

Transco's proposed Gulf Trace Expansion Project to the Liquefaction Project facilities. As discussed below, the Commission will grant the requested authorizations, subject to conditions.

I. Background and Proposal

Transco

2. Transco is a natural gas company, as defined by section 2(6) of the NGA,⁵ which transports natural gas in interstate commerce. Transco's natural gas transmission system extends through Texas, Louisiana, the offshore Gulf of Mexico area, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania, New Jersey, and New York.

3. Transco proposes to construct and operate:

- approximately 7 miles of 36-inch-diameter pipeline lateral extending from its existing 24-inch-diameter North High Island Laterals "C" and "D" (which are connected to Compressor Station 44) to the Sabine Pass LNG terminal in Cameron Parish, Louisiana (Gulf Trace Lateral);
- a new 32,000 horsepower (hp) compressor station, consisting of two 16,000 hp ISO-rated gas turbine driven compressor units⁶ (Compressor

⁵ 15 U.S.C. § 717a(6) (2012).

⁶ Upon the completion of the Gulf Trace Expansion Project, Compressor Stations 42 and 44 will have more than 15,000 hp. Based on the guidelines of waste heat recovery as discussed in the Interstate Natural Gas Association of America (INGAA) White Paper entitled "*Waste Energy Opportunities for Interstate Natural Gas Pipelines*" (February 2008), these compressor stations qualify for waste heat recovery if operating at more than a 60 percent load factor. Transco states that, since the load factor may not reach the minimum 60 percent, waste heat facilities are not economically viable. Transco posts run-time for qualifying units at all locations that meet the INGAA 60 percent criteria on its 1Line website, and the turbine units at Station 42 and 44 will be added to this list if the load factor is met for the first full calendar year of operation. In that event, and assuming anticipated future annual usage will continue to meet or exceed the 60 percent criteria, Transco will work cooperatively with creditworthy third party waste heat project developers, consistent with the INGAA recommendations, provided that the development of any such project does not adversely affect Transco's operations, reliability, or costs.

Station 42) at the junction of Transco's mainline and its Southwest Louisiana Lateral⁷ in Calcasieu Parish, Louisiana;

- two 16,000 hp ISO-rated gas turbine driven compressor units at Transco's existing Compressor Station 44 in Cameron Parish, Louisiana;
- piping and valve modifications to allow for bi-directional flow at existing Compressor Stations 45, 50, and 60 in Beauregard, Evangeline, and East Feliciana Parishes, Louisiana, respectively;
- a delivery meter station adjacent to the Sabine Pass LNG terminal in Cameron Parish, Louisiana;
- a receipt meter station adjacent to Texas Gas Transmission, LLC's interconnection with Transco in Evangeline Parish, Louisiana (Duralde Meter Station);
- piping, valve modifications, and pig launchers and receivers required to tie-in the Gulf Trace Lateral with the North High Island Laterals "C" and "D" at the milepost 6.8 valve site location in Cameron Parish; and
- related appurtenant underground and aboveground facilities.

4. Transco states that the proposed project will enable it to provide 1,200,000 dekatherms (Dth) per day of incremental firm transportation service from Transco's existing Compressor Station 65 Zone 3 Pool in St. Helena Parish, Louisiana, south along its mainline and the Southwest Louisiana Lateral, through the proposed Gulf Trace Lateral to the Sabine Pass LNG terminal in Cameron Parish. Transco states that the proposal will not impact its ability to provide northbound transportation service on its mainline and the Southwest Louisiana Lateral and that there will be no adverse impacts on its existing customers. Transco estimates that the proposal will cost approximately \$278 million.

5. Transco executed a precedent agreement with Sabine Pass for 1,200,000 Dth per day of transportation service for 20 years. Transco then conducted an open season from April 16 through May 8, 2014, which elicited no other requests for firm transportation service.

⁷ The Southwest Louisiana Lateral consists of 12-, 20-, 30-, and 36-inch-diameter pipelines. It currently connects Compressor Stations 44 and 45. After the proposed expansion, it will connect Compressor Stations 42 and 44.

6. Transco proposes an incremental base reservation rate for project service under its existing Rate Schedule FT. Transco and Sabine Pass have agreed that Sabine Pass will pay a negotiated rate.

Sabine Pass

7. Sabine Pass operates an LNG terminal on the eastern shore of the Sabine Pass Channel opposite the Town of Sabine Pass in Cameron Parish, Louisiana. Sabine Pass proposes to construct and operate (1) approximately 5,000 feet of 36-inch-diameter pipeline; (2) one 36-inch-diameter aboveground isolation valve and flow measurement capabilities at Transco's delivery meter station; and (3) one 36-inch-diameter aboveground isolation valve at the Liquefaction Project's meter interconnect pipe header.⁸ Sabine Pass states that the proposed facilities will enable it to transfer natural gas received from Transco's proposed Gulf Trace Expansion Project's delivery meter station on the east side of the Sabine Pass LNG terminal to Sabine Pass's existing gas header pipe on the west side of the terminal.

II. Notices , Interventions, and Comments

8. Notice of Transco's application was published in the *Federal Register* on January 9, 2015 (80 Fed. Reg. 1399). The parties listed in Appendix A filed timely, unopposed motions to intervene.⁹ The Allegheny Defense Project (Allegheny), the Louisiana Department of Wildlife and Fisheries (Louisiana DWF), the United States Department of the Interior, the National Oceanic and Atmospheric Administration's National Marine Fisheries Service (NOAA), and Mary VanHaverbeke filed comments regarding potential environmental impacts of the proposal.

