

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

El Paso Natural Gas Company

Docket No. CP03-57-000

ORDER ISSUING CERTIFICATE

(Issued September 17, 2003)

1. On February 27, 2003, El Paso Natural Gas Company (El Paso) filed an application under to Sections 7(b) and 7(c) of the Natural Gas Act (NGA) and Section 157 of the Commission's regulations seeking authorization to abandon and replace certain existing mainline compression facilities at its existing Bondad Compressor Station in La Plata County, Colorado (Bondad Expansion Project). The proposed modifications will increase the existing transportation capacity of the Bondad System by 140 MMcf per day. Approving El Paso's request is in the public interest because the capacity created by the additional compression will provide flexibility and capacity to receive and transport additional quantities of gas received from the San Juan Basin and Rocky Mountain area to the proposed Blanco Delivery Point. Accordingly, we will approve the requested abandonment and grant the requested certificate authorization, as discussed and conditioned below.

Background and Proposal

2. El Paso's interstate pipeline system extends from Texas to California. El Paso's existing Bondad Compressor Station is a mainline station located on El Paso's San Juan Triangle System in La Plata, County Colorado. The Bondad Compressor Station is currently comprised of three 3,580 (ISO) horsepower gas turbine-driven centrifugal compressor units yielding a total installed horsepower of 10,740 (ISO). As presently constructed, the Bondad Compressor Station possesses a daily transportation design of approximately 585.5 MMcf per day. El Paso's Ignacio Lines (Line Nos. 1205 and 1218) extend approximately 33.7 miles from its Ignacio Receipt Point in La Plata County, Colorado, south through the Bondad Compressor Station and terminate at the Blanco Compressor Station. El Paso's Bondad System consist of the Bondad Compressor Station and the Ignacio Lines.

3. El Paso requests authorization to abandon by removal, two existing Solar Centaur T4000 simple cycle gas turbine engines and one Solar Centaur T3550 simple cycle gas turbine engine which have a combined horsepower rating of 10,740 (ISO), with appurtenant equipment at the Bondad Compressor Station. El Paso proposes to replace the three existing Solar Centaur simple cycle gas turbine engines with two Solar Centaur 50-T6100L simple cycle gas turbine engines and one Solar Centaur 50S-T6100 SoLoNox simple cycle gas turbine engine, with appurtenances, which have a combined horsepower rating of 18,390 (ISO).¹ In addition, El Paso proposes to restage the three existing compressor units at the Bondad Compressor Station. The compressors will be disassembled and the single stage aerodynamic assembly of each compressor will be removed and exchanged with a two stage assembly.²

4. El Paso states that the Bondad Expansion Project is designed to increase the existing transport capacity of the Bondad System by 140 MMcf per day, from 585.5 MMcf per day to 725.5 MMcf per day. El Paso states that the project will create this additional capacity under summer operating conditions, and that the capacity available under winter operating conditions may be up to 60 MMcf per day higher. El Paso states that the additional winter capacity would be available to all system shippers downstream of the San Juan Basin on an interruptible basis.

5. El Paso states that all of the abandonment and construction activities will occur within the existing Bondad Compressor Station located in the SE/4 of Section 13, Township 33 North, Range 9 West, La Plata County, Colorado. El Paso requests authority to place the facilities in service by April 1, 2004.

6. El Paso asserts that following an open season it entered into a binding ten year firm Transportation Service Agreement (Transportation Agreement) with BP Energy Company (BP) for the entire 140 MMcf per day of incremental capacity created by the Bondad Expansion Project. Under the Transportation Agreement, El Paso will transport gas on its existing Ignacio Lines from any point of receipt in the Bondad Pooling Area to a proposed delivery point located near El Paso's existing Blanco Compressor Station located in San Juan County, New Mexico.³

¹ El Paso states that it will exchange the existing units for the three new units with the manufacturer.

² El Paso states that it will also install certain additional gas cooling facilities and necessary re-piping, and standby power generation facilities at the Bondad Compressor Station under Section 2.55(a) of the Commission's regulations.

