155 FERC ¶ 61,084
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Equitrans, L.P.
Rager Mountain Storage Company, LLC

Docket No. CP16-81-000

ORDER AMENDING CERTIFICATES

(Issued April 22, 2016)

1. On February 29, 2016, Equitrans, L.P. (Equitrans) and Rager Mountain Storage Company, LLC (Rager Mountain LLC) (jointly, the Applicants) 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 for Equitrans to acquire and operate the Allegheny Valley Connector facilities from its affiliate, Allegheny Valley Connector LLC (Allegheny LLC) and to terminate and modify two leases. For the reasons discussed below, we will grant the Applicants' requests with appropriate conditions.

I. Background and Proposals

2. Equitrans is a natural gas company, as defined by section 2(6) of the NGA, engaged in the business of gathering, storing, and transporting natural gas in interstate commerce.[3] Equitrans's pipeline system is 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.

[1] 15 U.S.C. § 717f(c) (2012).

[2] 18 C.F.R. pt. 157, Subpart A (2015).

[3] EQT Corporation (EQT) is the parent company of Equitrans.

3. Rager Mountain LLC is also a natural gas company, as defined by section 2(6) of the NGA. Rager Mountain LLC provides open-access storage services in interstate commerce through capacity leased from Allegheny LLC at the Rager Mountain Storage Facility, which is part of the Allegheny Valley Connector facilities. EQT is also the parent company of Rager Mountain LLC.

4. Allegheny LLC is a limited liability company that was formed by EQT for the purpose of acquiring and owning a passive interest in the Allegheny Valley Connector facilities. Allegheny LLC is not a natural gas company under the NGA, as it does not operate any facilities or provide any services.[4]

5. The Allegheny Valley Connector facilities are located in western Pennsylvania and consist of (1) approximately 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 Transmission, LP; (3) the Rager Mountain Storage Facility and the Truitsburg, Gamble Hayden, and Webster Storage Fields, as well as related assets; (4) two relay compressor stations with a total of 4,545 horsepower; and (5) three storage compressor stations with a total of 9,300 horsepower.

6. In 2013, EQT acquired the Allegheny Valley Connector facilities from Peoples Natural Gas Company LLC (Peoples), a local distribution company in Pennsylvania, as part of a larger corporate transaction and created Allegheny LLC to own a passive interest in the Allegheny Valley Connector facilities. Later, the Commission authorized Equitrans to acquire and operate all of the Allegheny Valley Connector facilities by lease from Allegheny LLC, except that Rager Mountain LLC was authorized to lease 2 Bcf of working gas capacity from Allegheny LLC at the Rager Mountain Storage Facility.[5] Equitrans and Rager Mountain LLC offer open-access service using the leased facilities and capacity pursuant to the rates, terms, and conditions of service set forth in their tariffs.

7. Now, as part of an internal corporate reorganization by EQT, Equitrans requests authority to acquire the Allegheny Valley Connector facilities from Allegheny LLC. In addition, Equitrans proposes to terminate its lease agreement with Allegheny LLC because the lease will no longer be necessary when it owns the Allegheny Valley Connector facilities. Further, as the new owner of the Allegheny Valley Connector

[4] *See Equitrans, L.P.*, 145 FERC ¶ 61,194 (2013) (2013 Order).

[5] *Id.* The Rager Mountain Storage Facility has a total working gas capacity of 20.5 Bcf.

facilities, Equitrans proposes to replace Allegheny LLC as the lessor in the lease of 2 Bcf of capacity to Rager Mountain LLC.[6]

8. Equitrans's proposals do not include a request to construct and operate any new facilities or abandon any existing facilities. Equitrans proposes to maintain the current rates, terms, and conditions of service contained in its tariff for service using the subject facilities.[7] Further, Equitrans states that the transfer of ownership will not affect customers, landowners, existing pipelines, or the surrounding communities because it already controls the Allegheny Valley Connector facilities through its lease agreement. It proposes no material changes to the pipeline's operation.

II. Notice and Intervention

9. Notice of the application in Docket No. CP16-81-000 was published in the *Federal Register* on March 16, 2016 (81 Fed. Reg. 14,099). Peoples and two subsidiaries, Peoples TWP LLC and Peoples Gas WV LLC,[8] filed a joint, timely, unopposed motion to intervene in the application. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.[9]

III. Discussion

10. Because the Allegheny Valley Connector facilities are used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the Applicants' proposed acquisition, operation, and termination and modification of two leases are subject to the requirements of sections (c) and (e) of section 7 of the NGA.[10]

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[6] Allegheny LLC does not need any abandonment authorization because it holds no certificates from the Commission for the Allegheny Valley Connector facilities.

[7] FERC NGA Gas Tariff, Equitrans Tariff, section 3.3.

[8] Peoples TWP LLC and Peoples Gas WV LLC serve western Pennsylvania and West Virginia, respectively.

