

144 FERC ¶ 61,219  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
Cheryl A. LaFleur, and Tony Clark.

Tennessee Gas Pipeline Company, L.L.C.

Docket No. CP13-3-000

ORDER ISSUING CERTIFICATE AND GRANTING ABANDONMENT

(Issued September 19, 2013)

1. On October 10, 2012, Tennessee Gas Pipeline Company, L.L.C. (Tennessee) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations for authorization to construct and operate certain compression facilities along its 300 Line System in northeastern Pennsylvania, referred to as the Rose Lake Expansion Project. The purpose of the project is to (1) increase firm pipeline capacity on the Tennessee system by 230,000 dekatherms per day (Dth/d) (Market Component); and (2) replace older, less efficient compression facilities with a more efficient and cleaner burning compressor unit (Replacement Component). Tennessee also requests that the Commission authorize NGA section 7(b) abandonment of the compression facilities that will be retired or replaced as part of the project.
2. For the reasons discussed below, the Commission grants Tennessee's requested certificate and abandonment authorizations subject to the conditions described herein.

**I. Background and Proposals**

3. Tennessee is a limited liability company organized and existing under the laws of the state of Delaware. Tennessee is engaged in the transportation and storage of natural gas in interstate commerce subject to jurisdiction of the Commission and is a natural gas company within the meaning of NGA section 2(6).<sup>1</sup> Tennessee's mainline transmission system extends in a northeasterly direction from the states of Texas and Louisiana, and the Gulf of Mexico, through the states of Texas, Louisiana, Arkansas, Mississippi, Alabama, Tennessee, Kentucky, West Virginia, Ohio, Pennsylvania, New York, New Jersey, Massachusetts, New Hampshire, Rhode Island, and Connecticut.

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<sup>1</sup> 15 U.S.C. § 717a(6) (2012).

4. Tennessee states that the Rose Lake Expansion Project will provide needed infrastructure to transport incremental natural gas volumes to serve the growing demand for firm transportation service in the northeastern United States. For the Market Component of the project, Tennessee proposes to:

- install a new 12,630 horsepower (hp) gas-fired compressor unit and ancillary equipment and station piping modifications at Station 315 in Middlebury Center, Tioga County, Pennsylvania;
- install a new 12,661 hp gas-fired compressor unit and ancillary equipment and station piping modifications at Station 319 in Wyalusing, Bradford County, Pennsylvania. As proposed, this compressor unit will provide 3,666 hp for the service expansion component of the project, with the remaining 9,000 hp used for the Replacement Component; and
- remove and replace an existing gear box and electric-driven compressor with a new gear box and electric-driven compressor and ancillary equipment and station piping modifications at Station 317 in Troy, Bradford County, Pennsylvania.<sup>2</sup>

5. For the Replacement Component of the project, Tennessee is requesting to abandon in place two 4,500 hp compressor units at Station 319. Tennessee proposes to replace this horsepower by using 9,000 hp of the new 12,661 hp compressor unit to be installed at Station 319. Tennessee states that the Replacement Component of the project will allow it to operate more efficiently and reduce emissions.

6. Tennessee also states that it has reserved certain existing transportation capacity on its system for the project, pursuant to Article XXVI, section 5.8 of the General Terms and Conditions of its FERC Gas Tariff. Specifically, Tennessee states it reserved, effective November 1, 2014, up to 98,300 Dth/d of mainline capacity between Station 321 and Station 219, 175,000 Dth/d on the 313G lateral to Rose Lake, and associated meter capacity requested by the project shippers.

7. Tennessee explains that prior to holding its open season for the project, it executed binding precedent agreements with Statoil Natural Gas LLC (Statoil) for 175,000 Dth/d and with South Jersey Resources Group, L.L.C. (South Jersey) for 55,000 Dth/d of firm

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<sup>2</sup> Tennessee also proposes to construct and operate various appurtenances and auxiliary facilities as described in Exhibit Z-1.

transportation service for ten-year terms at negotiated rates.<sup>3</sup> The terms of the open season provided that Statoil's and South Jersey's precedent agreements would constitute binding bids in the open season. Tennessee states it held its binding open season for the Rose Lake Project from July 31 to August 20, 2012.<sup>4</sup> Tennessee explains that in the open season it offered rates, terms, and conditions of service to potential shippers that were equivalent to those included in the precedent agreements with Statoil and South Jersey and that no other parties submitted bids. Following the open season, Tennessee states that Statoil was awarded 175,000 Dth/d of capacity and South Jersey was awarded 55,000 Dth/d of capacity, which is equal to the full amount of the capacity of the project.

8. In the binding open season, Tennessee explains, it provided potential shippers with the option of qualifying as an Anchor or Foundation Shipper for the project and obtaining certain incentives. Tennessee states that Statoil qualified as a Foundation Shipper and South Jersey qualified as an Anchor Shipper by submitting bids in the open season for the required volumes and for a minimum term of ten years. Tennessee requests that the Commission approve these contract provisions as permissible material deviations to the form of service agreement contained in Tennessee's FERC Tariff.

9. Tennessee proposes to use the applicable recourse rates under its Rate Schedules FT-A and IT for service on the Market Component facilities. Tennessee also requests that the costs associated with the Market Component facilities be accorded a presumption of rolled-in rate treatment in its next NGA section 4 rate proceeding because it asserts that the incremental revenues will exceed the Market Component facilities' incremental costs. Tennessee proposes to roll in the costs of the Replacement Component facilities in its next rate case because it asserts that these facilities are designed to improve system reliability and efficiency.

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<sup>3</sup> Tennessee filed the executed precedent agreements with Statoil and South Jersey as exhibits in Exhibit I. Tennessee requests confidential treatment of the precedent agreements contained in Exhibit I pursuant to section 388.112 of the Commission's Rules of Practice and Procedure.

<sup>4</sup> Tennessee indicates that it solicited offers from its shippers to permanently relinquish capacity in the open season but no shippers offered to turn back capacity in response.

## **II. Notice, Interventions, and Protest**

10. Notice of Tennessee's application was published in the *Federal Register* on October 24, 2012 (77 Fed. Reg. 64,972). The parties identified in Appendix A to this order filed timely, unopposed motions to intervene.<sup>5</sup> The interventions of Statoil and South Jersey included comments in support of Tennessee's application. The intervention of Delaware Riverkeeper Network (Delaware Riverkeeper) included comments raising concerns related to environmental scoping issues that are addressed in the environmental section of this order.