⁸ The meter interconnect pipe header connects the Liquefaction Project with the feed gas meter interconnects authorized by the Commission in *Sabine Pass Liquefaction, LLC*, 144 FERC ¶ 61,099 (2013).

⁹ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedures. See 18 C.F.R. § 385.214 (2015).

9. The Municipal Gas Authority of Georgia¹⁰ and the Transco Municipal Group¹¹ filed a joint, late motion to intervene. We will grant the late-filed motion to intervene, since to do so at this stage of the proceeding will not delay, disrupt, or unfairly prejudice the proceeding or other parties.¹²

10. Notice of Sabine Pass's application was published in the *Federal Register* on May 20, 2015 (80 Fed. Reg. 28,995). The Louisiana DWF filed a comment indicating no objection to the project. No motions to intervene or protests were filed to Sabine Pass's application.

III. Discussion

Sabine Pass

11. Because Sabine Pass's proposal involves the export of natural gas to foreign countries, the construction and operation of the facilities is subject to the Commission's jurisdiction under NGA section 3.¹³

¹⁰ The Municipal Gas Authority consists of the following municipalities, which are served directly by Transco: the Georgia municipalities of Bowman, Buford, Commerce, Covington, Elberton, Hartwell, Lawrenceville, Madison, Monroe, Royston, Social Circle, Sugar Hill, Toccoa, Winder, and Tri-County Natural Gas Company (consisting of Crawfordville, Greensboro and Union Point); the East Central Alabama Gas District, Alabama; the towns of Wadley and Rockford, Alabama; the Utilities Board of the City of Roanoke, Alabama; Wedowee Water, Sewer & Gas Board, Wedowee, Alabama; and the Maplesville Waterworks and Gas Board, Maplesville, Alabama.

¹¹ The members of the Transco Municipal Group include: the Cities of Alexander City and Sylacauga, Alabama; the Commissions of Public Works of Greenwood, Greer, and Laurens, South Carolina; the Cities of Fountain Inn and Union, South Carolina; the Patriots Energy Group (consisting of the Natural Gas Authorities of Chester, Lancaster and York Counties, South Carolina); and the cities of Bessemer City, Greenville, Kings Mountain, Lexington, Monroe, Rocky Mount, Shelby, and Wilson, North Carolina.

¹² See 18 C.F.R. § 385.214(c)(2) (2015).

¹³ 18 C.F.R. § 153.5 (2015). The regulatory functions of section 3 were transferred to the Secretary of Energy (Secretary) in 1977 pursuant to section 301(b) of the Department of Energy Organization Act. 42 U.S.C. § 7151(b) (2006). In reference to regulating the imports or exports of natural gas, the Secretary of the Department of Energy (DOE) subsequently delegated to the Commission the authority to approve or

(continued...)

12. While section 3(a) provides that applications under that section shall be approved unless the proposal “will not be consistent with the public interest,” section 3 also provides that an application may be approved “in whole or in part, with such modification and upon such terms and conditions as the Commission may find necessary or appropriate.”¹⁴ Section 3(a) also provides that for good cause shown, the Commission may make supplemental orders as it may find “necessary or appropriate.” Sabine Pass’s proposed project will facilitate delivery of natural gas from Transco’s Gulf Trace Expansion Project facilities to the Liquefaction Project facilities. Thus, subject to the conditions imposed in this order, we find that Sabine Pass’s proposals are not inconsistent with the public interest.

Transco

13. Since Transco proposes to construct and operate facilities used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the proposal is subject to the requirements of subsections (c) and (e) of section 7 of the NGA.¹⁵

A. Certificate Policy Statement

14. The Certificate Policy Statement provides guidance for evaluating proposals to certificate new construction.¹⁶ The Certificate Policy Statement establishes criteria for determining whether there is a need for a proposed project and whether the proposed

disapprove the construction and operation of particular facilities, the site at which facilities shall be located, and with respect to natural gas that involves the construction of new domestic facilities, the place of entry for imports or exit for exports. The Secretary’s current delegation of authority to the Commission relating to import and export facilities was renewed by the Secretary’s DOE Delegation Order No. 00-044.00A, effective May 16, 2006. Applications for authorization to import or export natural gas (the commodity) must be submitted to DOE.

¹⁴ For a discussion of the Commission’s authority to condition its approvals of LNG facilities under section 3 of the NGA, *see, e.g., Distrigas Corporation v. FPC*, 495 F.2d 1057, 1063-64 (D.C. Cir. 1974), *cert. denied*, 419 U.S. 834 (1974) and *Dynegy LNG Production Terminal, L.P.*, 97 FERC ¶ 61,231 (2001).

¹⁵ 15 U.S.C. §§ 717f(c) and 717f(e) (2012).

¹⁶ *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).

project will serve the public interest. The Certificate Policy Statement explains that in deciding whether to authorize the construction of major new natural gas facilities, the Commission balances the public benefits against the potential adverse consequences. The Commission's goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.

15. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the construction. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to complete the environmental analysis where other interests are considered.

16. As discussed above, the threshold requirement for pipelines proposing new projects is that the applicant must be prepared to financially support the project without relying on subsidization from its existing customers. The Commission has determined that, in general, where a pipeline proposes to charge incremental rates for new construction, the pipeline satisfies the threshold requirement that the project will not be subsidized by existing shippers.¹⁷ However, as discussed below, appropriately calculated incremental recourse rate for Gulf Trace Expansion Project service would be lower than Transco's existing system rate. Therefore, we will require Transco to charge its existing system rates as the initial recourse rates for firm service using the expansion capacity.¹⁸ With this condition, we find that the threshold no-subsidy requirement under the Certificate Policy Statement has been met.

