

145 FERC ¶ 61,257  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Columbia Gas Transmission, LLC

Docket No. CP13-477-000

ORDER ISSUING CERTIFICATE

(December 19, 2013)

1. On May 10, 2013,<sup>1</sup> Columbia Gas Transmission, LLC (Columbia) filed an application under section 7(c) of the Natural Gas Act (NGA)<sup>2</sup> and Part 157, Subpart A of the Commission's regulations<sup>3</sup> for a certificate of public convenience and necessity authorizing it to construct and operate a compressor station in Washington County, Pennsylvania and to add compression to an existing compressor station in Gilmer County, West Virginia (Smithfield III Expansion Project).<sup>4</sup> Columbia states that the proposal will enable it to provide an additional 444,000 dekatherms (Dth) per day of firm transportation service on its system from the Appalachian basin to an interconnection with Columbia Gulf Transmission, LLC (Columbia Gulf) near Leach, Kentucky.
2. We grant the requested authorizations, subject to conditions discussed below.

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<sup>1</sup> Columbia supplemented its application on May 13 and 21, 2013.

<sup>2</sup> 15 U.S.C. § 717f(c) (2012).

<sup>3</sup> 18 C.F.R. pt. 157, Subpart A (2013).

<sup>4</sup> Pursuant to section 2.55(a) of the regulations, 18 C.F.R. § 2.55(a), Columbia will install auxiliary facilities in Greene County, Pennsylvania, and Monongalia, Wetzell, Roane, and Kanawha Counties, West Virginia, after the Smithfield III Expansion Project has been certificated. These proposed facilities are listed in Appendix A of this order.

## **I. Background**

3. Columbia,<sup>5</sup> a Delaware limited liability company, is a natural gas company<sup>6</sup> that transports natural gas and operates underground storage fields in interstate commerce in Delaware, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia.

## **II. Proposal**

4. Columbia proposes to construct and operate facilities to enable it to provide an additional 444,000 Dth per day of firm natural gas transportation service on its system from the Appalachian basin to an interconnection with Columbia Gulf near Leach, Kentucky. Specifically, Columbia proposes to construct:

- a) A new 9,400-horsepower (hp) compressor station, consisting of two 4,700-hp ISO-rated Solar Centaur compressor units and auxiliary and appurtenant equipment, near Columbia's existing Redd Farm Regulating Station on Line 1570, north of Columbia's Waynesburg Compressor Station in Washington County, Pennsylvania (Redd Farm Compressor Station).
- b) Two new 7,800-hp ISO-rated Solar Centaur compressor units, totaling 15,600 hp, and auxiliary and appurtenant equipment at Columbia's existing Glenville Compressor Station in Gilmer County, West Virginia.<sup>7</sup> The units

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<sup>5</sup> Columbia is a wholly-owned subsidiary of the Columbia Energy Group, which is a wholly-owned subsidiary of NiSource Inc.

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

<sup>7</sup> Columbia states that it considered the potential recovery of waste heat energy at the Glenville Compressor Station, as discussed in the Interstate Natural Gas Association of America White Paper entitled *Waste Energy Opportunities for Interstate Natural Gas Pipelines* issued in February 2008 (INGAA White Paper). Columbia states that with the addition of the two new compressor units, the Glenville Compressor Station will meet the initial required threshold of total gas turbine station capacity of at least 15,000 hp. Columbia, however, asserts that based on historic throughput on Line Nos. 1570 and 1360, neither the existing nor the new compressor units at the Glenville Compressor Station will be likely to meet the second required threshold of operating at a rate of more than 5,250 hours per year and concludes that waste heat recovery would not be economical at this time. We note that Columbia should continue to monitor the Glenville Compressor Station and, should the station meet the waste heat recovery parameters in

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will be installed in a new compressor building on the existing compressor station property.

5. After a non-binding open season held in the first quarter of 2012,<sup>8</sup> Columbia executed binding precedent agreements with three shippers for approximately 419,000 Dth per day of incremental firm transportation service. Antero Resources Appalachian Corporation (Antero), Rice Drilling B LLC (Rice), and PetroEdge Energy, LLC (PetroEdge) have subscribed for approximately 314,000, 100,000, and 5,000 Dth per day of firm transportation service, respectively.<sup>9</sup> The shippers' gas would enter Columbia's system at receipt points located on Columbia's Line 1570 in Washington County, Pennsylvania, and Line 1360 in Dodge County, West Virginia and be transported to an interconnection with Columbia Gulf near Leach, Kentucky.