11. New York State Electric and Gas Corporation (NYSEG) filed an untimely motion to intervene. NYSEG demonstrated an interest in this proceeding and its late intervention will not delay or otherwise prejudice the proceeding. Thus, we will grant its untimely motion to intervene.<sup>6</sup>

## **III. Discussion**

12. Since Tennessee seeks to abandon, 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 (b), (c) and (e) of section 7 of the NGA.<sup>7</sup>

### **A. Application of the Certificate Policy Statement**

13. The Certificate Policy Statement provides guidance for evaluating proposals to certificate new construction.<sup>8</sup> The Certificate 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 Certificate Policy Statement explained that in deciding whether to authorize the construction of major new pipeline facilities, the

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<sup>5</sup> Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. *See* 18 C.F.R. § 385.214 (2013).

<sup>6</sup> *See* 18 C.F.R. § 385.214(d) (2013).

<sup>7</sup> 15 U.S.C. §§ 717f(c) and 717f(e) (2012).

<sup>8</sup> *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

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.

14. 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 its 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 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 proceed to complete the environmental analysis where other interests are considered.

15. As noted above, the threshold requirement under the Certificate Policy Statement is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. As discussed below, Tennessee has presented evidence that the incremental revenue from services using the proposed Market Component facilities will exceed the incremental costs of constructing and operating these proposed facilities. If this proves to be the case, there will be no subsidization of the Market Component facilities by existing customers, and rolled-in rate treatment for these project costs should have a positive impact on rates for exiting customers. Regarding the Replacement Component of the project, we find that replacing older compressor facilities with a new compressor facility will increase the reliability and efficiency of the pipeline system. Under the Certificate Policy Statement, increasing the rates of existing customers to pay for these types of improvements does not constitute a subsidy, and the costs of such projects are permitted to be rolled into system rates.<sup>9</sup>

16. The project will not adversely affect Tennessee's existing customers, or other pipelines and their customers. The proposed expansion facilities are designed to provide incremental service without degradation of service to Tennessee's existing firm

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<sup>9</sup> Certificate Policy Statement, 88 FERC ¶ 61,227 at 61,747, n.12.

customers. In addition, Tennessee's project is designed to meet new demand and there is no evidence that service on other pipelines will be displaced or bypassed.

17. Tennessee has designed the Rose Lake Expansion Project to minimize the impact on landowners and the environment. The modifications for the new compressors will be confined within the boundaries of the existing compressor stations.

18. Tennessee has entered into long-term precedent agreements for 100 percent of the design capacity of the project. Based on the benefits Tennessee's proposal will provide to the project shippers, the lack of adverse effects on existing customers and other pipelines and their captive customers, and the minimal adverse effects on landowners or communities, we find that Tennessee's proposed Rose Lake Project is consistent with the Certificate Policy Statement and required by the public convenience and necessity, as conditioned in this order.

19. We also find that Tennessee's proposal to abandon certain facilities that are being replaced or will no longer be required after the proposed project is placed in service is permitted by the present and future public convenience or necessity.

## **B. Rates**

### **1. Initial Recourse Rates**

20. Tennessee proposes to utilize its existing Rate Schedules FT-A and IT rates as the initial recourse rates for service on the Market Component facilities. Tennessee asserts that it is appropriate for the pipeline to charge existing rates for expansion service when an incremental rate for the proposed services would be lower than the existing rate. In this instance, Tennessee states that using the first year's costs of the project, the requested certificated capacity, and the factors underlying Tennessee's existing rates, yields an estimated incremental monthly reservation rate of \$4.418 per Dth. Tennessee notes that this estimated incremental rate is less than the existing monthly FT-A Zone 4-to-Zone 4 reservation rate of \$5.47 per Dth. Tennessee states shippers will pay the applicable fuel and lost and unaccounted for rate.<sup>10</sup> The Commission approves the use of Tennessee's existing system rates as the initial recourse rates for the new capacity, including fuel and lost and unaccounted for gas rates.

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<sup>10</sup> The current fuel and lost and unaccounted for rate for Zone 4-to-Zone 4 is 0.41 percent. Tennessee Gas Pipeline Company, L.L.C., FERC NGA Gas Tariff, TGP Tariffs, Sheet No. 32, Fuel and EPCR, 7.0.0.

## 2. Rolled-in Rate Predetermination

### Market Component

21. Tennessee seeks a predetermination that it can roll the costs of the Market Component of the project into its existing rates. Tennessee states that revenue associated with the Market Component exceeds the Market Component's cost-of-service. Tennessee provides, in Exhibit N, a three year statement of revenues, expenses and income, as well as a 3-year cost-of-service analysis for the Market Component. Based on the applicable currently effective general system maximum recourse rates for Rate Schedule FT-A and annual billing determinants, Tennessee projects revenue for the first year of the Market Component to be \$17,690,000 and the cost of service for the first year to be \$12,195,000. Tennessee also projects the total revenue for the first three years of the Market Component to be \$53,070,000 and the total cost of service for the first three years of the Market Component to be \$35,395,000.

22. In support of the project, Tennessee has entered into binding precedent agreements with Statoil and South Jersey for the entire capacity of the project. These precedent agreements provide that the shippers will pay negotiated rates. One of the negotiated rates is greater than the proposed recourse rate, and the other is below the proposed recourse rate. Tennessee has a provision in its tariff permitting it to seek discount-type adjustments for negotiated rates in section 4 rate proceedings.<sup>11</sup> Therefore, for purposes of making a determination in this certificate proceeding as to whether it would be appropriate to roll the costs of the Market Component into Tennessee's system rates in a future section 4 proceeding, we will compare the cost of the project to the revenues that will be generated utilizing actual contract volumes (which is equal to the proposed certificated capacity) and the actual negotiated rate when it was lower than the existing Rate Schedule FT-A recourse rate, and the existing Rate Schedule FT-A recourse rate, when the negotiated rate was greater than the existing Rate Schedule FT-A recourse rate. Using this methodology, Tennessee's projected revenue for the first year of the Market Component would be \$16,451,734. Therefore, the projected revenues would exceed the projected cost of service for the first year of the Market Component by \$4,254,734. Because the revenues exceed the projected costs for the first year of the Market Component, Tennessee's request for a predetermination of rolled-in rate treatment for the costs associated with the Market Component is granted, absent any significant change in circumstances.

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<sup>11</sup> See Tennessee Gas Pipeline Company, L.L.C., FERC NGA Gas Tariff, TGP Tariffs, Sheet No. 387A, Discounting Policy, 0.0.0.