17. We also find that the proposal will not degrade service to Transco's existing customers. In addition, there will be no adverse impact on other pipelines in the region or

¹⁷ See *e.g.*, *Transcontinental Gas Pipe Line Corp.*, 98 FERC ¶ 61,155 (2002).

¹⁸ See *Texas Gas Transmission, LLC*, 152 FERC ¶ 61,160, at P 30 (2015) and *Millennium Pipeline Co., LLC*, 145 FERC ¶ 61,007, at P 30 (2013).

their captive customers because the proposal is not intended to replace service on other pipelines. Also, no pipeline company or their captive customers have protested Transco's application.

18. As discussed in greater detail in the environmental assessment (EA) and below, the proposed project will disturb approximately 263 acres of land during construction and 75.6 acres during operation, including 60 acres for the new compressor station. In order to minimize impacts on landowners, Transco will construct approximately 25 percent of the proposed facilities on existing rights-of-way and on previously disturbed property to the extent practicable. The compressor station modifications will take place within the fence lines of existing compressor station facilities. Accordingly, we find that Transco has designed the project to minimize adverse impacts on landowners and surrounding communities.

19. The proposed project will serve the growing natural gas requirements at the Sabine Pass LNG terminal. Sabine Pass has subscribed to the 1,200,000 Dth per day of transportation service created by the proposals. Based on the benefits the project will provide and the minimal adverse impacts on existing shippers, other pipelines and their captive customers, and landowners and surrounding communities, we find, consistent with the Certificate Policy Statement and NGA section 7(c), that the public convenience and necessity requires approval of Transco's proposal, subject to the conditions discussed below.

B. Rates

20. In its application, Transco proposes an initial incremental daily recourse reservation charge under its existing Rate Schedule FT for its current Zone 3-2 of \$0.13763 per Dth for firm mainline expansion capacity. Transco submitted an incremental cost of service and rate design study showing the derivation of the Gulf Trace Expansion Project recourse rate based on a total first year cost of service of \$60,283,500 and billing determinants of 1,200,000 Dth per day. The proposed cost of service reflects a pre-tax rate of return of 15.34 percent, which is the most recently established pre-tax rate of return from the settlement in Docket No. RP01-245-000,¹⁹ and Transco's system depreciation rates of 2.61 percent (onshore transmission depreciation rate, including negative salvage) and 4.97 percent (onshore transmission solar turbine

¹⁹ *Transcontinental Gas Pipe Line Corp.*, 100 FERC ¶ 61,085 (2002). Transco used the pre-tax return and certain other cost factors underlying the Docket No. RP01-245 Settlement rates because the Docket No. RP12-993 Agreement is a "black box" settlement, which does not specify most cost of service components, including rate of return.

depreciation rate) as included in the Stipulation and Agreement in Docket No. RP12-993.²⁰ Transco proposes to assess its current Zone 3-2/2-3 interruptible transportation charge under Rate Schedule IT for any interruptible service rendered on the additional capacity made available as a result of the project.²¹

21. Upon request from staff, Transco provided a breakdown of operation and maintenance (O&M) expenses by FERC account number and between labor and non-labor costs. Transco's response identifies a total of \$1,049,224 in non-labor O&M costs for FERC Account Numbers 853 (Compressor Station Labor and Expenses) and 864 (Maintenance of Compressor Station Equipment).²² Consistent with the regulation requiring the use of a straight fixed variable rate design,²³ these costs are classified as variable costs and should not be recovered through the reservation charge.

22. In addition, Transco calculated a revised incremental daily reservation charge which recovers only the fixed costs of the project and zonal commodity rates to recover the variable costs attributable to the project.²⁴ Based on a revised first year cost of service of \$59,234,276 and annual billing determinants of 438,000,000 Dth, Transco calculates an initial incremental daily recourse reservation charge for its current Zone 3-2/ 2-3 of \$0.13524 per Dth and zonal commodity charges of \$0.00081, \$0.00240, and \$0.00159 for Zone 2-2, Zone 3-2/2-3, and Zone 3-3 service, respectively.²⁵

23. Under the Certificate Policy Statement, there is a presumption that incremental rates should be charged for proposed expansion capacity if the incremental rate will exceed the maximum system-wide rate.²⁶ Transco's revised incremental daily

²⁰ *Transcontinental Gas Pipe Line Co., LLC*, 145 FERC ¶ 61,205 (2013).

²¹ See Transco March 6, 2015 Data Response. The current Zone 3-2 Rate Schedule IT maximum rate is \$0.14358 per Dth.

²² See Transco April 22, 2015 Data Response.

²³ 18 C.F.R. § 284.7(e) (2015).

²⁴ See Transco April 22, 2015 Data Response.

²⁵ We note Transco's currently effective commodity rates for Zone 2-2, Zone 3-2/2-3 and Zone 3-3 all exceed the incremental commodity rates calculated by Transco.

²⁶ Certificate Policy Statement, 88 FERC at 61,746.

reservation charge of \$0.13524 Dth per day is lower than the generally applicable Rate Schedule FT Zone 3-2/2-3 reservation charge of \$0.13603 Dth/d for Zone 3-2/2-3 service.²⁷ Thus, we will direct Transco to charge its existing system rates as the initial recourse rates for firm service using the expansion capacity. In addition, we will direct Transco to utilize its currently effective commodity rates for service on the expansion capacity.

