

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suedeem G. Kelly.

Transcontinental Gas Pipe Line Corporation

Docket No. CP05-37-000

ORDER ISSUING CERTIFICATE

(Issued April 19, 2005)

1. On December 14, 2004, Transcontinental Gas Pipe Line Corporation (Transco) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA) in Docket No. CP05-37-000 for a certificate of public convenience and necessity authorizing it to construct and operate certain facilities to reduce oxides of nitrogen (NOx) emissions at Compressor Station 170 in Appomattox, Virginia. The Commission will authorize Transco's proposed project, with appropriate conditions, as discussed below. Approval of this project will serve the public interest because the new facilities will result in the reduction of NOx emissions, bringing Transco into compliance with the Clean Air Act Amendments of 1990 (Clean Air Amendments) and the State of Virginia's plan to implement the requirements of the Clean Air Amendments.

**I. Background**

2. Virginia's implementation plan for the Clean Air Amendments requires reductions of NOx air emissions at certain of Transco's compressor stations. Accordingly, Transco planned to install facilities at its various compressor stations over a period of a few years to achieve the reductions of NOx emissions. Transco has already completed the installation on certain stations. In those instances where the projects' costs have not exceeded the blanket certificate regulations' cost limits, Transco has installed the facilities pursuant to its blanket certificate authority under Subpart F of Part 157 of the

regulations.<sup>1</sup> However, at Station No. 170 in Appomattox, Virginia, Transco's planned air emissions modifications are estimated at \$34.4 million. Since these projected costs will exceed the prior notice cost limit for calendar year 2005 (\$22,000,000), Transco requests case-specific certificate authorization for this project.

3. Transco proposes to install turbochargers and associated equipment on seven of the eleven reciprocating engines at Station No. 170 in order to reduce NOx emissions. These engines currently do not have turbochargers on them. Transco also plans to modify the existing turbochargers on the four other reciprocating units at Station No. 170 and install associated equipment in order to increase the capacity of the turbochargers, which will reduce NOx emissions.<sup>2</sup>

4. Transco states that, following installation of the turbochargers, the seven newly-turbocharged engines will have the potential to perform above their current operating horsepower. However, since Station No. 170 is automated, Transco maintains that it has the ability to shut down other engines or reduce their load to ensure that the station will not operate above the station's total certificated horsepower. Transco states that modification of the existing turbochargers on the four other reciprocating engines at Station No. 170 to increase their capacity will not create the potential for these engines to perform above their current operating horsepower since these engines already operate at maximum horsepower and cannot operate at a higher horsepower output. Accordingly, Transco states that this project will not result in any increase in the capacity of Transco's system at Station No. 170 or elsewhere on Transco's system.

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<sup>1</sup> Transco was issued a Part 157 blanket certificate in 1982. *See* 20 FERC & 62,420 (1982). The per-project cost limit for calendar year 2005 under the blanket certificate regulations is \$22,000,000 for projects requiring a prior notice filing with the Commission. *See* 70 *Fed. Reg.* 6340 (Feb. 7, 2005). The cost limits are adjusted each calendar year to reflect the GDP implicit price deflator published by the Department of Commerce for the previous calendar year. *See* 18 C.F.R. § 157.208(d) (2004).

<sup>2</sup> Transco states that it needs to accomplish the work at Station No. 170 in three stages to minimize the effects of necessary compressor engine outages on gas throughput. In order to do this, Transco proposes to commence work on the first stage in July 2005, on the second stage in January 2006 and on the third phase in April 2006. Transco believes this time frame will allow it to complete the work and comply with the requirements of the Clean Air Act Amendments and Virginia's implementation plan on a timely basis.

## II. Interventions

5. Notice of Transco's application was published in the *Federal Register* on December 30, 2004.<sup>3</sup> Philadelphia Gas Works, Piedmont Natural Gas Company, Inc., Consolidated Edison Company of New York, Inc., Peco Energy Company, PSEG Energy Resources & Trade LLC, Atmos Energy Corporation and Keyspan Delivery Companies filed timely, unopposed motions to intervene.<sup>4</sup>

## III. Discussion

6. Transco proposes to modify facilities used for the transportation of natural gas in interstate commerce subject to the jurisdiction of the Commission. Therefore, Transco's proposal is subject to the requirements of subsections (c) and (e) of Section 7 of the NGA.

7. On September 15, 1999, the Commission issued a Policy Statement to provide guidance as to how we will evaluate proposals for certificating new construction.<sup>5</sup> The Policy Statement establishes criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Policy Statement explains that in deciding whether to authorize the construction of major new pipeline 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.

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<sup>3</sup> 69 *Fed. Reg.* 78,404 (Dec. 30, 2004).

<sup>4</sup> Timely, unopposed motions to intervene are allowed by operation of Rule 214(c) of the Commission's Rules of Practice and Procedure. 18 C.F.R. ' 385.214(c) (2004).

<sup>5</sup> *Certification of New Interstate Gas Pipeline Facilities (Policy Statement)*, 88 FERC & 61,227 (1999), *order clarifying statement of policy*, 90 FERC & 61,128 (2000), and *order further clarifying statement of policy*, 92 FERC & 61,094 (2000).

8. Under the Commission's 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. If the applicant is an existing pipeline, 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.

9. For both new companies and existing pipelines, the Commission also considers potential impacts of the proposed project on other pipelines in the market and those existing pipelines' captive customers, or landowners and communities affected by the route of the new pipeline. 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 then proceed to complete the environmental analysis where other interests are considered.

