacity leases in general have several potential public benefits. Leases can promote efficient use of existing facilities, avoid construction of duplicative facilities, reduce the risk of overbuilding, reduce costs, and minimize environmental impacts.[29] In addition, leases can result in administrative efficiencies for shippers.[30] Here, the Equitrans Lease will enable Equitrans' shippers to

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[26] *Texas Eastern Transmission Corp.,* 94 FERC ¶ 61,139, at 61,530 (2001).

[27] *Texas Gas Transmission, LLC,* 113 FERC ¶ 61,185, at P 10 (2005).

[28] *Islander East Pipeline Co., L.L.C.*, 100 FERC ¶ 61,276, at P 69 (2002) (*Islander East*).

[29] *See, e.g., Dominion Transmission, Inc.*, 104 FERC ¶ 61,267, at P 21 (2003); *Islander East*, 100 FERC ¶ 61,276 at P 70.

[30] *Wyoming Interstate Co., Ltd.*, 84 FERC ¶ 61,007, at 61,027 (1998), *reh'g denied*, 87 FERC ¶ 61,011 (1999); *Gulf South Pipeline Co., LP*, 145 FERC ¶ 61,139, at P 25 (2013).

transport natural gas from new supply sources without the construction of costly facilities that would be needed without the lease.

31. As noted, the Commission generally requires that the lease payments be less than, or equal to, comparable firm service offered by the lessor. However, in the instant situation, there are no comparable firm services. Equitrans contends that the lease payments are reasonable because the lease payment will be recalculated monthly and will be the lower of: (1) a cost of service composed only of plant-related costs (using Equitrans' currently effective pre-tax return and depreciation rates) for the Leased Facilities; or (2) a revenue-based payment reflecting the revenues generated by Equitrans from the operation of the Leased Facilities, minus the cost to Equitrans' of operating the facilities.

32. Equitrans notes that the modernization program initiated by Peoples on the Leased Facilities is incomplete. Equitrans will continue that modernization program. Under the terms of the Equitrans Lease, Equitrans will construct and install these facilities under either its blanket certificate or project-specific NGA section 7 certificate authority. Upon completion of construction, Equitrans will transfer ownership of these facilities to Allegheny LLC at net book value or some other value established by the Commission.[31] Those facilities and their related plant costs will become part of the plant costs used in the Equitrans Lease monthly payment calculation.[32] Equitrans states the lease payment represents the negotiated distribution of costs and benefits between Equitrans and Allegheny LLC.

33. Further, Equitrans maintains the costs associated with the lease will always be equal to, or lower than, the cost of service used to develop Equitrans' rates, as discussed below. Equitrans states that the recourse and negotiated rates for its existing customers and customers using facilities in the Allegheny Valley Connector zone will not change because of changes to the Equitrans Lease payments.

[31] Article III of the Equitrans Lease provides a mechanism for Equitrans to construct Additional Facilities such as meter sets and third-party requested facilities. The lease also provides for the transfer of ownership of these Additional Facilities to Allegheny LLC. Any modification or expansion of the Leased Facilities that Equitrans performs must be done in conformance with the NGA and other applicable statutes, its blanket certificate authority, and the Commission's regulations. This order does not authorize Equitrans to construct or abandon to Allegheny LLC any new facilities.

[32] Equitrans April 10, 2013 Application at Exhibit Z-2, Section 3.1.

34. The Commission finds that Equitrans has provided a reasonable alternative means of evaluating the lease payments in the absence of comparable services from the lessor. In addition, and consistent with Equitrans' proposal that disassociates the Equitrans Lease payment from the cost of service underlying the initial rates discussed below, the Commission is not here approving that formula or the lease costs that may result from that formula in future Equitrans rate cases.[33] The initial recourse rates are based upon a traditional year one cost of service and not the Allegheny LLC lease costs.[34]

35. Finally, Peoples, the current owner of Leased Facilities, has entered into precedent agreements for all of the transmission and storage capacity on the Leased Facilities. Thus, the Commission finds that the Equitrans Lease will not adversely affect existing customers. The existing customers of Peoples will continue to receive the same level of service on the Leased Facilities from Equitrans.

36. Based on the benefits the Equitrans Lease will provide to the market and the lack of adverse effect on existing customers and other pipelines, and subject to the conditions discussed above, the Commission finds that the public convenience and necessity requires approval of the proposed Equitrans Lease.