³ El Paso states that it will construct the proposed delivery point using its

7. El Paso proposes to charge BP a discounted production area rate for the incremental expansion capacity. It also proposes to use its existing production area Rate Schedule FT and IT rates as the applicable recourse rate(s) for other shippers that may use the incremental 140 MMcf per day of capacity on an alternate or interruptible basis. In addition to the applicable contract or recourse rate, El Paso proposes an incremental fuel charge of 0.87 percent.

8. El Paso requests a pre-determination that it may roll the costs of the proposed expansion into its existing rates in its next NGA Section 4 general rate case after the expansion facilities are in service. El Paso states that the calculations in Exhibit N of its application demonstrates the contractual revenues for the project exceed the cost of service over the ten year term of the Transportation Agreement and that rolling in the costs of the facilities would result in a rate decrease for El Paso's existing shippers.

Procedural Matters

A. Intervention

9. Notice of El Paso's application in this proceeding was published in the Federal Register on October March 13, 2003 (68 Fed. Reg 12,057). The Public Utilities Commission of the State of California (CPUC) filed a timely notice of intervention. Fifteen parties filed timely motions to intervene.⁴ The Arizona Corporation Commission filed a motion to intervene out-of-time. The Arizona Commission has demonstrated an interest in this proceeding and has shown good cause for seeking to intervene out of time. Further, the untimely motion will not delay, disrupt, or otherwise prejudice this proceeding. Thus, we will grant the late motion to intervene.⁵

10. BP filed comments in support of the proposal. The El Paso Municipal Customer Group (Municipal Customers) filed comments on El Paso's application requesting that the Commission condition any authority granted in the proceeding on the outcome in Docket No. RP00-336-000, et al.⁶ ConocoPhillips Company filed a protest that it subsequently

automatic blanket certificate authorization.

⁴ Timely notices of intervention and motions to intervene are granted by operation of Rule 214 of the Commission's regulations.

⁵ All interventions are listed in Appendix A.

⁶ El Paso Natural Gas Co., 99 FERC ¶ 61,244 (2002), order on reh'g, 104 FERC ¶ 61,045 (2003)(Capacity Allocation Proceeding).

withdrew on April 16, 2003.⁷ Salt River Project Agricultural Improvement and Power District and Phelps Dodge Corporation (jointly Salt River/Phelps) filed a protest to El Paso's application.

11. El Paso and BP filed motions for leave to file answers and answers to the Salt River/Phelps protest. Although the Commission's procedural rules prohibit answers to protests and answers to answers, we may, for good cause, waive this provision.⁸ We find that El Paso's and BP's answers provide information that clarifies the issues and aids us in our decision-making. Accordingly, we find good cause to accept those filings into the record.

12. On August 15, 2003, BP filed a motion for expedited approval of El Paso application. BP contends that the July 9, 2003 Rehearing Order issued in the Capacity Allocation Proceeding mooted the protest filed by Salt River/Phelps.⁹ In response, on September 2, 2003, Salt River/Phelps filed an answer to BP's motion stating that the Capacity Allocation Rehearing Order did not render its protest moot. All filings are addressed below.

Discussion

13. Since the proposed facilities will be used for the transportation of natural gas in interstate commerce, the construction and operation of the facilities are subject to the jurisdiction of the Commission and to the requirements of NGA subsections 7(c) and (e).

A. Abandonment

14. El Paso proposes to abandon certain existing compressors and replace them with new compressors. As such, it will continue to provide the existing service through the new compressors and is not abandoning the services rendered through this facility. Therefore, the proposed abandonment will not impact the services received by the exiting customers. Under these circumstances, the Commission concludes that the abandonment is permitted by the public convenience and necessity.

⁷ Under Rule 216 of the Commission's regulations, the withdrawal of any pleading is effective at the end of 15 days for the date of filing if no motion in opposition of the withdrawal is filed.

⁸ 18 C.F.R. § 385.213(a)(2).

⁹ El Paso Natural Gas Co., 104 FERC ¶ 61,045 (2003)(Rehearing Order).

15. El Paso proposes to record the abandonment of the compressors being replaced by debiting Account 108, Accumulated Provision for Depreciation of Gas Utility Plant and crediting Account 101, Gas Plants and Service. El Paso plans to record costs of removal by debit to Account 108 and credit to Account 232, Accounts Payable. This proposed accounting conforms with the requirements of the Commission's Uniform System of Accounts and is hereby approved.