### **Replacement Component**

23. Tennessee proposes to roll-in the costs of the Replacement Component of the project, which are not reflected in the proposed incremental costs for the Market Component facilities, into its general system rates in its next NGA section 4 general rate proceeding. Tennessee estimates that the cost of the Replacement Component will be \$29,788,304.<sup>12</sup>

24. Tennessee argues that it is appropriate to seek rolled-in rate treatment for the costs associated with the Replacement Component of the Project as the current compressor facilities at Station 319 will be replaced with a larger, more efficient and more flexible compressor unit allowing Tennessee to operate its system more efficiently and reduce emissions. Tennessee states that its proposal to seek rolled-in rate treatment for the Replacement Component costs is consistent with the Commission's Certificate Policy Statement which provides that increasing rates of existing customers to pay for projects designed solely to improve reliability or flexibility of service for those existing customers is not a subsidy, and that costs of those projects may be rolled-in.

25. The Commission will grant Tennessee's request for a predetermination that the costs of the Replacement Component may be rolled into Tennessee's system-wide rates in the next NGA section 4 general rate case absent a significant change of circumstances. As noted by Tennessee, the Certificate Policy Statement recognizes that increasing the costs of existing customers to pay for projects designed to improve reliability or flexibility of service for the existing customers is not a subsidy.<sup>13</sup>

### **3. Precedent Agreements**

26. Tennessee states that both Statoil and South Jersey elected to pay a negotiated rate for service on the expansion facilities. Tennessee also explains that Statoil qualified as a Foundation Shipper and South Jersey qualified as an Anchor Shipper in the opens season by committing to firm transportation quantities of 175,000 Dth/d and 55,000 Dth/d, respectively, for ten year terms. Tennessee states by qualifying as a Foundation Shipper Statoil received the following benefits or incentives: (1) no proration of shipper's contract quantity in the open season; and (2) contractual extension or roll over rights at the end of the 10-year primary term and a right of first refusal at the end of any extension or roll over term. By qualifying as Anchor Shipper, Tennessee explains that

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<sup>12</sup> Tennessee Application at Exhibit K.

<sup>13</sup> See Certificate Policy Statement, 88 FERC ¶ 61,227 at n.12.

South Jersey received the following benefits or incentives: (1) limited proration of shipper's contract quantity in the open season; and (2) contractual extension rights at the end of the 10-year term and right of first refusal at the end of the extension term.

27. According to Tennessee, these contractual incentives were necessary for the shippers to make binding commitments to the project, and absent these contractual commitments the project would not proceed. Tennessee asserts that it is reasonable to provide these shippers with contractual extension rights to address their future capacity needs. Tennessee also claims that the limitation on pro-ration offered to the Foundation Shipper and Anchor Shipper is a reasonable accommodation to ensure the shipper's commitment to the project and is consistent with provisions approved by the Commission in other expansion projects.<sup>14</sup> Tennessee requests a determination from the Commission that even if some contractual provisions could be construed to constitute a material deviation from the pro forma service agreement, no provision of the precedent agreements is unduly discriminatory.

28. In addition to the non-conforming provisions identified in the precedent agreements discussed above, Tennessee states the proposed transportation service agreements (Service Agreements) with Statoil and South Jersey deviate from its Rate Schedule FT-A pro forma service agreement in several aspects. Tennessee notes that the Service Agreements deviate from the Rate Schedule FT-A pro forma service agreement as follows: (1) contain "Whereas" clauses that describe the precedent agreements; (2) address the need for acceptable regulatory authorization of the project facilities; (3) address the commencement date of the Service Agreements, which are subject to the in-service date of the project facilities; (4) indicate that Tennessee will construct the project facilities to provide service; (5) provide that the Service Agreements shall supersede and cancel the precedent agreements.

29. Tennessee also notes that Article VI of the Rate Schedule FT-A pro forma service agreement contains language which provides that individual rate components, which were at or below Tennessee's applicable maximum rate at the time the service agreement was executed, but which subsequently exceed the applicable maximum rate, may be adjusted downward to equal the new maximum rate. Tennessee states that the Service Agreements do not contain this provision because Statoil and South Jersey have elected to pay negotiated rates and their respective negotiated rate letter agreements contain provisions applicable to the agreed upon negotiated rates.

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<sup>14</sup> Tennessee Application at 14 (citing *Colorado Interstate Gas Co.*, 105 FERC ¶ 61,095, at P 55 (2003)).

30. As required by the Commission's regulations, Tennessee states it intends to file the firm transportation agreements and negotiated rate agreements and identify any material deviations or non-conforming provisions in each agreement. However, Tennessee requests the Commission address the potentially non-conforming provisions in this proceeding.

31. Although the Commission has made these upfront determinations in certificate proceedings in the past under similar circumstances, going forward we believe it is only appropriate to do so when the pipeline files redline/strikeout versions of the service agreements. On August 29, 2013, in response to a Commission staff data request, Tennessee submitted redline/strikeout versions of the service agreements with Statoil and South Jersey.<sup>15</sup>

32. The Commission finds that the incorporation of non-conforming provisions in the shippers' service agreements constitutes material deviations from Tennessee's pro forma service agreement. However, in other proceedings, the Commission has found that non-conforming provisions may be necessary to reflect the unique circumstances involved with the construction of new infrastructure and to provide the needed security to ensure the viability of a project.<sup>16</sup> We find the non-conforming provisions identified by Tennessee are permissible because they do not present a risk of undue discrimination, do not affect the operational conditions of providing service, and do not result in any customer receiving a different quality of service.<sup>17</sup> As discussed further below, when Tennessee files its non-conforming service agreements, we require Tennessee to identify and disclose all non-conforming provisions or agreements affecting the substantive rights of the parties under the tariff or service agreement. This required disclosure includes any such transportation provision or agreement detailed in a precedent agreement that survives the execution of the service agreement.

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<sup>15</sup> Tennessee requested that the service agreements be accorded privileged and confidential treatment and included a Form of Protective Agreement in its filing as required by section 388.112 of the Commission's Rules of Practice and Procedure.

<sup>16</sup> See, e.g., *Midcontinent Express Pipeline LLC*, 124 FERC ¶ 61,089, at P 82 (2008); and *Rockies Express Pipeline LLC*, 116 FERC ¶ 61,272, at P 78 (2006).

<sup>17</sup> See, e.g., *Gulf South Pipeline Co., L.P.*, 115 FERC ¶ 61,123 (2006) and *Gulf South Pipeline Co.*, 98 FERC ¶ 61,318, at P 4 (2002).

33. Tennessee must file not less than 30 days, or more than 60 days, before the in-service date of the proposed facilities, an executed copy of each non-conforming agreement reflecting all non-conforming language and a tariff record identifying these agreements as non-conforming agreements consistent with section 154.112 of the Commission's regulations.<sup>18</sup> In addition, the Commission emphasizes that the above determinations relate only to those items as described by Tennessee in section VII of its application and not to the entirety of the precedent agreements or the language contained in the precedent agreements.