3. Proposed Rates – Equitrans

a. Rates on the Equitrans Leased Facilities

37. Equitrans proposes to establish a separate rate zone, the Allegheny Valley Connector zone, for transportation and storage service on the Leased Facilities. The incremental transportation rates are based on a first year cost of service of $30,148,368. For plant costs, Equitrans proposes to use the rate of return and other factors in determining the rate from its most recent cost of service settlement.[35] Equitrans states that the operating, maintenance, and administrative expenses are in proportion to the gross transmission and storage plant amounts of the Leased Facilities. Equitrans further states that it used an estimated useful life of 40 years for transmission and storage plant assets, as adjusted for the remaining life of the existing plant, in developing its depreciation actuarial rates for cost of service.

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[33] *Southern Natural Gas Co.*, 124 FERC ¶ 61,058, at P 39 (2008); *order amending certificate,* 126 FERC ¶ 61,093, at P 20 (2009).

[34] Equitrans April 10, 2013 Application at Exhibit P.

[35] *Equitrans, L.P.*, 115 FERC ¶ 61,007 (2006).

38. Equitrans designed rates using a straight fixed variable rate design. Specifically, for transportation service in the Allegheny Valley Connector zone, Equitrans proposes a maximum monthly reservation recourse rate for firm transportation service (FTS) and firm storage service (FTSS) of $9.6428 per Dth calculated on a 100 percent load factor basis. Equitrans proposes a usage charge of $0.0000 per Dth, and proposes to assess all applicable surcharges.[36] Equitrans also proposes to charge a maximum rate of $0.3170 per Dth for lending and parking service under Rate Schedule LPS. To the extent that Equitrans' customers use receipt and/or delivery points that cross the zone boundary, Equitrans proposes to charge any shipper using multiple zones the applicable rates for each zone used.

39. The incremental storage rates are based on a first year cost of service of $14,671,823, associated with the costs of the storage portion of the Leased Facilities. Moreover, Equitrans designed its storage rates using the Equitable Gas Company method.[37] Equitrans proposes for general storage service (GSS) a maximum storage demand charge of $2.5904 per Dth and a storage space charge of $0.0446 per Dth. The Injection Charge and Withdrawal Charges are proposed to be $0.0000.

40. Equitrans proposes to design rates for interruptible services in the Allegheny Valley Connector zone based upon the 100 percent load factor derivative of the firm recourse rates. The rate for services under Rate Schedules INSS, ITS and LPS are $0.0892 per Dth, $0.3170 per Dth and $0.3170 per Dth, respectively.

41. Equitrans also proposes to implement Allegheny Valley Connector transmission and storage retainage factors to track and recover actual experienced fuel and lost and unaccounted for gas. The initial posted Transmission Retainage Factor will be 2.50 percent and will be tracked and adjusted quarterly to reflect actual experienced fuel and lost and unaccounted for gas. The initial posted Storage Retainage Factor will be 3.54 percent and will be tracked and adjusted annually to reflect actual experienced fuel and lost and unaccounted for gas. Equitrans also proposed several changes to its tariff to implement the new Allegheny Valley Connector zone and related rates.

42. The Commission has reviewed Equitrans' proposed cost of service, allocation, and rate design used to develop its initial incremental recourse rates for the Allegheny Valley Connector zone and finds that they reasonably reflect current Commission policy.

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[36] Equitrans Application at Exhibit P, *pro forma* tariff, section 5.2, Rate Schedule FTS, Section 3.3(a) Surcharges.

[37] *Equitable Gas Co.*, 36 FERC ¶ 61,147 (1986). The Equitable methodology is explained in detail at *Consolidated Gas Transmission Corp.*, 47 FERC ¶ 61,171, at 61,565, *reh'g denied*, 49 FERC ¶ 61,041 (1989).

Additionally, the Commission has allowed pipelines to use the 100 percent load factor derivative of the firm recourse rate for the development of an incremental interruptible rate for expansions that are not integrated with the existing pipeline system.[38] The Allegheny Valley Connector zone differs from many of the incrementally priced integrated expansions in that the bulk of the facilities consist of an extension of Equitrans' transmission system, and storage facilities that are not integrated with Equitrans' existing system. Shippers currently do not have access to capacity on these facilities under Equitrans' current interruptible transportation rate and gas flowing on these facilities will be easily identifiable. Thus, the Commission will approve Equitrans' proposed interruptible transportation and storage rates.