24. Finally, we will approve Transco's proposal to charge its current Zone 3-2/2-3 interruptible charge under Rate Schedule IT for any interruptible service rendered on the additional capacity made available as a result of the project.

Fuel Retention and Electric Power Rates

25. Transco also proposes to charge its generally applicable system fuel retention and electric power rates for the project. Based on a study that was designed to determine the impact of fuel consumption (compressor fuel plus the fuel equivalent of electricity consumed), Transco determined that the project would result in a 44 percent reduction in fuel use attributable to existing shippers.²⁸ For this reason, we will approve Transco's proposal to charge its generally applicable system fuel retention and electric power rates.

Reporting Incremental Costs

26. Consistent with the Certificate Policy Statement, the Commission directs Transco to keep separate books and accounting of costs attributable to the project. The books should be maintained with applicable cross-references, as required by section 154.309 of the Commission's regulations.²⁹ 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. 710.³⁰ Such measures protect existing customers from cost overruns and from subsidization that might result

²⁷ Transco stated that the capacity created under the Gulf Trace Expansion Project is from Transco's Compressor Station 65 Zone 3 Pool in St. Helena Parish, Louisiana, to the proposed interconnection in Zone 2 adjacent to the Sabine Pass LNG terminal in Cameron Parish.

²⁸ See Exhibit Z-1.

²⁹ 18 C.F.R. § 154.309 (2015).

³⁰ *Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines*, Order No. 710, FERC Stats. & Regs. ¶ 31,267, at P 23 (2008).

from under-collection of the project's incremental cost of service, as well as help the Commission and parties to the rate proceedings determine the costs of the project.

27. Transco notes that the precedent agreement provides for Sabine Pass to pay a negotiated rate for firm service under the Gulf Trace Expansion Project. Transco is required to file either its negotiated rate agreement or tariff records setting forth the essential terms of the agreement associated with the project, in accordance with the Alternative Rate Policy Statement³¹ and the Commission's negotiated rate policies³² at least 30 days, but not more than 60 days, before the proposed effective date for such rates.

C. Environment

28. On February 4, 2015, 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; environmental and public interest groups; Native American tribes; local libraries and newspapers; and affected property owners.

29. Allegheny, the U.S. Fish and Wildlife Service (FWS), NOAA, and the Louisiana DWF filed comments on the proposed project prior to preparation of the EA. Allegheny's comments concerned indirect and cumulative impacts and the need for a programmatic environmental impact statement regarding Marcellus and Utica shale gas development. The primary issues raised by the agencies concerned right-of-way width through, and mitigation and compensation for, wetlands; and potential impacts on threatened and endangered species, essential fish habitat, and migratory birds.

30. To satisfy the requirements of the National Environmental Policy Act (NEPA), our staff prepared an environmental assessment (EA) for Transco's and Sabine Pass's proposals. The EA addresses geology, soils, water resources, wetlands, vegetation, fisheries, wildlife, threatened and endangered species, land use, recreation, visual resources, cultural resources, air quality, noise, safety, socioeconomics, and alternatives.

³¹ *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines; Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076, *order granting clarification*, 74 FERC ¶ 61,194 (1996).

³² *Natural Gas Pipelines Negotiated Rate Policies and Practices; Modification of Negotiated Rate Policy*, 104 FERC ¶ 61,134 (2003), *order on reh'g and clarification*, 114 FERC ¶ 61,042, *reh'g dismissed and clarification denied*, 114 FERC ¶ 61,304 (2006).

All substantive comments received were addressed in the EA, as summarized below. Allegheny's comments were addressed in EA section 1.3 (Public Review and Comment) and section 2.9 (Cumulative Impacts). The EA was placed in the public record on August 14, 2015.

31. On September 14, 2015, Transco filed comments on the EA clarifying and updating some of its information related to wetland impacts and construction activities. As is discussed below, the corrected information has been reviewed and does not change the conclusions of the EA. Transco also requests that we modify environmental recommendation 7 in the EA to require Transco to file bi-weekly construction reports rather than weekly reports. This request is reasonable, and this change is reflected in the Environmental Condition 7 in Appendix B of the order. Transco also commented on its intended approach to comply with environmental recommendation 16 of the EA related to air modeling.

Impacts on Wetlands

32. In response to the EA, Mary VanHaverbeke comments that Transco "plans to ignore" the recommendations of the Louisiana DWF and FWS regarding construction rights of way and NOAA regarding wetlands. The Louisiana DWF and FWS recommend that Transco limit the right-of-way width through wetlands to 75 feet during construction and 30 feet during operation, and re-route the pipeline and access roads to existing rights-of-way to avoid fragmenting wetlands. As the EA explains, Transco proposes a 125-foot-wide construction right-of-way through wetlands because it needs the extra width to ensure worker safety and to provide enough workspace for equipment operation and spoil storage in the non-cohesive, saturated soils. Transco would limit its operational maintenance activities on its proposed 50-foot-wide permanent easement to a 10-foot-wide area centered over the pipeline, which would comply with the Louisiana DWF's recommendation regarding permanent maintenance in wetlands. Regarding the Louisiana DWF's recommendation to co-locate the facilities, we note that the proposed pipeline easement would abut an existing Transco pipeline easement for the first 1.2 miles of its length. The EA concludes, however, that the locations of the proposed interconnects necessitates divergence from the existing easement after that point. We agree with the conclusions of the EA.

33. FWS recommends that Transco locate aboveground facilities and access roads outside wetlands. All proposed access roads, except Access Road AR-3A, are existing permanent gravel roads. As the EA explains, there is no existing road or upland area to provide access to the project near Access Road AR-3A, which would be a temporary road constructed of equipment mats or traversed by swamp buggy to minimize impacts on wetlands.