### C. Environmental Analysis

34. The Commission issued a Notice of Intent to Prepare an Environmental Assessment for the Proposed Rose Lake Expansion Project and Request for Comments on Environmental Issues (NOI) on November 9, 2012. The NOI was published in the *Federal Register*<sup>19</sup> and mailed to interested parties including federal, state, and local officials; elected officials; agency representatives; environmental and public interest groups; Native American tribes; local libraries and newspapers; and affected property owners.

35. We received comments during the public scoping process from the Delaware Riverkeeper and one landowner in the vicinity of Compressor Station 315. The primary issues raised by the Delaware Riverkeeper concerned segmentation and cumulative impacts, and the landowner raised concerns regarding potential noise-level increases.

36. To satisfy the requirements of the National Environmental Policy Act (NEPA), our staff prepared an environmental assessment (EA) for Tennessee's Rose Lake Expansion Project. The analysis in 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, and alternatives. All substantive comments received in response to the NOI were addressed in the EA.

37. The EA addresses the issue of segmentation and explains that the Commission considered each of the previously approved projects on its own merits and determined that they were each designed to meet demonstrated market need and will each provide a specific contracted volume of gas to different customers within differing timeframes.

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<sup>18</sup> 18 C.F.R. § 154.112 (2013).

<sup>19</sup> 77 Fed. Reg. 68,763 (Nov. 16, 2012).

The EA also addresses the cumulative effects of the project combined with effects of other projects in proximity to Tennessee's proposal including Marcellus Shale development in the region. The EA concludes the project will not result in significant cumulative impacts.

38. The EA discusses the one landowner's noise concerns about the upgrades at Tennessee's existing Compressor Station 315, and includes recommendations to ensure that this station does not result in any audible noise level increases. We have adopted these recommendations as environmental conditions 12 and 13 in this order.

39. The EA was placed into the public record on February 12, 2013, and a 30-day comment period was provided. The Commission received one comment letter on the EA from the Clean Air Council, the Delaware Riverkeeper, and a number of other groups and individuals (collectively referred to as the CAC). On April 12, 2013, Tennessee filed a response to the CAC comments. In general, the CAC contends that the EA does not provide a sufficient basis for concluding that the project will not result in significant impacts based on numerous technical air quality issues that we address below. The CAC contends that the proposed modifications at Compressor Stations 315, 317, and 319, will result in air quality impacts during both construction and operation that were not appropriately addressed in the EA. Further, it states that the EA failed to clarify various discrepancies with Tennessee's air permit application for Compressor Station 315 and failed to adequately demonstrate compliance with the Clean Air Act. Based on its specific technical comments, the CAC contends that the project warrants preparation of an environmental impact statement (EIS).

## 1. Air Quality

### a. Permits

40. The CAC claims that Tennessee's permit from the Pennsylvania Department of Environmental Protection (PADEP) to operate the existing facilities at Compressor Station 315 expired on January 1, 2013. In its response, Tennessee states that Conditions 3.b, 3.d, 3.e, and 5.b of the PADEP's May 23, 2012 Consent Order and Agreement authorized Tennessee to operate Compressor Station 315 during the time frame identified by CAC and on March 12, 2013, the PADEP issued plan approval 59-00008B, authorizing the operation of Compressor Station 315 from that date forward. Further questions or comments regarding the effectiveness of air quality permits issued by the PADEP should be directed to that agency.

**b. Air Quality Aggregation Analysis**

41. The CAC claims that the EA's air quality analysis is flawed because each compressor station is treated as a single source for permitting purposes. According to the CAC, neither Tennessee nor FERC performed an appropriate aggregation analysis to determine whether the impacts of Compressor Stations 315, 317, and/or 319, as well as other Tennessee natural gas sites in Pennsylvania, should have been analyzed together, instead of individually.

42. The EA concludes that replacing an electric-driven compressor at Compressor Station 317 will not result in any air emission increases; therefore, the operational air quality analysis for the project was limited to Compressor Stations 315 and 319. The PADEP is the agency responsible for issuing permits under the Clean Air Act. Under its procedures, the PADEP analyzes the emissions from Stations 315 and 319 independently. The EA's air quality analysis appropriately conforms to the PADEP's requirements for the proposed project facilities.

**c. Title V and Nonattainment Threshold Clarification**

43. The CAC requests clarification regarding the emissions threshold under the EPA Title V, nonattainment New Source Review (NSR), and prevention of significant deterioration (PSD) programs. The EA states that Tennessee will be required to obtain a Title V permit based on overall NO<sub>x</sub> emissions exceeding 50 tpy, as a result of the project. However, the CAC correctly states that the Title V applicability threshold for NO<sub>x</sub> is 100 tpy. Consequently, Compressor Station 315 will be considered a minor source of emissions for criteria pollutants. However, the analysis in the EA correctly identifies that Compressor Station 315 will be a Title V major source due to greenhouse gas emissions (GHG) in excess of 100,000 tpy.

44. The CAC also correctly states that a NSR will be triggered by Compressor Station 315 if air emissions exceed the following thresholds: 40 tpy for NO<sub>x</sub>, volatile organic compounds, and sulfur dioxide; 25 tpy for particulate matter; and 100 tpy for carbon monoxide. As stated in the EA, the modifications for Compressor Station 315 will not result in emissions exceeding any of these levels. Therefore, we clarify that NSR does not apply to this station.

45. The CAC further states that there is a discrepancy between Tennessee's certificate application, that states that Compressor Station 319 exceeds the NSR threshold for NO<sub>x</sub> (100 tpy), and the emissions summary included in the EA (at page 17) that indicates that "due to the removal of existing engines, the potential-to-emit will be well below NSR thresholds." Tennessee's statement in its application refers to the current status of Compressor Station 319, which has a potential-to-emit for NO<sub>x</sub> of approximately 305

tpy; the EA states that the NO<sub>x</sub> emissions resulting from the proposed modification, which includes retiring two existing compressor units, will result in NO<sub>x</sub> emissions of 32.06 tpy. Therefore, the EA correctly states the post-modification NO<sub>x</sub> level. In addition, as we identify in the EA, there will be significant decreases in NO<sub>x</sub>, and minor decreases in carbon monoxide, sulfur dioxide, from the facility, however, there will be concomitant increases in volatile organic compounds and hazardous air pollutants.