43. Equitrans provided *pro forma* tariff language to implement the new Allegheny Valley Connector zone and related rates. However, with regard to its proposed quarterly transmission and annual storage fuel trackers, Equitrans did not include proposed language in its section 6.3 *pro forma* tariff records that would include this objective. Thus, in its NGA section 4 compliance filing, Equitrans must include its proposed tracking provisions.[39]

b. Negotiated Contract with Peoples

44. Equitrans states that it entered into a precedent agreement with Peoples for two negotiated rate transportation service agreements – one firm transportation, the other a no-notice firm transportation of storage gas, with a negotiated rate storage service agreement – for all of Equitrans' Allegheny Valley Connector zone capacity.

45. Consistent with Commission policy, Equitrans must file all negotiated rate agreements at least 30 days, but not more than 60 days, before the proposed effective date

[38] *See, e.g., Colorado Interstate Gas Co.*, 122 FERC ¶ 61,256 (2008).

[39] In addition, consistent with its proposal to apply all applicable surcharges to Allegheny Valley Connector zone customers, Equitrans proposed to revise section 3.3(a) of its Rate Schedule FTS to provide that all customers, not just Mainline customers, are subject to the applicable surcharges. The Commission notes that Equitrans cannot propose to change the rates of existing customers who are not subject to this proceeding.

for such rates in accordance with our treatment of negotiated rates[40] and our statement of policy on alternative rates.[41]

4. Accounting

46. Equitrans is acquiring through the Equitrans Lease both storage and transmission facilities. To assure that costs are properly allocated between Equitrans' existing shippers and the incremental services proposed in this proceeding, the Commission will require Equitrans to keep separate books and accounting of costs attributable to the proposed incremental services. Equitrans should maintain the books with applicable cross-references, as required by section 154.309 of the Commission regulations. This information must be in sufficient detail so that the data can be identified in Statements G, I, and J in any future NGA section 4 or 5 rate case and the information must be provided consistent with Order No. 710. Such measures protect existing customers from cost overruns and from subsidization that might result from under-collection of the incremental cost of service, as well as help the Commission and parties to future rate proceedings determine the costs of the Leased Facilities.[42]

47. Additionally, Equitrans' accounting and functionalization of the lease payments and the revenues, i.e. the compensation received by Equitrans from Allegheny LLC for being the designated operator of the Rager Mountain 2 Bcf Capacity[43] and the associated expenses including but not limited to Operations and Maintenance, Administrative and General, and Other Taxes, should be separately accounted for and recorded for each jurisdictional entity consistent with the Uniform System of Accounts. Since this accounting, information was not included in the exhibits filed, the Commission will require Equitrans to file, within 30 days of the date of this order, its proposed accounting procedures to record and track revenues and expenses separately for each jurisdictional entry.

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[40] *See, e.g., Texas Eastern Transmission, LP*, 133 FERC ¶ 61,220 (2010).

[41] *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines; Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076, at 61,231, *order granting clarification*, 74 FERC ¶ 61,194, *reh'g denied*, 75 FERC ¶ 61,024 (1996).

[42] 18 C.F.R. § 154.309 (2013).

[43] Allegheny LLC sub-contracted with Equitrans to be the designated operator for the Rager Mountain Storage Facility, including the Rager Mountain 2 Bcf Capacity and will compensate Equitrans for its service.

5. Engineering

48. Equitrans and Rager Mountain LLC propose to acquire by lease storage facilities that are not currently subject to the Commission's jurisdiction. Consistent with current Commission policy with regard to the certification of operating parameters for storage fields,[44] the Commission will establish individual operating parameters for the four storage fields. The certificate and operating parameters of each of the natural gas storage fields are included herein as Appendix 1. Appendix 2 outlines the engineering compliance obligations for Equitrans regarding the four storage fields. Equitrans' compliance and reporting obligations include the Rager Lease capacity in the Rager Mountain Storage Field.

C. Rager Mountain LLC

1. Certificate and Lease with Allegheny LLC

49. Rager Mountain LLC currently provides service in interstate commerce utilizing bundled storage and transportation capacity leased from Peoples. The 2011 Order found that Rager Mountain LLC's lease with Peoples was in the public interest because it allowed additional storage capacity to be made available to the interstate market without the construction of duplicative facilities.[45]

50. The Rager Lease is substantially the same as the lease approved in the 2011 Order with the only significant changes being that Allegheny LLC will be the lessor. Thus, the Commission finds that the Rager Lease continues to be in the public interest, as found in the 2011 Order. Consequently, the Commission will approve the lease.