34. The EA states that about 9.35 acres of emergent wetlands would be permanently converted to aboveground use for the Sabine Pass LNG Meter Station and Compressor

Station 44. However, Transco clarifies in its comments on the EA that there will not be 9.35 acres of permanent wetland impact due to construction and operation of the project. Rather than permanently converting about 9.35 acres of wetlands to aboveground facility use for the new Sabine Pass LNG Meter Station and Compressor Station 44 upgrade as stated in the EA,³³ Transco states that about 1.43 acres of estuarine intertidal emergent wetlands at the Sabine Pass LNG Meter Station and about 0.51 acre of estuarine intertidal scrub-shrub wetlands at Compressor Station 44 will be permanently converted to aboveground facilities. This clarification also applies to the information about land use reported in the EA at Compressor Station 44.³⁴ Thus, there will be about 7.92 acres of temporary rather than permanent wetland impact at Compressor Station 44. We note that Transco is consulting with the U.S. Army Corps of Engineers to ensure that its Compensatory Wetland Mitigation Plan, if needed, satisfies all Corps of Engineers requirements to minimize and mitigate unavoidable impacts. The Corps of Engineers may require Transco to compensate for permanent wetland loss by purchasing credits from mitigation banking sites or pursuing other mitigation options. Moreover, in its application to the Corps of Engineers, Transco must show that it will comply with the Environmental Protection Agency's section 404(b)1 guidelines that restrict discharges of dredged or fill material where a less environmentally damaging alternative exists.

35. We also note that Transco's Wetland and Waterbody Construction and Mitigation Procedures provide that Transco will restore disturbed wetlands and monitor revegetation progress for at least three years or as required by permitting agencies. For any wetland where revegetation is not successful after three years, Transco will consult a professional wetland ecologist to develop a remedial revegetation plan. Unless otherwise required, revegetation will be considered complete when 80 percent coverage of native vegetation matches conditions in adjacent undisturbed wetlands.³⁵

Air Quality at Compressor Station 44

36. Recommendation 16 in the EA would require additional air quality modeling for all of the emission generating equipment at existing Compressor Station 44 to demonstrate that the incremental increase in emissions at the compressor station would not cause or contribute to new or additional exceedances of the National Ambient Air Quality Standards (NAAQS). In response to this EA recommendation, Transco proposes instead to complete pre-construction ambient air monitoring at the site. In general,

³³ EA at 39.

³⁴ EA at 61.

³⁵ EA at 42.

Transco's plan to complete actual pre-construction ambient air monitoring over an extended period of time would be an acceptable means to help determine the potential impacts in the local air quality at the station. We also agree with Transco that the modeling analysis is less accurate than actual air quality monitoring at the station.

37. However, because Transco's proposed air monitoring would only provide monitoring data over a limited timeframe before its planned construction start date, this plan does not sufficiently address the various operating conditions of the facility or meteorological conditions that occur over the course of a calendar year, which can significantly impact the results of the monitoring. Further, details of Transco's plan have not been provided such that this approach could be reviewed for overall acceptability. Lastly, should monitoring show exceedances of the NAAQS, Transco's plan is to simply report this to the applicable agency that administers its operating air permit. Such an approach, however, would not support the recommendation's intent to demonstrate that emissions would not cause or contribute to a violation of the NAAQS and, therefore, the EA's conclusion that impacts would not be significant. The modeling analysis identified in the recommendation will provide a conservative assessment of the ambient air quality prior to Transco's planned construction, ensuring that any incremental increases in emissions will not cause or contribute to any NAAQS exceedances. For these reasons, we conclude that the recommended air quality modeling at Compressor Station 44 is still required prior to construction of the expansion, and we have included the recommended condition as Environmental Condition 16 in Appendix B of this order.

Impacts on Recreation and Public Interest Areas

38. Ms. VanHaverbeke also expresses concern about the Gulf Trace Expansion Project's proximity to various designated byways and scenic areas, as described in EA section 2.4.2. However, as explained in EA section 2.4.3, the entire pipeline alignment would be in open or scrub-shrub lands where the new permanent right-of-way would have no appreciable visual impact following restoration of the construction work areas. In addition, the project would be constructed through open lands where there would be no significant alteration to vegetation or topographic relief after construction is completed and the work areas are restored and revegetated. Impacts on the identified resources would be temporary and related to the presence of construction equipment and visual disturbance related to grading/clearing/and trenching activities. We agree with the conclusion in the EA that impacts would at most be short-term and not significant.

Impacts Essential Fish Habitats

39. We note that NOAA will review the project area for potential essential fish habitat during the Corps of Engineers Section 404 permitting process. Because consultation with NOAA is ongoing, the EA recommends that Transco not begin construction until our environmental staff completes consultation with NOAA regarding potential impacts on

essential fish habitat.³⁶ This recommendation is incorporated as Environmental Condition 13 in Appendix B to this order.

Impacts on Migratory Birds

40. In response to concerns raised during scoping by FWS that the proposed Gulf Trace Lateral route may cross back dune scrub-shrub areas and coastal chenier ridges, which are in high decline and, during fall and spring, are vital resting and foraging habitat for neotropical migratory birds of conservation concern, the EA did not identify any dune scrub-shrub areas or coastal chenier ridges in the project area. However, during the permit review process with the Louisiana Office of Coastal Management (Louisiana OCM) and the Corps of Engineers, a Louisiana OCM biologist will survey the project area to identify coastal chenier ridges and dune scrub-shrub habitats and may find more information. After it prepares a report, the Louisiana OCM may require Transco to avoid, minimize, or mitigate impacts on any cheniers found in the project area. A copy of the biologist's report and any subsequent consultation will be submitted to the Commission before Transco begins construction.