**d. Methane Emissions**

46. The CAC states that the EA and Tennessee's use of the global warming potential of 21 for methane over a 100-year period is incorrect because the 1995 report of the Intergovernmental Panel on Climate Change uses a value of 25 for methane over a 100-year period. However, the EPA has primary authority to implement and enforce regulations to reduce air pollution under the Clean Air Act and its amendments and the current EPA guidelines use 21 as the accepted value for the global warming potential for methane. The EA's analysis appropriately conforms to the current EPA regulations.<sup>20</sup>

47. The CAC raises concerns regarding whether the EA properly accounted for all greenhouse gas emissions from the project. The EA identified the GHG emissions that will result from the project based on the EPA's GHG inventory regulations, which take into account climate change. The EA correctly identifies that GHG emissions will increase as a result of the proposed compressor station modifications, that emissions from Compressor Station 319 will not individually exceed the established thresholds that would cause them to be considered Title V or PSD major sources, and that Compressor Station 315 will require a Title V Permit due to the GHG emissions.

48. In February 2012, the Council on Environmental Quality (CEQ) released guidance on the determination of greenhouse gas and climate change impacts. While the total project carbon dioxide equivalents emissions are greater than the 25,000 tpy level identified as being presumed insignificant, the total project emissions are lower than the 100,000 tpy identified within the PSD rules as the level where mitigation measures are

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<sup>20</sup> We note that on March 8, 2013, the EPA proposed a rule to change the global warming potential of methane from 21 to 25, and the global warming potential of N<sub>2</sub>O from 310 to 298 as part of its changes to the Greenhouse Gas Reporting Rule. *2013 Revisions to the Greenhouse Gas Reporting Rule and Proposed Confidentiality Determinations for New or Substantially Revised Data Elements; Proposed Rule*, 78 Fed. Reg. 19,802 (April 2, 2013). The EPA has not issued a final rule to date.

required. Therefore, the project will not result in significant GHG emission increases that could impact climate change.

49. The CAC further claims that the EA did not consider the effect that an increase in natural gas transportation capacity could have on system-wide leaks and, consequently, GHG emissions. Given the limited scope of this project, i.e., compressor station modifications, there is no basis to conclude that there will be increased pipeline system-wide leaks. In any event, the EA states that Tennessee must construct and operate its facilities in accordance with the U.S. Department of Transportation's regulations at Title 49 of the Code of Federal Regulations, Part 192. These requirements include performing system leakage surveys and repairs.

**e. Heating Value Consistency**

50. The CAC contends that the natural gas industry tends to use the lower heating value for fuel consumption data whereas a higher heating value is more appropriate for use in GHG emission calculations.<sup>21</sup> The CAC complains that because Tennessee failed to provide detailed emissions calculations, it is unclear whether these calculations were performed correctly.

51. Tennessee provided its calculations for GHG emissions estimates in appendix B of resource report 9 in its certificate application, which clearly indicate that the higher heating values were used. Therefore, the heating values the CAC argues for were used in Tennessee's calculations, and the EA appropriately predicts the potential project air impacts and the magnitude of GHG emissions.

**2. Alternatives**

52. The CAC claims that the EA's discussion of alternatives should include a discussion of the use of electric compressor units at Compressor Stations 315 and 319, instead of the proposed natural gas-fired engines. The CAC points out that an electric engine is currently in use at Compressor Station 317.

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<sup>21</sup> The higher (or gross) heating value is the amount of heat produced by combustion of a unit quantity of a fuel. The lower (or net) heating value is the net heating value obtained by subtracting the latent heat of vaporization of the water vapor formed by combustion from the higher heating value.

53. The use of electric-driven compressors would require the installation of new electrical service to both compressor stations. Compressor Station 315 is located within about 2,160 feet of an existing electric substation and about 500 feet from an existing powerline right-of-way. In order to safely provide the additional electricity demand associated with an electric-driven compressor, the substation itself would likely require expansion. In addition, the powerline right-of-way would need to be extended by about 500 feet in order to service the compressor station. We anticipate that this would require 3 to 4 additional powerline poles between the existing powerline and the compressor station. Further, the existing electric distribution facilities between the substation and the extension may also need to be upgraded. In addition, Tennessee would potentially need to construct a transformer onsite to accommodate the electric voltage. Based on our review of the probable right-of-way alignment, this new powerline extension would require minimal tree clearing, if any. The new powerline right-of-way, however, would require new easements on private property and result in visual impacts on nearby residents on Catlin Hollow Road and Muck Road.

54. Compressor Station 319 is located approximately 1,500 feet (straight line) from an existing substation that currently serves the NS2 compressor station operated by Central New York Oil and Gas Company (CNYOG). In order to accommodate electric compression, a 3,500-foot-long route would be required to extend behind CNYOG's NS2 Compressor Station (or follow Turkey Path Road). This powerline is owned by First Energy Company and could potentially provide electric power to the new compressor unit at Compressor Station 319. The existing electric substation would, however, require expansion in order to accommodate the additional power requirements. In addition, this alternative would require about 0.5 to 1 mile of new electric powerlines to reach Compressor Station 319. The new powerline would require additional rights-of-way, including about 600 feet of forest clearing in order to avoid encroachment on CNYOG's and a private landowner's property. Additional tree clearing may also be required in the same forested area to allow for temporary workspace. The existing powerline poles to CNYOG's compressor station are 80 to 85 feet high, and First Energy Company would likely install the new powerline poles to Tennessee's Compressor Station 319 at the same pole height. Similar to the additional powerline requirement at Compressor Station 315, the additional powerline poles would create an additional visual impact on the surrounding landowners.

55. As discussed in the EA, the project will replace older, less-efficient compression facilities at Compressor Station 319 with new, more efficient and cleaner burning gas compressor units that will reduce existing criteria pollutant emissions. The EA concludes that Tennessee's proposed installation of a new turbine-compressor package at Compressor Station 315 will increase operational emissions (though it will still remain a minor source). While we agree that long-term impacts on local air quality would be reduced by using electric units at Compressor Stations 315 and 319, we do not

believe there is a clear environmental benefit to electric compression given that emissions from the proposed compressor station modifications are below allowable thresholds. Therefore, we conclude that installing electric-driven compressor units at either station is not an environmentally preferable alternative to the proposed action.

56. The CAC also asserts that the EA's discussion of alternatives is deficient because it does not analyze the use of Selective Catalytic Reduction (SCR) technology and EPA Natural Gas Star Recommended Practices and Technologies as a means to reduce air emissions. We disagree. These technologies do not constitute alternatives to the proposed action under NEPA; rather, they represent possible mitigation measures that could be used on the proposed project facilities to reduce emissions in compliance with the Clean Air Act.