2. Market-Based Rates

51. Rager Mountain LLC currently provides its storage services at market-based rates. The Commission approved market-based rate authority based upon a market power analysis with Rager Mountain LLC as an affiliate of Peoples.[46] Upon the transfer of Rager Mountain LLC to EQT, Peoples will no longer be an affiliate of Rager Mountain LLC. Rather, Rager Mountain LLC will be an affiliate of Equitrans. Equitrans is a major provider of storage services in the same geographic market that Rager Mountain LLC's services are located. Thus, the Commission finds that

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[44] *Transcontinental Gas Pipe Line Co., LLC*, 142 FERC ¶ 61,095, at P 45 (2013).

[45] 2011 Order, 136 FERC ¶ 61,151 at PP 31-36.

[46] 2011 Certificate Order, 136 FERC ¶ 61,151 at PP 37-46.

Rager Mountain LLC's market power analysis is outdated. Consequently, the Commission will require Rager Mountain LLC to file, within 60 days of the date of this order, either a market power analysis to support the continuation of market-based rates[47] or cost based rates pursuant to section 154.301 of the Commission's regulations.[48] The Commission's approval is further conditioned upon the timing and reporting conditions discussed below.

3. Waivers and Compliance Requirements

52. Rager Mountain LLC must file to update its tariff to reflect any changes in company address, contact, nomination and scheduling, billing and other operational changes approved by this order pursuant to Subpart C of Part 154 of the Commission's regulations.[49] Rager Mountain LLC must file these changes 30 to 60 days before the in-service date under this amended certificate.

V. Environmental Issues

53. On June 19, 2013, Environmental Assessments Reports were issued in Docket Nos. CP13-138-000 and CP13-139-000. Both reports found no new facilities for construction or physical abandonment were proposed and that the proposed actions qualify as a categorical exclusion under section 380.4(a)(27) of the Commission's regulations.[50]

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

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[47] 2011 Order, 136 FERC ¶ 61,151 at P 46 (Rager Mountain LLC's market study subject to re-examination in the event that "Rager Mountain, or an affiliate, acquires an interest in, or is acquired by, an interstate pipeline connected to Rager Mountain.").

[48] The 2011 Order also granted Rager Mountain waiver of certain accounting and reporting requirements and exempted Rager Mountain from the Standards of Conduct based upon granting market-based rate authority. *Id.* PP 49-50. The Commission will address the continuation of these waivers and exemptions in conjunction with the review of Rager Mountain LLC's compliance filing.

[49] 18 C.F.R. pt. 154 Subpart C (2013).

[50] 18 C.F.R. § 380.4(a)(27) (2013).

The Commission orders:

(A) Peoples is granted authorization under section 7(b) of the NGA to abandon its certificate of public convenience and necessity for leasing and operating the Rager Mountain 2 Bcf Capacity.

(B) Equitrans is granted a certificate of public convenience and necessity to acquire by lease and to operate all of the facilities of Allegheny LLC, as described and conditioned herein.

(C) Rager Mountain LLC's certificate of public convenience and necessity granted in the 2011 Order is amended to authorize it to lease the Rager Mountain 2 Bcf Capacity from Allegheny LLC for the provision of open access transportation service using this capacity under the terms of the Rager Mountain tariff, as described and conditioned herein.

(D) The authorizations in Ordering Paragraphs (B) and (C) are conditioned on Equitrans and Rager Mountain LLC complying with all applicable Commission regulations under the NGA and particularly Part 154 and paragraphs (a), (d), and (e) of section 157.20 of the regulations.

(E) Equitrans shall comply with the Engineering Conditions set forth in Appendix 2.

(F) Equitrans' request for authority to establish the Allegheny Valley Connector zone and charge initial rates for services under Rate Schedules GSS, FTS, FTSS, INSS, ITS, and LPS is approved, subject to Equitrans filing actual tariff records with the incremental rates and changes to its tariff no earlier than 60 days, and no later than 30 days, prior to the date the Leased Facilities go into service.

(G) Equitrans shall file its negotiated rate or tariff records describing the negotiated rate agreements and non-conforming service agreements no earlier than 60 days, and no later than 30 days, prior to the facilities going into service.

(H) Within 30 to 60 days prior to beginning service on the Allegheny Valley Connector zone, Equitrans shall file actual tariff records to incorporate the new services and rates into its tariff pursuant to Subpart C of Part 154 of the Commission's regulations.