41. Because the extent of potential impacts on dune scrub-shrub or coastal chenier habitats has not yet been identified, the Commission cannot yet evaluate the site-specific mitigation measures that would be proposed if this habitat is in the project area, like drilling under the ridges or segregating topsoil to restore natural contours. Therefore, the EA recommends, and Appendix B to this order includes, Environmental Condition 14, which requires Transco to file prior to construction: (a) the report from the Louisiana OCM regarding potential impacts on back dune scrub-shrub areas and coastal chenier ridges and any subsequent minimization or mitigation measures developed to avoid impacts on these resources; and (b) documentation of its consultation with FWS regarding project impacts on migratory birds in these habitats.³⁷

42. In conclusion, the Commission has reviewed the information and analysis contained in the record, including the EA, regarding the potential environmental effects of the project. Based on our consideration of this information, the Commission agrees with the conclusions presented in the EA and find that if constructed and operated in accordance with Transco's and Sabine Pass's applications, as supplemented, and the conditions imposed in Appendix B to this order, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

³⁶ EA at 44-48.

³⁷ EA at 53-56.

43. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. The Commission encourages cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or local laws, may prohibit or unreasonably delay the construction or operation of facilities approved by this Commission.³⁸

44. 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, and all comments submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) The authorization issued to Sabine Pass in Docket No. CP11-72-000 is amended to allow Sabine Pass to cite, construct, and operate facilities, as described herein and more fully in its application.

(B) In all other respects, the authorizations granted in the 2012 Order shall remain in full force and effect.

(C) A certificate of public convenience and necessity is issued to Transco in Docket No. CP15-29-000 authorizing it to construct and operate the Gulf Trace Expansion Project, as described and conditioned herein, and as more fully described in the application.

(D) The certificate authority granted in Ordering Paragraph (C) is conditioned on Transco's:

- (1) completion of construction of the proposed facilities and making them available for service within two years of the issuance of this order pursuant to section 157.20(b) of the Commission's regulations;
- (2) compliance with all applicable Commission regulations under the NGA including, but not limited to Parts 154, 157, and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the Commission's regulations;

³⁸ See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *National Fuel Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

(3) compliance with the Environmental Conditions in Appendix B to this order; and

(4) execution, prior to commencement of construction, of a firm contract for the volumes and service terms equivalent to those in its precedent agreement.

(E) Transco is directed to charge its existing system rates as the initial recourse rates for firm service using the expansion capacity.

(F) Transco's request to charge its generally applicable Zone 3-2/2-3 interruptible charge as well as the system fuel retention and electric power rates is approved.

(G) Transco shall keep separate books and accounting of costs attributable to the proposed incremental services, as described above.

(H) Transco and Sabine Pass 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 Transco and Sabine Pass. Transco and Sabine Pass shall file written confirmation of such notification with the Secretary of the Commission (Secretary) within 24 hours.

(I) The late motion to intervene is granted.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

Appendix A
Timely Motions to Intervene in Docket No. CP15-29-000

Alabama Gas Corporation
Allegheny Defense Project
American Midstream, LLC
Atmos Energy Marketing, LLC
Calpine Energy Services, L.P.
Consolidated Edison Company of New York, Inc. and Philadelphia Gas Works
Duke Energy Carolinas, LLC, Duke Energy Progress, Inc.,
and Duke Energy Florida, Inc.
Exelon Corporation
National Fuel Gas Distribution Corporation
National Grid Gas Delivery Companies
New Jersey Natural Gas Company
NJR Energy Services Company
PSEG Energy Resources & Trade LLC
Public Service Company of North Carolina, Inc. and South Carolina Electric &
Gas Company
Sabine Pass LNG, L.P. and Sabine Pass Liquefaction, LLC

Appendix B Environmental Conditions

As recommended in the environmental assessment (EA), this authorization includes the following conditions:

1. Transco and Sabine Pass shall follow the construction procedures and mitigation measures described in their respective applications and supplements, including responses to staff data requests and as identified in the EA, unless modified by the Order. Transco and Sabine Pass 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 all steps necessary to ensure the protection of all environmental resources during construction and operation of the Gulf Trace Expansion Project (Gulf Trace Project) and the East Meter Pipe Project (EMP Project). This authority shall include:
 - 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 construction and operation.

3. **Prior to any construction**, Transco and Sabine Pass shall file affirmative statements with the Secretary, certified by senior company officials, 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 construction and restoration activities.

4. The authorized facility locations shall be as shown in the EA, as supplemented by filed alignment sheets. **As soon as they are available, and before the start of construction**, Transco and Sabine Pass shall each file with the Secretary any revised detailed survey alignment maps or sheets at a scale not smaller than 1:6,000 with station positions for all facilities approved by the Order. All requests for modifications of environmental conditions of the Order or site-specific

clearances must be written and must specify locations designated on these alignment maps or sheets.

Transco's exercise of eminent domain authority granted under NGA section 7(h) in any condemnation proceedings related to the Order must be consistent with these authorized facilities and locations. Transco's right of eminent domain granted under NGA section 7(h) does not authorize it to increase the size of its natural gas pipeline to accommodate future needs or to acquire a right-of-way for a pipeline to transport a commodity other than natural gas.