57. Selective Catalytic Reduction (SCR) is a process that occurs after the combustion process and utilizes ammonia (or urea) in the presence of a catalyst to convert  $\text{NO}_x$  to nitrogen and water. The SCR method for  $\text{NO}_x$  reduction, while highly efficient, is designed for facilities much larger than those proposed here and is not required for the proposed compressor stations to meet applicable air quality requirements. Tennessee's compressor station design does incorporate SoLo $\text{NO}_x$ <sup>22</sup> technology for the turbine units at Compressor Stations 315 and 319, which reduces combustion temperature, thereby reducing  $\text{NO}_x$  emissions. With respect to CAC's arguments regarding EPA Natural Gas Star Recommended Practices and Technologies (STAR), use of those guidelines is voluntary; however, we note that Tennessee states in its response that the proposed Solar Mars 100 Turbine installations at Compressor Stations 315 and 319 follow STAR practices. Finally, we note that Environmental Condition No. 9 in Appendix B to this order provides that the Director of the Commission's Office of Energy Projects will not provide written authorization for Compressor Stations 315 or 319 to commence construction of project facilities until Tennessee has filed documentation that it has received all necessary authorizations required under federal law. Thus, prior to receiving any construction approval from the Commission, Tennessee must demonstrate to the PADEP that emissions from the compressor station will not exceed acceptable levels and obtain the requisite air quality permits. The PADEP is responsible for enforcing the federally authorized State Implementation Plan to comply with air quality

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<sup>22</sup>SoLo $\text{NO}_x$  is a dry-low emission system that uses lean-premixed combustion. A high air-to-fuel ratio is utilized for combustion and the air and fuel are mixed prior to entry into the combustion chamber. This reduces the combustion temperature, thereby reducing  $\text{NO}_x$  emissions.

standards according to the Clean Air Act. Tennessee's compliance with the permitting process will ensure that the compressor station minimizes air quality impacts.

### 3. Public Health

58. The CAC states that the EA did not address the impact of air emissions on public health. As stated in the EA, the project air emissions were evaluated relative to the National Ambient Air Quality Standards (NAAQS), for which the primary standards provide public health protection, including protecting the health of sensitive populations such as asthmatics, children, and the elderly. Secondary standards provide public welfare protection, including protection against increased visibility and damage to animals, crops, vegetation, and buildings.

59. While the EA did not specifically model the impact on ambient air quality due to the new facility, we agree with CAC that a modeling analysis would be informative for the public. Thus, we modeled the facility using a worst-case screening analysis scenario for NO<sub>x</sub> and particulate matter with an aerodynamic diameter less than or equal to 2.5 microns (PM<sub>2.5</sub>) for Compressor Station 315. Using the screening analysis for both the Solar Mars 100 turbine and the existing source combined into a single point source, estimated building size, good engineering practice stack height, rural topography, downwash, we conducted multiple runs of the SCREEN3 model. Our results consistently showed that there will be no violations of the NAAQS.

60. There will be major decreases in NO<sub>x</sub> emissions at Compressor Station 319, and only minor increases in PM<sub>2.5</sub>; thus, we believe that the modifications at Compressor Station 319 will have a net benefit for local and regional air quality. Additionally, the EA states that the project will be constructed in counties that are in attainment with the NAAQS,<sup>23</sup> and will be a minor source for all NAAQS criteria pollutants. Based on the findings in the EA, we conclude that the project will not result in significant air emission-related public health impacts.

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<sup>23</sup> Pennsylvania as a whole is treated as an ozone nonattainment area in regards for permitting as it is within the northeast ozone transport region. Tioga and Bradford Counties, where Compressor Stations 315 and 319 are located, are in attainment for all criteria pollutants.

#### **4. Cumulative Impacts**

61. The CAC argues that the EA failed to include a sufficient cumulative impacts analysis because it does not review the cumulative emissions occurring in the same airshed as the project facilities.

62. The EA includes an analysis of the cumulative impacts of past, present, and reasonably foreseeable activities in the project area. The cumulative impacts analysis in the EA clearly identifies air quality and noise as the resource areas where cumulative impacts could be most likely.<sup>24</sup> The analysis describes the impacts associated with the Marcellus Shale development in the surrounding area, and the existing and pending natural gas pipelines under our jurisdiction in the region. The EA provides sufficient analysis to conclude that the short-term construction effects of the project are primarily limited to the footprint of Tennessee's existing compressor stations, resulting in limited incremental air quality impacts. With regard to operational effects of the project, the EA concludes that the operating emissions will contribute to the cumulative impact on the regional air quality. As previously stated, however, Tennessee's project involves replacing older, less-efficient compression facilities at Compressor Stations 317 and 319 which will reduce overall operational emissions. The increased emissions resulting from Tennessee's proposed Compressor Station 315 are fully described in the EA and will remain below regulatory thresholds. Further, this station will be mitigated by PADEP's air quality permit and regional air quality will require monitoring by the Pennsylvania State Implementation Plan to ensure that air quality does not degrade due to increases in regional sources. Therefore, we find that the EA includes a sufficient analysis to determine that the incremental operational emissions of Tennessee's proposal will not significantly contribute to the cumulative impacts on regional air quality.

#### **5. Segmentation**

63. The CAC claims that the Rose Lake Expansion Project is an interdependent project that relies on the completion of Tennessee's previous projects on its 300 Line System that have been certificated by the Commission, including the 300 Line Project, the Northeast Supply Diversification (NSD) Project, the MPP Project, and the Northeast Upgrade Project. The CAC claims that a project such as the Rose Lake Expansion

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<sup>24</sup> EA at 29. The EA identifies six other projects in the counties impacted by the project but determines that only the Northeast Upgrade Project and the ongoing Marcellus Shale natural gas development would potentially result in cumulative impacts when considered with the Rose Lake Rose Lake Expansion Project.

Project could not have moved forward without the complete looping of a second line along Tennessee's 300 Line resulting from these prior expansions. Furthermore, it asserts that after the upgraded loops had been completed, the only way in which additional capacity could be added to Tennessee's existing system was through compression upgrades, such as the Rose Lake Expansion Project.

64. The CEQ regulations provide that actions are "connected" if they meet one of the following three criteria: (1) automatically trigger other actions which may require an environmental impact statement; (2) cannot or will not proceed unless other actions are taken previously or simultaneously; or (3) are interdependent parts of a larger action and depend on the larger action for their justification.<sup>25</sup> Where "proceeding with one project will, because of functional or economic dependence, foreclose options or irretrievably commit resources to future projects, the environmental consequences of the projects should be evaluated together."<sup>26</sup> The courts have held that improper segmentation is usually concerned with projects that have reached the proposal stage.<sup>27</sup> Applying these principles here, we conclude that there was no reason to consider all five projects together for environmental review.