(I) Equitrans shall keep separate books and accounting of costs attributable to the proposed incremental service. In addition, Equitrans shall file its proposed accounting procedures to record and track revenues and expenses for the Leased Facilities with the Commission within 30 days of the date of this order.

(J) Rager Mountain LLC's proposal to continue to charge market-based storage rates for firm and interruptible storage service is approved subject to Rager Mountain LLC filing an updated market power analysis supporting its market-based rate authorization within 60 days after change of ownership from Peoples.

(K) Rager Mountain LLC shall notify the Commission within 10 days of acquiring knowledge of: (a) Rager Mountain LLC adding storage capacity beyond the capacity authorized in this order; (b) an affiliate's increase in storage capacity; (c) an affiliate's linking storage facilities to Rager Mountain storage field; or (d) Rager Mountain LLC's or an affiliate's acquisition of an interest in, or being acquired by, an interstate pipeline connected to Rager Mountain storage field. The notification shall include a detailed description of the new facilities and their relationship to Rager Mountain LLC.

(L) Peoples' late motion to intervene is granted.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Engineering Analysis

Equitrans proposes to lease from Allegheny LLC and operate in interstate storage and transmission service the Gamble-Hayden, Rager Mountain, Truittsburg, and Webster Storage Fields. All four storage fields have been in natural gas storage operation for over 40 years under the jurisdiction of the Pennsylvania PUC. Commission staff reviewed the geological and engineering information Equitrans provided in the application and supplemental data responses and concluded that the proposal is technically sound and feasible. Having been in intrastate natural gas storage service for over 40 years, the fields' physical and operating parameters are well defined.

Gamble-Hayden

The Gamble-Hayden Storage Field, located in Allegheny County, Pennsylvania, was originally discovered in 1929 and converted to natural gas storage in 1943. Its storage formation is the Bayard Sandstone, an Upper Devonian sandstone and is a porosity lens type reservoir. Its average depth is 2,838 feet. It is capped by approximately 70 feet of interbedded shales and silts of the Chadakoin Formation which separates the Bayard formation from the overlying Venango Group. The storage pool encompasses 2,243 acres, with a buffer zone of 1,755 acres, for a total of 3,998 acres. It has seven injection/withdrawal wells and three observation wells. It has a total capacity of 2,848.86 MMcf, with 1,122 MMcf of working gas capacity and 1,726.86 MMcf of cushion gas capacity (which includes 502.86 MMcf of native gas). Its maximum shut-in reservoir pressure is 1,000 psig (measured at the wellhead). It has a maximum deliverability of 20 MMcf per day, and a maximum injection rate of 15 MMcf per day.

Rager Mountain

The Rager Mountain Storage Field, located in Cambria County, Pennsylvania, was originally discovered in 1965 and converted to natural gas storage in 1971. Its storage formation is the Lower Devonian Huntersville Chert/Oriskany Sandstone and is a structural/stratigraphic trap type reservoir. Its average depth is 7,863 feet. It is capped by approximately 25 feet of Onondaga Limestone and 90 feet of Marcellus Shale. The storage pool encompasses 8,917 acres, with a buffer zone of approximately 643 acres, for a total of 9,560 acres. It has ten injection/withdrawal wells and two observation wells. It has a total capacity of 20,493.217 MMcf, with 11,300 MMcf of working gas capacity[1]

[1] The certificate issued to Equitrans authorizes Equitrans to operate the entire Rager Mountain Storage Field. However, Equitrans will lease 9,300 MMcf of the Rager Mountain Storage Field's working gas capacity for its services and operations. Rager Mountain LLC will lease the remaining 2,000 MMcf of working gas capacity to provide its storage services.

and 9,193.217 MMcf of cushion gas capacity. Its maximum shut-in reservoir pressure is 3,200 psig (measured at the wellhead). It has a maximum deliverability of 135 MMcf per day and a maximum injection rate of 70.6 MMcf per day.

Truittsburg

The Truittsburg Storage Field, located in Clarion County, Pennsylvania, was originally discovered in 1925 and converted to natural gas storage in 1949. Its storage formation is the Upper Devonian Bayard Sandstone and is a porosity lens with stratigraphic closure type reservoir. Its average depth is 1,532 feet. It is capped by approximately 160 feet of interbedded shales and sandstones of the Chadakoin formation up to the overlying Venango Group. The storage pool encompasses 2,534 acres, with a buffer zone of approximately 630 acres, for a total of 3,164 acres. It has 11 injection/withdrawal wells and 7 observation wells. It has a total capacity of 3,690.87 MMcf, with 2,142 MMcf of working gas capacity and 1,548.87 MMcf of cushion gas capacity. Its maximum shut-in reservoir pressure is 900 psig (measured at the wellhead). It has a maximum deliverability of 45 MMcf per day and a maximum injection rate of 24.6 MMcf per day.