5. Transco and Sabine Pass shall each file with the Secretary detailed alignment maps or sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all route realignments or facility relocations, staging areas, pipe storage yards, new access roads, and other areas that would be used or disturbed that have not been previously identified in filings with the Secretary. Approval for use of each of these areas must be explicitly requested in writing. For each area, the request must include a description of the existing land use or 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, or aerial photographs. Use of each area must be approved in writing by the Director of OEP **before construction in or near that area.**

This requirement does not apply to route variations required herein or extra workspace allowed by the Commission's Upland Erosion Control, Revegetation and Maintenance Plan or minor field realignments per landowner needs and requirements that do not affect other landowners or sensitive environmental areas such as wetlands. Examples of alterations requiring approval include all route realignments and facility location changes resulting from:

- a. implementation of cultural resources mitigation measures;
 - b. implementation of endangered, threatened, or special concern species mitigation measures;
 - c. recommendations by state regulatory authorities; and
 - d. agreements with individual landowners that affect other landowners or could affect sensitive environmental areas.
6. **Within 60 days of the acceptance of the Authorization and before construction begins**, Transco and Sabine Pass shall each file an initial Implementation Plan with the Secretary for review and written approval by the Director of OEP. Transco and Sabine Pass must file revisions to the plan as schedules change. The plan shall identify:

- a. how Transco and Sabine Pass will implement the construction 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 Transco and Sabine Pass 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 on-site construction and inspection personnel;
 - c. the number of EIs assigned per spread and aboveground facility sites and how each 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 materials;
 - e. the location and dates of the environmental compliance training and instructions Transco and Sabine Pass will give to all personnel involved with construction and restoration (initial and refresher training as the Projects progress and personnel change) with the opportunity for OEP staff to participate in the training session(s);
 - f. the company personnel (if known) and specific portion of Transco's and Sabine Pass' organization having responsibility for compliance;
 - g. the procedures (including use of contract penalties) Transco and Sabine Pass will follow if noncompliance occurs; and
 - h. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - (i) the completion of all required surveys and reports;
 - (ii) the environmental compliance training of onsite personnel;
 - (iii) the start of construction; and
 - (iv) the start and completion of restoration.
7. Beginning with the filing of its Implementation Plans, Transco shall file with the Secretary updated status reports on a **weekly** basis for the Gulf Trace Project, and Sabine Pass shall file with the Secretary updated status reports on a **monthly** basis for the EMP Project until all construction 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 Transco's and Sabine Pass' efforts to obtain the necessary federal authorizations;
 - b. the current construction status at the terminal site and of each spread of the pipeline, work planned for the following reporting period, and any schedule changes for stream crossings or work in other environmentally sensitive areas;

- c. a list 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 or permit requirements imposed by other federal, state, or local agencies);
 - d. description of the 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 or resident complaints that may relate to compliance with the requirements of the Order and the measures taken to satisfy their concerns; and
 - g. copies of any correspondence received by Transco or Sabine Pass from other federal, state, or local permitting agencies concerning instances of noncompliance and Transco's and Sabine Pass' response.
8. **Prior to receiving written authorization from the Director of OEP to commence construction of any respective project facilities**, Transco and Sabine Pass shall each file with the Secretary documentation that it has received all applicable authorizations required under federal law (or evidence of waiver thereof).
9. Sabine Pass shall receive written authorization from the Director of OEP **prior to introducing natural gas** into the EMP Project facilities. At a minimum, instrumentation and controls, hazard detection, hazard control, and security components/systems shall be installed and functional.
10. Transco and Sabine Pass each must receive written authorization from the Director of OEP **before placing the respective Projects into service**. Such authorization will only be granted following a determination that facilities have been constructed in accordance with FERC approval and applicable standards, can be expected to operate safely as designed, and the rehabilitation and restoration of the areas affected by the Projects are proceeding satisfactorily.
11. **Within 30 days of placing the authorized facilities in service**, Transco and Sabine Pass shall each file an affirmative statement with the Secretary, certified by a senior company official:
 - a. that the facilities have been constructed or installed in compliance with all applicable conditions and that continuing activities will be consistent with all applicable conditions; or
 - b. identifying which of the certificate conditions Transco and Sabine Pass has complied with or will comply with. This statement shall also identify any areas affected by the respective Projects where compliance measures were not properly implemented, if not previously identified in filed status reports, and the reason for noncompliance.

12. Transco shall employ at least one EI per construction spread and Sabine Pass shall employ at least one EI for the EMP Project. Each EI shall be:
 - a. responsible for monitoring and ensuring compliance with all mitigation measures required by the Order and other grants, permits, certificates, or other authorizing documents;
 - b. responsible for evaluating the construction contractor's implementation of the environmental mitigation measures required in the contract (see condition 6 above) and any other authorizing document;
 - c. empowered to order correction of acts that violate the environmental conditions of the Order and any other authorizing document;
 - d. a full-time position, separate from all other activity inspectors;
 - e. responsible for documenting compliance with the environmental conditions of the Order as well as any environmental conditions or permit requirements imposed by other federal, state, or local agencies; and
 - f. responsible for maintaining status reports.
13. Transco **shall not begin construction until** the Commission staff completes consultation with National Marine Fisheries Service regarding the potential impacts on Essential Fish Habitat and until it has received written approval by the Director of the OEP that construction or implementation of mitigation may begin.
14. **Prior to construction**, Transco shall file with the Secretary:
 - a. the findings report from the Louisiana OCM regarding potential impacts on back dune scrub-shrub areas and coastal cheniere ridges and any subsequent minimization or mitigation measures developed to avoid impacts to these resources; and
 - b. documentation of Transco's consultation with FWS regarding the project impacts on migratory birds in these habitats. Transco shall not begin construction until it has received written approval by the Director of the OEP that construction may begin.
15. **Prior to construction**, Transco shall file with the Secretary the documentation of concurrence from the Louisiana Department of Natural Resources that the project facilities are consistent with the Louisiana Coastal Zone Management Plan.
16. **Prior to construction**, Transco shall file the results of an air quality screening (AERSCREEN), or refined modeling analysis (AERMOD or EPA-approved alternative) for all of the emission generating equipment (including existing equipment) at Compressor Station 44. The results shall demonstrate that the modeled existing emissions, plus the modeled incremental increase in emissions of criteria pollutants from the modifications either:
 - a. results in local concentrations below the National Ambient Air Quality Standards (NAAQS) where current modeled concentrations from the