B. Compliance With Certificate Policy Statement

16. The Commission's Policy Statement on certification of new pipeline facilities provides guidance as to how the Commission will evaluate proposals for certificating new construction.¹⁰ The Policy Statement established 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.

17. 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 the 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. The Commission also considers potential impacts of the proposed project on other pipelines in the market and those existing pipelines' captive customers, and on 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 Certification of New Interstate Natural Gas Pipeline Facilities, 88 FERC ¶ 61,227 (1999); order clarifying statement of policy, 90 FERC ¶ 61,128 (2000); order further clarifying statement of policy, 92 FERC ¶ 61,094 (2000)(Policy Statement).

1. Subsidization

18. The Commission's Policy Statement directs that the threshold requirement for pipeline's proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from existing customers. As discussed below, the revenues from the contractual volumes will exceed expenses by a total of \$17.3 million during the ten year term of the Transportation Agreement. Further, we find that rolling in the cost of the expansion will result in a rate decrease for all of El Paso's customers.

19. While it seeks rolled-in rate treatment for the expansion costs, El Paso also proposes an incremental fuel rate of 0.87 percent to be paid only by shippers using the expansion capacity. This incremental fuel charge is designed to recover the actual fuel costs associated with the expansion. As such, the incremental fuel charge ensures that no existing shippers will be responsible for the cost of fuel associated with use of the additional compression. Thus, we find that no subsidy of the project by El Paso's existing customers will occur.

2. Benefits and Impacts

a. Benefits

20. In addition to the potential for lower rates, El Paso states that the proposed Bondad Expansion Project constitutes the most economical method to achieve an efficient facility configuration that will expand a routinely constrained segment of its system. It also contends that it will provide the needed flexibility and capacity to receive and transport additional quantities of gas received from the San Juan Basin and Rocky Mountain area to the proposed Blanco Delivery Point. El Paso also states that the Bondad Expansion Project will create interruptible transportation capacity during the winter months that can be used by all shippers. El Paso's shippers will also be able to access any expansion capacity that is underutilized to transport their volumes on an alternate or secondary basis.

b. Salt River/Phelps Protest

21. Salt River/Phelps contend that El Paso's proposed Bondad Expansion Project is not in the public convenience and necessity because it does not alleviate existing firm capacity constraints faced by existing shippers. They argue that any expansion proposal designed to benefit a single shipper on an otherwise constrained portion of El Paso's system should be rejected. Salt River/Phelps assert that any additional capacity created by the Bondad Expansion Project should be made available to all existing firm shippers. Finally, they claim that El Paso's project ignores the possibility that El Paso may be required by the Commission to continue to forego incremental expansions on constrained

mainline segments until it has invested sufficiently in additional pipeline infrastructure that enhances the reliability of service to its existing shippers.

22. In response, El Paso states that the new capacity, even though subscribed to only one shipper, serves to increase the reliability of service for existing shippers through existing facilities. El Paso asserts that existing shippers will also benefit from the construction of the incremental capacity because it will be available to them on an interruptible or alternate firm basis during times of non-use by BP. In addition, existing shippers may be able to use the capacity on a primary firm basis if BP decides to release all or a portion of the incremental capacity in the secondary market. Moreover, El Paso reiterates that the addition of incremental compression to increase the capacity of the existing Bondad facilities will not deprive any customer of its existing capacity rights.

23. BP states that the Bondad Expansion Project will benefit the El Paso's system by helping to alleviate a constraint at the Bondad Hub by constructing additional capacity on the Ignacio Line. Unlike other expansion projects that El Paso has proposed, which would have provided incremental supply to off-system markets in direct competition for the available supply on El Paso, BP argues that the Bondad Expansion Project makes additional supply available to El Paso's system. BP contends that the expansion will also provide additional certainty to all of El Paso's firm shippers, including Salt River, using the Bondad System, because it will alleviate the constraint at the Bondad Hub.

24. As stated, on August 15, 2003, BP filed a motion for expedited approval of El Paso's application stating that the July 9 Rehearing Order issued in the Capacity Allocation Proceeding mooted the Salt River/Phelps protest. In responses, Salt River/Phelps contend that approving the Bondad Expansion Project would violate the Commission's ruling prohibiting the sale of capacity required to meet the needs of existing firm shippers.