[9] 18 C.F.R. § 385.214(c) (2015).

[10] 15 U.S.C. §§ 717f(c), (e) (2012).

A. Certificate Policy Statement

11. The Certificate Policy Statement provides guidance as to how the Commission will evaluate proposals for certificating new construction by establishing criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest.[11] While the Applicants do not contemplate any construction of new facilities, the Commission has found it appropriate to apply its Certificate Policy Statement in cases where a company seeks to acquire significant existing facilities.[12]

12. The Certificate Policy Statement explains that 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 acquire facilities with no related construction of facilities, such as in this proceeding, generally does not invoke the Certificate Policy Statement's concerns related to disruptions of the environment, landowner rights, and the exercise of eminent domain. The acquisition of existing facilities by an existing company can present issues regarding subsidization from existing customers and whether an applicant has made efforts to eliminate or minimize any adverse effects on its existing customers and on existing pipelines in the market and their captive customers.[13]

13. The Applicants' proposal satisfies the Certificate Policy Statement's no subsidy requirement because Equitrans's acquisition of the Allegheny Valley Connector facilities merely replaces the passive owner, Allegheny LLC, without any change to the existing rates paid by Equitrans or Rager Mountain LLC's customers. Furthermore, Equitrans and Rager Mountain LLC already jointly control the Allegheny Valley Connector facilities and propose no other changes that will cause existing customers to experience adverse effects. The proposal will have no adverse effects on other pipelines in the area or their captive customers. In addition, no pipeline company or their captive customers have protested the proposal herein. Finally, the proposal involves an internal corporate reorganization with a transfer of ownership that will have no impact on landowners, the surrounding communities, or the environment.

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[11] *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).

[12] *See, e.g.*, *Petal Gas Storage L.L.C.*, 142 FERC ¶ 61,119, at P 22 (2013); *UGI Storage Co.*, 133 FERC ¶ 61,073 (2010).

[13] *See Trunkline Gas Co., LLC*, 132 FERC ¶ 61,069, at P 8 (2010).

14. In view of the above findings, we find, consistent with the Certificate Policy Statement and section 7(c) of the NGA, that the public convenience and necessity requires approval of Equitrans's proposal to acquire the Allegheny Valley Connector facilities from Allegheny LLC, as well as terminate and change two leases.

B. Accounting

15. Equitrans proposes accounting for the transfer of the Allegheny Valley Connector facilities from Allegheny LLC using Account 102, Electric Plant Purchased or Sold. However, Equitrans's proposed accounting is unclear as to whether it will implement accounting in a manner that complies in all respects with the requirements of the Commission's Uniform System of Accounts. Specifically, Equitrans's proposed accounting does not provide the amounts to be used to clear Account 102. Accordingly, Equitrans must submit its final accounting providing entries related to the reorganization, along with appropriate narrative explanations describing the basis for the entries, to the Commission within six months of the date the internal corporate reorganization is consummated.

C. Environmental Analysis

16. Because the proposal requires no construction of facilities, it qualifies as a categorical exclusion under section 380.4(a)(27) of the Commission's regulations. Thus, no environmental assessment is required.[14]

17. The Commission on its own motion received and made part of the record in this proceeding all evidence, including the application, and exhibits thereto, and all comments and upon consideration of the record,

The Commission orders:

(A) Equitrans's certificate of public convenience and necessity granted in the 2013 Order is amended to (1) authorize it to acquire and operate the Allegheny Valley Connector facilities, and (2) terminate the existing lease agreement with Allegheny LLC for the Allegheny Valley Connector facilities, as more fully described in this order and in the application.

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[14] 18 C.F.R. § 380.4(a)(27) (2015).

(B) Rager Mountain LLC’s and Equitrans’s certificates of public convenience and necessity granted in the 2013 Order are amended to authorize the Applicants to replace Allegheny LLC with Equitrans in the lease agreement with Rager Mountain LLC for the 2 Bcf of Rager Mountain Storage Facility capacity, as more fully described in this order and in the application.

(C) Equitrans’s acquisition of the Allegheny Valley Connector facilities granted by Ordering Paragraph (A) shall be completed by June 30, 2016, in accordance with section 157.20(b) of the Commission's regulations.

(D) The authorizations in Ordering Paragraphs (A) and (B) are conditioned upon the Applicants’ compliance with all applicable Commission regulations under the NGA, particularly the provisions set forth in Parts 154, 157, and 284, and paragraphs (a), (d), (e), and (f) of section 157.20 of the regulations.

(E) Equitrans shall account for the transaction in accordance with Gas Plant Instruction No. 2 and No. 5 and Account 102, Gas Plant Purchased or Sold, of the Uniform System of Accounts. Equitrans shall submit its final accounting entries within six months of the date that the transaction is consummated, and the accounting submissions shall provide all the accounting entries and amounts related to the transfer along with narrative explanations describing the basis for the entries.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.