- existing compressor station (existing and ambient background) are below the NAAQS; or
- b. does not cause or contribute to significantly increased local area concentrations above the NAAQS where the current ambient background concentrations are currently above the NAAQS.
17. Transco shall file a noise survey with the Secretary **no later than 60 days** after placing Compressor Station 42 in service. If a full load condition noise survey is not possible, Transco shall provide an interim survey at the maximum possible horsepower load and provide the full load survey within six months. If the noise attributable to the operation of all of the equipment at the Compressor Station 42 under interim or full horsepower load conditions exceeds a day-night averaged sound level (Ldn) of 55 decibels on the A-weighted scale (dBA) at any nearby noise sensitive areas (NSAs), Transco shall file a report on what changes are needed and shall install the additional noise controls to meet the level **within one year** of the in-service date. Transco shall confirm compliance with the above requirement by filing a second noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.
18. Transco shall file a noise survey with the Secretary **no later than 60 days** after placing the authorized units 4 and 5 at the Compressor Station 44 in service. If the noise attributable to the operation of the station including the new units 4 and 5 at full load exceeds an Ldn of 55 dBA at any nearby NSAs, Transco shall install additional noise controls to meet that level **within one year** of the in-service date. Transco shall confirm compliance with the Ldn of 55 dBA requirement by filing a second noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.

The following measures shall apply to the EMP Project. Information pertaining to these specific recommendations shall be filed with the Secretary for review and written approval by the Director of OEP either: prior to initial site preparation, prior to construction of final design, or prior to commissioning as indicated by each specific condition. Specific engineering, vulnerability, or detailed design information meeting the criteria specified in Order No. 683 (Docket No. RM06-24-000), including security information, shall be submitted as critical energy infrastructure information (CEII) pursuant to 18 CFR 388.112. See CEII, Order No. 683 (71 FR 58,273, October 3, 2006), FERC Statutes and Regulations ¶ 31,228 (2006). Information pertaining to items such as off-site emergency response, procedures for public notification and evacuation, and construction and operating reporting requirements would be subject to public disclosure. Sabine Pass shall file with the Secretary all information a minimum of 30 days before approval to proceed is requested.

19. **Prior to initial site preparation**, Sabine Pass shall provide quality assurance and quality control procedures for construction activities.
20. **Prior to initial site preparation**, Sabine Pass shall provide procedures for controlling access during construction.
21. **Prior to initial site preparation**, Sabine Pass shall file a plot plan of the final design showing all major equipment, structures, and buildings.
22. The **final design** shall provide up-to-date process flow diagrams with heat and material balances and piping and instrumentation diagrams (P&IDs), which include the following information:
 - a. piping with line number, piping class specification, and size;
 - b. all control and manual valves numbered;
 - c. drawing revision number and date; and
 - d. change log that lists and explains the changes made from the approved design.
23. The **final design** shall include piping specifications.
24. The **final design** shall include cause-and-effect matrices for process instrumentation, fire and gas detection system, and emergency shutdown system. The cause-and-effect matrices shall include alarms and shutdown functions, details of voting and shutdown logic, and set points.
25. The **final design** shall include the procedures for pressure/leak tests which address the requirements of American Society of Mechanical Engineers B31.3.
26. The **final design** shall include a damage prevention program for buried piping, as well as plans to place line markers over buried piping.
27. The **final design** shall include an updated fire protection evaluation of the proposed facilities carried out in accordance with the requirements of National Fire Protection Association (NFPA) 59A 2001, chapter 9.1.2 as required by 49 C.F.R. 193. A copy of the evaluation, a list of recommendations and supporting justifications, and actions taken on the recommendations shall be filed.
28. **Prior to commissioning**, Sabine Pass shall tag all instrumentation and valves in the field, including drain valves, vent valves, main valves, and car-sealed or locked valves.
29. **Prior to commissioning**, Sabine Pass shall file updates addressing the EMP Project facilities in the operation and maintenance procedures and manuals, as

well as safety procedures.

In addition, the following measures shall apply throughout the life of the EMP Project:

30. The facilities installed as part of the EMP Project shall be subject to the same incident reporting requirements stated in the Commission's April 16, 2012 Order for the Sabine Pass LNG Liquefaction Project under Docket No. CP11-72-000.
31. The facilities installed as part of the EMP Project shall be subject to the regular Commission staff technical reviews and site inspection on at least an annual basis or more frequently as circumstances indicate.
32. Sabine Pass shall file semi-annual operational reports for the facilities at the EMP Project that meet the requirements stated in the Commission's April 16, 2012 Order for the Sabine Pass LNG Liquefaction Project under Docket No. CP11-72-000.