65. As an initial matter, we note that in orders addressing Tennessee's Northeast Upgrade Project, the Commission addressed similar segmentation claims and rejected the argument that the environmental consequences of four of the 300 line expansion projects, namely, the 300 Line Project, the MPP project, the NSD Project and the Northeast Upgrade Project, must be evaluated together because the projects are functionally dependent.<sup>28</sup> For similar reasons, we reject the CAC's claim here that a fifth project, the subject Rose Lake Expansion Project, should also be evaluated in a single environmental document together with the four other Tennessee expansion projects on the 300 Line System.

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<sup>25</sup> 40 C.F.R. § 1508.25(a)(1)(i)(iii) (2013).

<sup>26</sup> *O'Reilly v. United States Army Corps of Engineers*, 477 F.3d 225, 236 (5<sup>th</sup> Cir. 2007) (citing *Fritiofson v. Alexander*, 772 F.2d 1225, 1241, n. 10 (5<sup>th</sup> Cir. 1985)).

<sup>27</sup> *Id.* at 236-237.

<sup>28</sup> *Tennessee Gas Pipeline Company, L.L.C.*, 139 FERC ¶ 61,161, at P 92 (2012), *order on reh'g*, 142 FERC ¶ 61,025, at PP 37-49 (2013).

66. As discussed in the EA, each of the four previously certificated Tennessee projects were stand-alone projects and each project was designed to provide a contracted-for volume of gas to specific customer within a certain timeframe.<sup>29</sup> The proposed Rose Lake Expansion Project is similarly designed to provide another contracted-for volume of gas within a different timeframe to different customers.

67. We disagree with CAC's contention that these projects are connected because this project is designed based on the facilities proposed in the earlier projects. The fact that existing or previously-proposed infrastructure will have an impact on the design of subsequent capacity is a function of engineering principles; it does not demonstrate these actions are connected for NEPA purposes and cannot move forward independently. Here, Tennessee has signed binding agreements for the full incremental capacity of the Rose Lake Expansion Project, so it is reasonable to assume Tennessee would have proposed a project to provide this contracted-for service, even in the absence of one or more of the earlier projects.<sup>30</sup> Additionally, we note that Tennessee's 300 Line Project and NSD Project are completed and in service and construction has commenced on the MPP and Northeast Upgrade Project. The fact that Tennessee would move forward with those projects before the Commission authorized the subject expansion, is evidence that those projects have independent utility from the Rose Lake Expansion Project.

## **6. Reliance on Compliance with Other Permits**

68. The CAC claims that FERC staff abdicates its NEPA responsibilities in the EA by deferring to standards administered by other agencies' air quality permits, without independently assessing anticipated impacts. The Commission disagrees. We find that the EA conducts an independent review of the potential environmental impacts associated with the project consistent with NEPA. The EA describes the federal regulations administered by federal and/or state agencies delegation, and explains that based on Tennessee's compliance with other laws and mitigation required by the Commission and other agencies, the EA can recommend a finding of no significant impact. The fact that we take these laws and measures into account in assessing the environmental impact of the project is not an abdication of our responsibility. The EA

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<sup>29</sup> EA at 3.

<sup>30</sup> If one or more of the previous projects had not been built, Tennessee presumably would have to add, delete, and/or modify the facilities it proposes in the subject certificate application, in order to provide the contracted-for transportation service.

also recommends, and this order requires, that Tennessee file documentation that it has received all necessary federal authorizations prior to any construction of the project.

## 7. Need for an Environmental Impact Statement

69. The CAC contends that because substantial questions have been raised regarding the environmental and public health effects of the project, that FERC should prepare an EIS for Tennessee's project. We disagree. The Commission's environmental staff makes an upfront individual determination whether to prepare an EIS or an EA for each new proposed project, pursuant to the Commission's regulations.<sup>31</sup> The CEQ regulations implementing NEPA state that one of the purposes of an EA is to determine whether an EIS is required.<sup>32</sup> Here, Commission staff prepared an EA to determine whether the Rose Lake Expansion Project would have a significant impact, necessitating the preparation of an EIS. The facilities associated with the Rose Lake Expansion Project are located adjacent to Tennessee's existing compressor stations and will not impact any waterbodies, wetlands, or sensitive habitats. We conclude that the EA for this project appropriately determines that the project will not result in significant impacts and satisfies our obligations under NEPA; therefore, the project does not warrant preparation of an EIS.

70. We also disagree with the CAC claim that an EIS is required because the finding of no significant impact will establish precedent for future actions having significant impacts on air quality.<sup>33</sup> Specifically, CAC asserts that the pace of natural gas development in the Marcellus Shale region and the associated construction of numerous regulated facilities pose a risk that the Commission will be bound to the conclusions presented in the EA when evaluating future projects. The Commission's finding of no significant impact in the EA was based on independent review of the unique circumstances of the project. Commission action on future projects will be based on their own merits.

71. We have reviewed the information and analysis contained in the record, including the EA, regarding the potential environmental effect of Tennessee's project. Based on

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<sup>31</sup> The Commission's regulations implementing NEPA only require preparation of an EIS for "[m]ajor construction projects. . . ." 18 C.F.R. § 380.6(a)(3) (2013).

<sup>32</sup> 40 C.F.R. § 1501.4(c) (2013).

<sup>33</sup> CAC Comments at 13 (citing 40 C.F.R. § 1508.27(b)(6) (2013)).

our consideration of this information, we agree with the conclusions presented in the EA and find that if constructed and operated in accordance with Tennessee's application and supplements, and the environmental conditions imposed herein, approval of this proposal will not constitute a major federal action significantly affecting the quality of the human environment.

72. 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>34</sup>

73. At a hearing held on September 19, 2013, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application(s), as supplemented, and exhibits thereto, submitted in support of the authorization sought herein, and upon consideration of the record,

The Commission orders:

(A) A certificate of public convenience and necessity is issued authorizing Tennessee to construct and operate the facilities, as described more fully herein and in the application.

(B) Tennessee is authorized to abandon certain facilities, as more fully described herein and in the application.

(C) The certificate authority granted in Ordering Paragraph (A) shall be conditioned on the following:

- (1) Tennessee completing the authorized construction of the proposed facilities and making them available for service within 18 months of

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<sup>34</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 issuance of this order pursuant to section 157.20(b) of the Commission's regulations.

- (2) Tennessee complying with all applicable Commission regulations under the NGA including but not limited to Parts 154 and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations.
- (3) Tennessee complying with the environmental conditions in Appendix B to this order.