25. Specifically, Salt River/Phelps contend that BP's motion sidesteps its fundamental concern that El Paso should not be permitted to dedicate 140 MMcf per day of capacity to a single shipper when El Paso admits that the entire San Juan Triangle is frequently and routinely curtailed. Salt River/Phelps assert that El Paso has failed to demonstrate how its proposed Bondad Expansion Project will ease constraints within the San Juan Triangle segment of its system when all the new capacity has been awarded to only one shipper, rather than dedicated to the system as a whole.

26. Salt River/Phelps claim that the July 9 Rehearing Order made several important rulings that support its position. First, they cite to the Commission's statement that "sale, on a firm service basis, of capacity that is required to serve firm shippers under their

current contracts . . . would violate the Commission's regulations."¹¹ Second, they state that the Commission held that "El Paso will no longer be permitted to allocate or curtail firm service, except for force majeure or require maintenance."¹² Finally, they state that the Commission held that if capacity is curtailed or shippers do not receive 100 percent of their nominations, El Paso must pay demand charge credits for that capacity.¹³

27. Generally, Salt River/Phelps contend that the Commission should dismiss El Paso's application because it does not resolve historical constraints on the existing Bondad system. We disagree. Historically, El Paso served its firm customers under two types of contracts, contract demand (CD) and full requirements (FR) contracts. While CD shippers could nominate and receive delivery of quantities up to their contract levels at specified delivery points, FR shippers could nominate and receive delivery of any quantity per day up to their actual full requirements.¹⁴ In recent years, capacity on El Paso's system has become constrained and it has been unable to meet the demand of all of its firm customers. As such, its customers were subject to pro rata allocations of their nominations and were unable to receive all their nominated firm volumes.

28. In order to eliminate El Paso's firm service interruptions, the Commission directed El Paso to modify its capacity allocation methodology to assure reliable firm service to its shippers in the Capacity Allocation Proceeding.¹⁵ Specifically, the Commission directed that service under the FR contracts be converted to service under CD contracts effective September 1, 2003. It also directed El Paso to assign primary receipt rights to its shippers, and make additional capacity available to its former FR shippers through the Line 2000 Power-Up Project,¹⁶ acceptance of turnback capacity, and use of California delivery points as receipt points.

29. The purpose of the Commission's action in the Capacity Allocation Proceeding was to restore reliable firm service to the El Paso system and to encourage the development of additional infrastructure. By converting FR contracts on El Paso to CD contracts, making all of El Paso's existing capacity, plus new capacity from the Power-Up Project available to El Paso's firm shippers, and allocating specific receipt points to the firm customers, the remedy adopted by the Commission would eliminate the routine

¹¹ Rehearing Order at P 161.

¹² Id.

¹³ Citing Id. at P 184.

¹⁴ Salt River/Phelps were FR shippers.

¹⁵ See supra note 6.

¹⁶ El Paso Natural Gas Co., 100 FERC ¶ 61,280 (2003).

pro rata allocations that have rendered firm service unreliable on El Paso. In addition, the Commission determined that by providing each firm shipper with a specific CD level, proper signals would be established for construction of additional capacity by El Paso and other pipelines.¹⁷

30. The Bondad System current design capacity is for 585.5 MMcf per day. In the Capacity Allocation Proceeding, existing firm shippers were allocated delivery rights to the existing Bondad System capacity. The Bondad Expansion Project will add 140 MMcf per day of capacity, resulting in a total of 725.5 MMcf per day of capacity on the Bondad system. The additional capacity is subscribed under a firm contract to BP. As such, El Paso proposed certificated capacity of 725.5 MMcf per day should equal the contracted firm capacity of the Bondad System as required by NGA.

31. In the Capacity Allocation Proceeding, Phelps and Salt River were allocated 95,851 and 405,703 Mcf per day, respectively, compared with their respective 2001 non-coincidental peaks of 66,347 and 372,722 Mcf per day. We believe this should adequately address Salt River/Phelps' constraint issues. Further, we note that the Power-Up Project specifically authorized construction of new compression facilities to increase the capacity of El Paso's system to remedy historical constraints and pro rata allocations.