10. Transco's proposal is necessary to reduce the NO<sub>x</sub> emissions produced by its compression facilities at Station No. 170 so that Transco will be in compliance with the Clean Air Amendments and Virginia's state implementation plan. The Policy Statement provides that the cost of new and/or replacement facilities designed to maintain and improve existing service and operations and enhance reliability and flexibility for the benefit of all customers is not considered a subsidy.<sup>6</sup> Since the instant project will benefit existing customers, subsidization by those customers will not be an issue when Transco files under section 4 of the NGA to recover the costs of the facilities proposed here.

11. Transco states that it does not intend to operate the seven compressor units with newly installed turbochargers in a manner that would create more capacity on its mainline or permit Transco to expand its current services. Thus, the Commission's approval of this proposal will not result in any additional capacity on Transco's system at

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<sup>6</sup>See 90 FERC ¶ 61,128 at 61,393 (2000).

this time.<sup>7</sup> Accordingly, this project will have no effect on other competing pipelines in the market or their captive customers. Further, all of the construction activities for this project will take place within the existing boundaries of Transco's property in the fenced yard within which Station No. 170 is located; therefore, no additional land is required for the project and it will have no adverse effect on landowners.

12. For the above reasons, the Commission finds that the benefits of Transco's proposal will outweigh any potential adverse effects. Therefore, the Commission further finds that approval of the project is consistent with the Policy Statement and that there will be a presumption supporting rolled-in rate treatment for the costs of this clear-air project when Transco files under section 4 of the NGA to recover such costs. Accordingly, the Commission will grant Transco's request for a certificate authorizing the proposed construction activities at Station No. 170, subject to the environmental conditions discussed below.

#### **IV. Environment**

13. On December 27, 2004, the Commission issued a Notice of Intent to prepare an Environmental Assessment (EA) for the proposed Station 170 Clean Air Modifications Project and Request for Comments on Environmental Issues (NOI).<sup>8</sup> The Commission's staff did not receive any comments to the NOI.

14. The Commission's staff prepared an EA for Transco's proposal. The EA addresses soils, vegetation, land use, water resources, wildlife, threatened and endangered species, cultural resources, air quality, noise, and safety, and alternatives.

15. Based on the discussion in the EA, the Commission concludes that if constructed and operated in accordance with Transco's application, approval of this proposal would not constitute a major Federal action significantly affecting the quality of the human environment. However, consistent with the condition on the certificates issued to

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<sup>7</sup>See *Transcontinental Gas Pipe Line Corp.*, 106 FERC ¶ 61,319 (2004) (although the addition of turbochargers had the potential to increase pipeline capacity, the Commission accepted Transco's assertion that it would not operate its compressors in a manner that would exceed certificated capacity).

<sup>8</sup> 70 *Fed. Reg.* 354 (Jan. 4, 2005).

Transco for similar projects,<sup>9</sup> Transco shall conduct a noise survey at Compressor Station No.170 to verify that the noise from all the compressor units operated at full capacity does not exceed the previously existing noise levels at the nearby noise sensitive areas (NSAs). The results of this noise survey shall be filed with the Secretary no later than 60 days after placing the modified units in service. If any of these noise levels are exceeded, Transco shall, within one year of the in-service date, implement additional noise control measures to reduce the operating noise level at the NSAs to or below the previously existing noise level. Transco shall confirm compliance with this requirement by filing a second noise survey with the Secretary no later than 60 days after it installs the additional noise controls.

16. 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.<sup>10</sup>

17. Transco shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other Federal, state, or local agencies on the same day that such agency notifies Transco. Transco shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

18. At a hearing held on April 13, 2005, there was received and made a part of the record in this proceeding all filed evidence, including the application and exhibits thereto, and after consideration thereof,

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<sup>9</sup>See, e.g., 98 FERC & 61,027 at p. 61,079 (2002); 102 FERC ¶ 61,305 (2003); and 106 FERC ¶ 61,319 (2004).

<sup>10</sup>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., et al.*, 52 FERC & 61,091 (1990) and 59 FERC & 61,094 (1992).

The Commission orders:

(A) A certificate of public convenience and necessity is issued authorizing Transco to modify 11 existing reciprocating compressor units at Station No. 170 in Appomattox County, Virginia, as more particularly described in this order and in the application.

(B) Transco shall complete the authorized construction within two years of this order.

(C) Transco must comply with the Natural Gas Act and all relevant provisions of the Commission's Regulations, in particular paragraphs (a), (c)(1), (c)(2), (c)(3), (e) and (f) of Section 157.20 of Part 157 of the regulations and the environmental conditions in the appendix to this order.

(D) Transco shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other Federal, state, or local agencies on the same day that such agency notifies Transco. Transco shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

### Appendix

#### **Environmental Conditions for Transco's Station No. 170 Clean Air Project**

1. Transco shall follow the construction procedures and mitigation measures described in its application and supplement including responses to staff data requests and as identified in the environmental assessment (EA), unless modified by this Order. Transco must:
  - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (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 delegation authority to take whatever steps are necessary to ensure the protection of all environmental resources during construction and operation of the project. This authority shall allow:
  - a. the modification of conditions of this 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 shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors, and contractor personnel will be informed of the environmental inspector'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. Transco shall conduct a noise survey at Compressor Station No. 170 to verify that the noise from all the equipment operated at full capacity does not exceed the previously existing noise levels at the nearby noise-sensitive areas (NSAs). The results of this noise survey shall be filed with the Secretary **no later than 60 days** after placing the modified units in service. If any of these noise levels are exceeded, Transco shall, **within 1 year** of the in-service date, implement

additional noise control measures to reduce the operating noise level at the NSAs to or below the previously existing noise level. Transco shall confirm compliance with this requirement by filing a second noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.