Webster

The Webster Storage Field, located in Westmoreland County, Pennsylvania, was originally discovered in 1923 and converted to natural gas storage in 1945. Its storage formation is the Upper Devonian Murrysville Sandstone and is a porosity lens with stratigraphic closure type reservoir. Its average depth is 2,240 feet. It is capped by approximately 150 feet of interbedded shales and silts of the overlying Cuyahoga Group. The storage pool encompasses 1,807 acres, with a buffer zone of approximately 277 acres, for a total of 2,084 acres. It has four injection/withdrawal wells and one observation well. It has a total capacity of 1,171.568 MMcf, with 551 MMcf of working gas capacity and 620.568 MMcf of cushion gas capacity. Its maximum shut-in reservoir pressure is 600 psig (measured at the wellhead). It has a maximum deliverability of 15 MMcf per day and a maximum injection rate of 12.6 MMcf per day.

Storage Compression

Three of the five compressor stations Equitrans proposes to lease from Allegheny LLC are for use of the four storage fields. The Rager Mountain Storage Field has three compressor units to provide 6,000 horsepower of compression to aid injection and withdrawal. The Truittsburg Compressor Station has three units to provide 2,700 horsepower of compression to aid injection and withdrawal operations from Truittsburg. The Wall Compressor Station has two units to provide 600 horsepower of compression to aid injection and withdrawal from Webster and Gamble-Hayden.

Engineering Conditions:

A) The maximum inventory of natural gas stored in each field shall not exceed the certificated levels listed below, without prior authorization of the Commission.

Storage Field	Total Capacity, MMcf	Working Gas Capacity, MMcf	Cushion Gas capacity, MMcf	Maximum Shut –in Reservoir Pressure, psig (at wellhead)
Gamble-Hayden	2,848.86	1,122	1,726.86	1,000
Rager Mountain	20,493.217	11,300*	9,193.217	3,200
Truittsburg	3,690.87	2,142	1,548.87	900
Webster	1,171.568	551	620.568	600

*Equitrans will have 9,300 MMcf of the Rager Mountain Storage Field's working gas capacity for its services and operations. The remaining 2,000 MMcf of working gas capacity is leased to Rager Mountain LLC to provide its storage services.

B) Equitrans shall operate each field in such a manner as to prevent/minimize gas loss or migration.

C) Equitrans shall conduct annual inventory verification studies on each field.

D) Within 30 days of the date of this order, Equitrans shall file the isopach maps and associated data requested in the November 5, 2013 engineering data request and described in Equitrans' November 8, 2013 response.

E) Equitrans shall submit semi-annual reports for each field (to coincide with the termination of the injection and withdrawal cycles) containing the following information (volumes shall be stated at 14.73 psia and 60 degrees Fahrenheit, and pressures shall be stated in psia):

1. The daily volumes of natural gas injected into and withdrawn from the storage reservoir.

2. The volume of natural gas in the reservoir at the end of the reporting period.

3. The maximum daily injection and withdrawal rates experienced during the reporting period. Average working pressure on such maximum days taken

at a central measuring point where the total volume injected or withdrawn is measured.

4. Results of any tracer program by which the leakage of injected gas may be determined. If leakage of gas exists, the report should show the estimated total volume of gas leakage, the volume of recycled gas, and the estimated remaining inventory of gas in the reservoir at the end of the reporting period.

5. Any surveys of pressures in gas wells, and the results of back-pressure tests conducted during the reporting period.

6. The latest revised structural and isopach maps showing the surface and bottomhole locations of the injection/withdrawal and observation wells and the location of the gas-water contact and storage and buffer boundaries. These maps need not be filed if there is no material change from the maps previously filed.

7. For the reporting period, a summary of wells drilled, worked over, or recompleted with subsea depth of formation and casing settings. Copies of any new core analyses, back-pressure tests, or well log analyses.

8. Discussion of current operating problems and conclusions.

9. Such other data or reports which may aid the Commission in the evaluation of the storage project.

10. Reports shall continue to be filed semi-annually for a period of one year.