32. Further, we note that El Paso held an open season to solicit bids for the expansion capacity as required by Commission policy. BP is the only party that expressed an interest in the capacity and subsequently committed to pay for the expansion. Salt River/Phelps or any shipper other than BP desired such service, they had ample opportunity to submit a bid during El Paso's open season and secure a portion of the proposed capacity.

c. Impact on Landowners and Environment

33. All of the abandonment and construction activities will be confined to the 2.8 acres within the existing security fence at the Bondad Compressor Station. There is no additional land required for the project, no access roads will be constructed and the existing usage of the site will be identical to the current usage. Since all activity will be at the existing station, no new land needs to be acquired, there will be no necessity for condemnation proceedings, and there are no affected landowners. Therefore, we find that there are no adverse economic impacts on landowners or the environment from the proposed project.

¹⁷ El Paso Natural Gas Co., 104 FERC at P 11.

**d. Project Need and Certificate Policy
Statement Conclusion**

34. As stated, because rolling in the expansion costs will lower existing customer's rates, El Paso's proposed project can proceed without subsidies. Further, the Commission finds El Paso's project will help alleviate constraints on the Bondad systems and will provide many other benefits including increased flexibility and reliability that outweigh any potential adverse impacts. Therefore, consistent with the Policy Statement and NGA Section 7, we find approval of the El Paso's proposal to be in the public convenience and necessity.

C. Rates

35. As stated, El Paso has entered into a binding long-term firm transportation agreement with BP at a discounted transportation rate based on its existing production area rate. For service that may become available on the proposed facilities, El Paso proposes to charge the existing production area Rate Schedule FT and IT rates as the recourse rates. El Paso also proposes to charge an incremental fuel rate of 0.87 percent to be paid only by shippers using the expansion capacity.¹⁸ We find El Paso's proposed rate treatment appropriate.

36. We note that El Paso's proposal to assess an incremental fuel rate properly assigns costs to the parties benefitting from the project. To protect El Paso's existing customers, however, will require that El Paso develop a mechanism to track the fuel costs from the various compressor facilities used to provide the Bondad Compressor Project service. To insure the proper matching of costs to the customers benefitting from the project and for the tracking the cost of this project, El Paso is required to maintain separate books and records reporting the costs, revenue, and fuel costs for the Bondad Expansion Project in a separate account. 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 cases.¹⁹

37. El Paso requests that the Commission determine that it may roll the costs of the new compression facilities into existing rates in its next general rate proceeding. El Paso's application indicates that project revenues at discounted rates will exceed the project cost

¹⁸ See PG&E Gas Transmission Northwest Corporation, 96 FERC ¶ 61,194 (2001), reh'g denied, 97 FERC ¶ 61,101 (2002), requiring a similar compressor fuel surcharge.

¹⁹ See, e.g., Iroquois Gas Transmission System, 95 FERC ¶ 61,335, at 62,207 (2001).

of service in each of the first ten years of operation, resulting in a rate reduction for existing customers. The Commission agrees with that assessment. Total project revenues are estimated to be \$ 29.8 million, and total project costs are estimated to be \$ 12.5 million for the period. In addition, the Bondad Expansion Project facilities will provide operational benefits to El Paso's shippers by alleviating existing capacity constraints within the Bondad and Blanco service areas. Based on these facts and in accordance with the Certificate Policy Statement, the Commission grants El Paso's request for a predetermination that it will be allowed to roll in the costs of its project in its next general rate proceeding, absent a material change in circumstances.

D. Environmental Assessment

38. On April 15, 2003, a Notice of Intent to Prepare an Environmental Assessment for the Proposed Bondad Expansion Project and Request for Comment on Environmental Issues (NOI) was issued. No responses to the NOI were received.

39. The EA addresses soils, air quality and noise, cultural resources, public safety, and alternatives. Based on the discussion in the EA, the Commission concludes that if constructed and operated in accordance with El Paso's application and supplements and the environmental conditions set for in Appendix B, approval of the proposal would not constitute a major Federal action significantly affecting the quality of the human environment.

40. 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, replacement, or operation of facilities approved by this Commission.²⁰ El Paso 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 El Paso. El Paso shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

²⁰ 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).

