

146 FERC ¶ 61,091  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Dominion Transmission, Inc.

Docket No. CP13-13-001

ORDER GRANTING REHEARING IN PART AND  
DENYING REHEARING IN PART

(Issued February 12, 2014)

1. On September 25, 2013, Dominion Transmission, Inc. (Dominion) filed a timely request for rehearing of a September 3, 2013 order which authorized Dominion to construct and operate the Natrium to Market Project in Greene and Westmoreland Counties, Pennsylvania.<sup>1</sup> Dominion was given authority to construct and operate a new 7,700 horsepower compressor unit and upgrade an existing measurement and regulation station at its existing Crayne Compressor Station in Greene County and to modify its existing J.B. Tonkin Compressor Station in Westmoreland County. The proposed project would enable Dominion to provide 185,000 dekatherms per day of firm transportation service from a Dominion receipt point located at an interconnect with the processing facilities of Dominion Natrium, LLC, in Marshall County, West Virginia, to an interconnection between Dominion and Texas Eastern Transmission, LLC, in Greene County, Pennsylvania.

2. Dominion requests that the Commission grant rehearing to allow Dominion two years to complete construction to place the project in-service rather than one year as required by the September 3 Order, and to remove the conditions that Dominion account for the construction and operating costs and revenues separately in accordance with

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<sup>1</sup> *Dominion Transmission, Inc.*, 144 FERC ¶ 61,182 (2013) (September 3 Order).

section 154.309 of the Commission's regulations<sup>2</sup> and also with Order No. 710<sup>3</sup> on incremental facilities. The Commission grants rehearing in part and denies rehearing in part for the reasons discussed herein.

### **Discussion**

3. Dominion states that the Commission erred in conditioning its authorization on the requirement that Dominion complete construction of the proposed facilities and place them in-service within one year of the date of the September 3 Order.<sup>4</sup> Dominion requests the Commission to modify this condition to allow two years for the completion of the Natrium to Market Project to conform to the proposed timeline for the project, which has a proposed target in-service date of November 1, 2014.

4. The Commission will grant Dominion's request to extend this timing requirement to two years. The Commission's regulations do not impose a specific requirement for the time allotted to the construction of facilities.<sup>5</sup> While the Commission usually establishes a one-year deadline,<sup>6</sup> the Commission often grants longer periods for completion of construction projects.<sup>7</sup> Here, Dominion proposes to commence construction of the Natrium to Market Project on January 1, 2014, in order complete construction in time for a projected in-service date of November 1, 2014. Therefore, we grant rehearing so that Dominion will have two years to construct the project as planned for completion by the end of 2014.

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<sup>2</sup> 18 C.F.R. § 154.309 (2013).

<sup>3</sup> *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines*, Order No. 710, FERC Stats. & Regs. ¶ 31,267, at P 23 (2008).

<sup>4</sup> September 3 Order, 144 FERC ¶ 61,182 at Ordering Paragraph (B)(1).

<sup>5</sup> 18 C.F.R. § 157.20(b) (2013).

<sup>6</sup> See *Eastern Shore Natural Gas Co.*, 145 FERC ¶ 62,153 (2013); *Northern Natural Gas Co.*, 143 FERC ¶ 61,244 (2013).

<sup>7</sup> See *DCP Midstream, LC*, 145 FERC ¶ 62,229 (2013) (granting a two-year construction deadline); *Northwest Pipeline LP*, 145 FERC ¶ 61,029 (2013) (granting an eighteen-month construction deadline).

5. Next, Dominion asserts that the Commission erred in requiring Dominion to account for the construction and operating costs and revenues of the Natrium to Market Project separately in accordance with section 154.309 of the Commission's regulations with data provided consistent with Order No. 710 on incremental facilities.<sup>8</sup> Dominion contends that the requirement to separately account for the construction and operating costs and revenues applies only to projects where incremental rates are being charged.