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

(E) Tennessee must file not less than 30 days, or more than 60 days, before the in-service date of the proposed facilities an executed copy of the non-conforming agreements reflecting the non-conforming language and a tariff sheet identifying these agreements as non-conforming agreements consistent with section 154.112 of the Commission's regulations.

(F) Tennessee's proposal to use its currently-effective rates under Rate Schedules FT-A and IT as initial recourse rates for service on the expansion facilities is approved. Tennessee's request for a predetermination for rolled-in rate treatment for the costs of the project in its next general NGA section 4 rate proceeding is granted, barring a significant change in circumstances, as discussed in the body of this order.

(G) Tennessee must execute firm natural gas transportation contracts equal to the level of service and in accordance with the terms of service represented in its precedent agreements prior to commencing construction.

(H) NYSEG's untimely motion to intervene is granted.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

**Appendix A**

**Timely, Unopposed Interventions in Docket No. CP13-3-000**

Atmos Energy Corporation  
Atmos Energy Marketing LLC  
Consolidated Edison Company of New York, Inc. and  
Orange and Rockland Utilities, Inc.  
Delaware Riverkeeper Network  
Elizabethtown Gas, Nicor Gas Company, and Chattanooga Gas Company  
National Fuel Gas Distribution Corporation  
National Grid Gas Delivery Companies.  
New Jersey Natural Gas Company  
NJR Energy Services Company  
Piedmont Natural Gas Company, Inc.  
ProLiance Energy, LLC  
PSEG Energy Resources & Trade LLC  
South Jersey Resources Group, LLC  
Statoil Natural Gas LLC  
Tennessee Customer Group<sup>35</sup>  
UGI Distribution Companies

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<sup>35</sup> Centerpoint Energy Corp.; City of Clarksville Gas and Water Department, City of Clarksville; City of Corinth Public Utilities Commission; Delta Natural Gas Company, Inc.; Greater Dickson Gas Authority; Hardeman Fayette Utility District; Henderson Utility Department; Holly Springs Utility Department; Humphreys County Utility District; Town of Linden; Morehead Utility Plant Board; Portland Natural Gas System, City of Portland; Savannah Utilities; Springfield Gas System, City of Springfield; City of Waynesboro; West Tennessee Public Utility District; Athens Utilities; City of Florence, Alabama; Hartselle Utilities; City of Huntsville, Alabama; Municipal Gas Authority of Mississippi; North Alabama Gas District; Tuscumbia Utilities; and Sheffield Utilities.

**APPENDIX B****Environmental Conditions in Docket No. CP13-3-000**

1. Tennessee shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the EA, unless modified by the Order. Tennessee 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 Project (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 project. This authority shall allow:
  - 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**, Tennessee shall file an affirmative statement with the Secretary, certified by a senior company official, 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**, Tennessee shall file with the Secretary any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 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 reference locations designated on these alignment maps/sheets.

5. Tennessee shall file with the Secretary detailed alignment maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all facility relocations, staging areas, pipe storage yards, new access roads, and other areas that would be used or disturbed and have not been previously identified in filings with the Secretary. Approval for each of these areas must be explicitly requested in writing. For each area, the request must include a description of the existing land use/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/aerial photographs. 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 extra workspace allowed by our *Upland Erosion Control, Revegetation, and Maintenance Plan* and/or minor field realignments per landowner needs and requirements which 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. **At least 60 days before construction begins**, Tennessee shall file an Implementation Plan with the Secretary for review and written approval by the Director of OEP. Tennessee must file revisions to its plans as schedules change. The plan shall identify:
    - a. how the company 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 the company 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 onsite construction and inspection personnel;
- c. the number of EIs assigned, and how the 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 material;
  - e. the location and dates of the environmental compliance training and instructions the company will give to all personnel involved with construction and restoration (initial and refresher training as the project progresses and personnel change);
  - f. the company personnel (if known) and specific portion of the company's organization having responsibility for compliance;
  - g. the procedures (including use of contract penalties) the company will follow if noncompliance occurs; and
  - h. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
    - (1) the completion of all required surveys and reports;
    - (2) the environmental compliance training of onsite personnel;
    - (3) the start of construction; and
    - (4) the start and completion of restoration.
8. Beginning with the filing of its Implementation Plan, Tennessee shall file updated status reports with the Secretary on a **monthly basis 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 efforts to obtain the necessary federal authorizations;
  - b. the construction status of the project, work planned for the following reporting period, and any schedule changes for work in environmentally-sensitive areas;
  - c. a listing 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/permit requirements imposed by other federal, state, or local agencies);
  - d. a 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/resident complaints which 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 the company from other federal, state, or local permitting agencies concerning instances of noncompliance, and Tennessee's response.
9. **Prior to receiving written authorization from the Director of OEP to commence construction or operation of any project facilities**, Tennessee shall file with the Secretary documentation that it has received all applicable authorizations required under federal law (or evidence of waiver thereof).
10. Tennessee must receive written authorization from the Director of OEP **before placing its project into service**. Such authorization will only be granted following a determination that rehabilitation and restoration of the facility sites and other areas affected by the project are proceeding satisfactorily.
11. **Within 30 days of placing the authorized facilities in service**, Tennessee shall file an affirmative statement with the Secretary, certified by a senior company official:
- a. that the facilities have been constructed 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 Tennessee has complied with or will comply with. This statement shall also identify any areas affected by the project where compliance measures were not properly implemented, if not previously identified in filed status reports, and the reason for noncompliance.
12. Tennessee shall perform an additional acoustic study of the existing unit at Compressor Station 315 to quantify the magnitude and frequency spectrum of each principal noise source associated with the operation of this station. The study shall specify the noise control equipment necessary to reduce the noise levels from this station, with the addition of the proposed compressor unit, to a day-night sound level of 55 A-weighted decibels at nearby noise-sensitive areas. Tennessee shall specify what actions it will implement to reduce overall noise from the compressor station and provide a schedule for completing those actions. Tennessee shall file a copy of the study with the Secretary **before commencing construction** of the proposed facilities at Compressor Station 315.

13. Tennessee shall file noise surveys with the Secretary **no later than 60 days** after placing Compressor Stations 315, 317, and 319 in service. If a full load condition noise survey is not possible, Tennessee shall provide an interim survey at the maximum possible horsepower load and provide the full load survey **within 6 months**. If the noise attributable to the operation of all the equipment at Compressor Stations 315, 317, and 319 under interim or full horsepower load conditions exceeds a day-night sound level of 55 A-weighted decibels at any nearby noise-sensitive areas, shall file a report on what changes are needed and shall install the additional noise controls to meet the level **within 1 year** of the in-service date. Tennessee 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.