E. Conclusion

41. For all the above reasons, the Commission finds that El Paso's proposed project is required by the public convenience and necessity and that a certificate authorizing the construction and operation of the proposed facilities and authority to abandon the deteriorating facilities being replaced should be issued, subject to the conditions discussed herein.

42. At a hearing held on September 10, 2003, the Commission, on its own motion, received and made a part of the record all evidence, including the application and exhibits thereto, submitted in this proceeding, and upon consideration of the record,

The Commission orders:

(A) El Paso is granted permission and approval under NGA Section 7(b) to abandon by removal the subject facilities described in its application and this order.

(B) El Paso shall notify the Commission within 10 days of the date of the abandonment of the subject facilities.

(C) El Paso is granted a certificate of public convenience and necessity under NGA Section 7, authorizing it to construct, operate, and maintain compression facilities, as described and conditioned herein, as more fully described in the application.

(D) The certificate authorized in Ordering Paragraph (C) is conditioned on the following:

(1) El Paso's completing the proposed facilities and making them available for service within one year of issuance of this order, under paragraph (b) of Section 157.20 of the Commission's regulations.

(2) El Paso's complying with all applicable Commission regulations under the NGA, including, but not limited to Parts 154, Section 157.20(a), (c), (e), and (f), and Part 284 of the Commission's regulations.

(3) El Paso's complying with the specific environmental conditions listed in Appendix B to this order.

(E) El Paso shall notify the Commission's environmental staff by telephone and/or facsimile of any environmental noncompliance identified by other Federal, state, or local agencies on the same day that such agency notifies El Paso.

(F) The Arizona Corporation Commission's motion to intervene out-of-time is granted.

(G) El Paso's and BP's motions to file answers are granted.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

Appendix A

Intervenors

Arizona Corporation Commission
Arizona Public Service Co./Pinnacle West Energy Corp.
BP America Production Co. and BP Energy Co.
Burlington Resources Trading Inc.
ChevronTexaco Natural Gas, a Division of Chevron U.S.A.
Citizens Utilities Company
ConocoPhillips Company
Duke Energy Field Services L.P.
El Paso Municipal Customer Group
Pacific Gas and Electric Co.
Public Service Company of New Mexico
Northwest Pipeline Corporation
Public Utilities Commission of the State of California
Salt River Project Agricultural Improvement and Power District and
Phelps Dodge Corporation
Southern California Gas Co.
Southwest Gas Corp.

Appendix B

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

1. El Paso shall follow the construction procedures and mitigation measures described in its application and supplements and as identified in the EA, unless modified by this Order. El Paso 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 delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during construction and operation of the projects. 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**, El Paso shall file affirmative statements with the Secretary, certified by senior company officials, 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. Within 60 days of the acceptance of this certificate and before construction begins, El Paso shall file an initial Implementation Plan with the Secretary for review and written approval by the Director of OEP describing how El Paso will implement the mitigation measures required by this Order. El Paso must file revisions to the plan as schedules change.

5. El Paso shall file updated status reports prepared by the environmental inspector with the Secretary on a biweekly basis **until** all construction-related activities, including restoration and initial permanent seeding, 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. the current construction status of the work planned for the following reporting period;
- b. a listing of all problems encountered and each instance of noncompliance observed by the environmental inspector(s) during the reporting period (both for the conditions imposed by the Commission and any environmental conditions/permit requirements imposed by other Federal, state, or local agencies);
- c. corrective actions implemented in response to all instances of noncompliance, and their cost;
- d. the effectiveness of all corrective actions implemented;
- e. a description of any landowner/resident complaints which may relate to compliance with the requirements of this Order, and the measures taken to satisfy their concerns; and
- f. copies of any correspondence received by El Paso from other Federal, state or local permitting agencies concerning instances of noncompliance, and El Paso's response.

6. El Paso shall file a noise survey with the Secretary no later than 60 days after placing authorized compressor units at the Bondat Compressor Station in service. If the noise attributable to the operation of the facility at full load exceeds an Ldn of 55 dBA at any nearby noise sensitive area (NSA), El Paso shall install additional noise controls to meet the noise level requirement within 1 year of the in-service date. El Paso shall confirm compliance with the Ldn of 55 dBA noise level requirement by filing a second noise survey with the Secretary no later than 60 days after it installs the additional noise controls.