

151 FERC ¶ 61,065  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Philip D. Moeller, Cheryl A. LaFleur,  
Tony Clark, and Colette D. Honorable.

Transcontinental Gas Pipe Line Company, LLC

Docket No. CP13-36-001

ORDER AMENDING CERTIFICATE

(Issued April 22, 2015)

1. On March 10, 2015, Transcontinental Gas Pipe Line Company, LLC (Transco) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA) to amend the certificate authorization issued on May 8, 2014, for the Rockaway Delivery Lateral Project (Rockaway Project).<sup>1</sup> Transco requests approval to revise its initial incremental recourse rate for service on the Rockaway Project facilities, which have an anticipated in-service date of April 23, 2015. The revised rate reflects an increase in the overall cost of construction over the amounts initially projected for the Rockaway Project in the underlying docket. Additionally, Transco requests authorization to provide for interruptible revenue crediting. As discussed below, we will approve the requested amendment.

**I. Background**

2. The May 8 Order authorized Transco to construct and operate approximately 3.20 miles of 26-inch diameter lateral pipeline from Transco's existing Lower New York Bay Lateral to an interconnection with National Grid, as well as a new meter station, and related appurtenant facilities. The Rockaway Project will provide 647,000 dekatherms (Dth) per day of firm transportation service under Rate Schedule FDLS to The Brooklyn Union Gas Company, d/b/a National Grid NY and KeySpan Gas East Corporation, d/b/a National Grid (collectively, National Grid). Transco accepted the certificate on May 9, 2014.

3. The May 8 Order approved as reasonable Transco's proposed incremental daily reservation recourse rate of \$0.19164 per Dth as an initial recourse rate for service under

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<sup>1</sup> *Transcontinental Gas Pipe Line Co., LLC*, 147 FERC ¶ 61,102 (2014) (May 8 Order).

Rate Schedule FDLS on the Rockaway Project. This proposed rate was based on a cost of service of \$45,255,674. The Commission, however, took issue with Transco's proposed negative salvage rates that departed from previously approved rates. Thus, the Commission directed Transco to recalculate its proposed maximum incremental recourse rates to reflect the negative salvage rates approved in a settlement in Docket No. RP12-993-000.<sup>2</sup>

## **II. Proposal**

4. Transco proposes to revise its initial recourse rate for firm transportation service to reflect increases in the estimated construction cost of the Rockaway Project and to provide for interruptible revenue crediting for any Rate Schedule IDLS revenue to both firm FDLS and interruptible IDLS maximum rate shippers for the project. Specifically, Transco requests that the Commission approve a revised FDLS initial incremental daily reservation recourse rate of \$0.34511 per Dth in lieu of the rate of \$0.19164 per Dth that was approved by the May 8 Order. The revised reservation rate is based on a total first-year cost of service of \$81,500,227, whereas the previously approved FDLS reservation recourse rate was based on a total first-year cost of service of \$45,255,674. Transco states that the net overall impact of these adjustments is an approximate \$144.7 million increase to the total estimated cost of the Rockaway Project facilities.

5. Exhibit P of the amended application includes the proposed revision to Transco's incremental FDLS recourse rate based on the increased construction costs. In addition, the revised rate includes the onshore negative salvage rate of 0.57 percent, which was established in the settlement in Docket No. RP12-993-000 and required by the May 8 Order. The application also includes an amended Exhibit K (Cost of Facilities) to support Transco's proposed revised rate.

## **III. Notice and Intervention**

6. Notice of the amended application was published in the Federal Register on March 20, 2015.<sup>3</sup> Consolidated Edison Company of New York, Inc. and Philadelphia Gas Works filed a timely, joint unopposed motion to intervene. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.<sup>4</sup>

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<sup>2</sup> *Transcontinental Gas Pipe Line Co., LLC*, 145 FERC ¶ 61,205 (2013).

<sup>3</sup> 80 Fed. Reg. 14,997 (2015).

<sup>4</sup> 18 C.F.R. § 385.214 (2014).

7. On March 20, 2015, National Grid filed comments, requesting Transco provide information to better substantiate the revised cost estimates included in the amended application. Additionally, National Grid requests that Transco explain the reasons for the significant difference between Transco's initial and revised cost projections.

8. On April 8, 2015, Transco filed work papers and a more detailed explanation of the cost overruns associated with the Rockaway Project. Transco states the increase in the costs to construct the project were driven by three factors: (1) the September 17, 2014 failure of the horizontal directional drill (HDD) and the subsequent installation of a 50-foot deep, shored excavation to allow subsurface space to weld onto and retrieve the disconnected drill pipe; (2) the effort required to refurbish the historic hangar building;<sup>5</sup> and (3) the extended project schedule resulting from weather-related and permitting delays, the HDD failure, the hangar work, and other factors.

9. On April 15, 2015, National Grid filed comments in response to Transco's April 8 filing requesting confirmation that parties to Transco's next rate case proceeding will have an opportunity to review the construction costs for the Rockaway Project facilities.

#### IV. Discussion

10. Because revising the initial incremental recourse rates requires amending the authorization issued in the May 8 Order, the applicant's request is subject to the jurisdiction of the Commission and the requirements of NGA sections 7(c) and (e).

11. The May 8 Order approved the Rockaway Project in light of the Commission's Certificate Policy Statement<sup>6</sup> and found that Transco's proposal was in the public convenience and necessity. The proposed amendment does not alter that finding. In this proceeding, Transco has filed amended Exhibits K, P, and supplemental documentation to support its cost overruns. In addition, the revised initial rate reflects the same rate design and cost allocations as the initially approved rate and includes the revisions required by the May 8 Order. Thus, we will approve Transco's proposed revised FDLS

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<sup>5</sup> The historic hangar building, located at Floyd Bennett Field in Kings County, New York, houses the new meter station and related appurtenant facilities approved by the May 8 Order.

<sup>6</sup> *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).

initial incremental daily reservation recourse rate of \$0.34511 per Dth. This initial rate we are approving for the Rockaway Project will be effective until Transco files its next section 4 general rate proceeding. In response to National Grid's request, we note that parties to that proceeding will have their full rights to raise any issues associated with rates proposed by Transco in that proceeding, including the costs underlying those proposed rates. Finally, we will approve Transco's proposal to credit interruptible IDLS revenues, net of variable costs, to firm FDLS and interruptible IDLS maximum rate shippers for the Rockaway Project. This is consistent with Commission policy that when establishing initial rates for a new lateral, the pipeline either provides for the crediting of all interruptible revenues, net of variable costs, to shippers paying maximum rates or that the pipeline allocates volumes and costs to its interruptible services.<sup>7</sup>

12. 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, as supplemented, and all comments submitted herein, and upon consideration of the record,

The Commission orders:

(A) The certificates issued in the May 8 Order are amended, as discussed in the body of this order. In all other respects, the certificates are unchanged.

(B) The proposed revised Rate Schedule FDLS initial reservation recourse rate is approved, as discussed in the body of this order.

(C) Transco's proposal to credit interruptible IDLS revenue to both firm FDLS and interruptible IDLS maximum rate shippers for the Rockaway Project is approved.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>7</sup> See, e.g., *Transcontinental Gas Pipe Line Co., LLC*, 130 FERC ¶ 61,019 (2010).