6. Dominion states that the Commission approved its proposal to charge its existing system maximum rates under Rate Schedule FT as the initial recourse rates for firm transportation service, based on a finding that the projected project revenues would exceed the projected project costs. Exelon Corporation (Exelon), an intervening party, requested the Commission delay its approval of Dominion's request to use its existing system rate since Exelon alleged that cost overruns by the date the facilities went into service could justify an incremental initial rate for the project. The Commission responded that nothing in the record indicated that Dominion had significantly underestimated project costs and that because the estimated incremental rate was lower than the existing Rate Schedule FT rate, approval of the existing system rate was warranted. Further, the Commission noted that even if cost overruns did occur, Dominion's shippers would not be harmed since their rates were not being changed in this proceeding, and do not include any of the Natrium to Market Project costs. Based on these findings, the Commission also granted Dominion's request for a preliminary determination that, absent a significant change in circumstances, the Natrium to Market Project costs may be rolled into Dominion's existing system rates in its next section 4 general rate proceeding.

7. The September 3 Order goes on to require Dominion to "account for the construction and operating costs and revenues separately in accordance with section 154.309 of the Commission's regulations," and to provide such information "in sufficient detail so that the data can be identified in Statement G, I, and J in any future NGA section 4 or 5 rate case and provided consistent with Order No. 710 on incremental facilities."<sup>9</sup> Dominion states that section 154.309 of the Commission's regulations provides that "[f]or every expansion for which incremental rates are charged, the company must provide a summary...of the costs and revenues associated with the expansion, until the Commission authorizes the costs of the incremental facilities to be rolled-in to the pipelines rates."<sup>10</sup> Order No. 710 expands upon this rate case filing

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<sup>8</sup> September 3 Order, 144 FERC ¶ 61,182 at P 20.

<sup>9</sup> September 3 Order, 144 FERC ¶ 61,182 at P 20.

<sup>10</sup> 18 C.F.R. § 154.312(a) (2013). The regulation also covers expansions that have an at-risk provision in the certificate authorization.

requirement applicable to projects with incremental rates by adding reporting requirements into Forms 2 and 2-A, embodied in a new schedule entitled “Non-Traditional Rate Treatment Afforded New Projects.” Dominion states that these requirements would be applicable if it charged incremental rates. However, Dominion asserts that because it will charge its existing Rate Schedule FT maximum rates as the initial recourse rate for the service, the Commission’s requirement to separately account for the construction and operating costs and revenues for the Natrium to Market Project is not warranted.

8. We disagree that the record keeping requirements imposed by the September 3 Order are in error. In order to ensure that all parties to a future rate proceeding will have full knowledge of the costs and revenues attributable to a project, we have required pipelines to account for the construction and operating costs and revenues separately in accordance with section 154.309 and Order No. 710, even where the use of existing system rates rather than an incremental rate has been approved.<sup>11</sup>

9. For example, in Transcontinental Gas Pipe Line Company, LLC (Transco),<sup>12</sup> two parties expressed concerns about cost overruns for Transco’s proposed project given that a comparison of revenues to the cost of service over the first three years of operation would exceed the project’s cost of service by approximately \$2 million.<sup>13</sup> As in this case, while the Commission made a pre-determination that rolled-in rate treatment was appropriate, it also required Transco to account for the construction and operating costs and revenues separately in accordance with section 154.309 to address the parties’ cost overrun concerns.

10. In this proceeding, Exelon expressed similar concerns that cost overruns could easily erase Dominion’s estimate that revenues for the first three years of service would exceed costs by approximately \$2.5 million and constitute a material change in circumstances negating the Commission’s predetermination of rolled-in rates. In response, the Commission appropriately imposed the requirement that Dominion account for the construction and operating costs and revenues. With such information, the parties and the Commission can evaluate the costs of the project and identify any change in

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<sup>11</sup> See, e.g. *Columbia Gas Transmission, LLC*, 145 FERC ¶ 61,257 (2013); *Gulf Crossing Pipeline Co. LLC*, 144 FERC ¶ 61,196 (2013) (approving use of existing system rates but denying predetermination of rolled-in rates); *Transcontinental Gas Pipe Line Corp.*, 127 FERC ¶ 61,122 (2009).

<sup>12</sup> 136 FERC ¶ 61,009, at P 24 (2011).

<sup>13</sup> *Id.* at P 23.

material circumstances that may warrant a re-examination of rolled-in rate treatment in the pipeline's next general section 4 rate proceeding. Accordingly, we deny Dominion's request for rehearing on this point.

The Commission orders:

Dominion's request for rehearing is granted in part and denied in part.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.