6. Columbia states that it is installing more horsepower at the proposed Redd Farm Compressor Station than required to serve the Smithfield III Expansion Project shippers. Columbia states that only 3,000 hp is needed to serve Antero, Rice, and PetroEdge and it intends to use the additional 6,400 hp to serve customers on its proposed Line 1570 Project.<sup>10</sup> The total estimated construction cost for the Redd Farm Compressor Station is

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the INGAA White Paper, Columbia should post such information on its electronic bulletin board.

<sup>8</sup> Columbia states that it solicited offers from its shippers to permanently relinquish capacity in the open season, but no shippers offered to turn back capacity.

<sup>9</sup> Columbia filed the executed precedent agreements with Antero, Rice, and PetroEdge in Exhibit I of its application. The precedent agreement with Antero was subsequently amended and refiled with the Commission on August 15, 2013.

<sup>10</sup> On May 10, 2013, Columbia also filed an application in Docket No. CP13-478-000 proposing to replace 18.52 miles of 20-inch-diameter pipeline on its Line 1570 between its existing Waynesburg Compressor Station and its Redd Farm Regulating Station in Washington County, with 24-inch-diameter steel pipeline and replace three existing 1,080-hp turbine compressor units with a new 4,700-hp turbine compressor unit at the Waynesburg Compressor Station (Line 1570 Project). Columbia states in that proceeding that the facilities to be replaced are aging and need to be replaced to reduce risk, increase system reliability, and comply with Department of Transportation regulations. Columbia's proposals will also add incremental capacity on Line 1570. During the design of its Line 1570 Project, Columbia decided to offer additional capacity to meet the needs of a new anchor shipper. To meet this additional demand, Columbia determined that it would be necessary to increase the horsepower from 3,000 hp to 9,400

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\$30,151,639. Columbia proposes to recover \$20,102,469 of this total through rates charged the Smithfield III Expansion Project customers. Columbia proposes to recover the remaining costs from the Line 1570 Project customers.<sup>11</sup> Columbia explains that the amount proposed to be recovered from the Smithfield III Expansion Project shippers is the estimated costs associated with installing smaller compressor units that would only serve those customers.

7. Columbia estimates the total cost of the Smithfield III Expansion Project to be approximately \$81.8 million. Columbia proposes to utilize its existing Rate Schedule FTS rates, including all applicable charges and surcharges, as initial recourse rates for project service. Antero, Rice, and PetroEdge have elected to pay negotiated reservation rates, which are greater than Columbia's existing reservation rate under Rate Schedule FTS.

8. Columbia requests a predetermination that it may roll the costs associated with the project into its existing system rates in a future NGA section 4 general rate case proceeding, absent a significant change in circumstances. Columbia also seeks rolled-in treatment of its cost recovery through its Retainage Adjustment Mechanism of company use, and lost and unaccounted for quantities.

### **III. Notice and Interventions**

9. Notice of Columbia's application was published in the *Federal Register* on June 4, 2013 (78 Fed. Reg. 33,400). The thirty-one parties listed in Appendix B of this order have filed timely, unopposed motions to intervene.<sup>12</sup> No comments or protests were filed.

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hp at the Redd Farm Compressor Station. *See* Columbia's May 10, 2013 Application in Docket No. CP13-478-000.

<sup>11</sup> In this proceeding we will address recovery only of those costs incurred to provide service to Smithfield III Expansion Project shippers. Authorization for Columbia to recover any additional costs related to construction and operation of the Redd Farm Compressor Station will be considered in the Line 1570 Project proceeding.

<sup>12</sup> Timely, unopposed motions to intervene are granted by operation of Rule 214(c) of the Commission's Rules of Practice and Procedure. *See* 18 C.F.R. § 385.214(c) (2013).

#### IV. Discussion

10. Since Columbia seeks to construct and operate facilities used in the transportation of natural gas in interstate commerce subject to the jurisdiction of the Commission, the proposal is subject to the requirements of subsections (c) and (e) of section 7 of the NGA.<sup>13</sup>

##### A. Certificate Policy Statement

11. The Certificate Policy Statement provides guidance for evaluating proposals for certificating new construction.<sup>14</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 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 storage and pipeline construction.

12. 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.

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<sup>13</sup> 15 U.S.C. §§ 717f(c) and 717f(e) (2012).

<sup>14</sup> *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *clarified*, 90 FERC ¶ 61,128, *further clarified*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

13. As stated, the threshold requirement is that the applicant must be prepared to financially support the project without relying on subsidization from its existing customers. Columbia has demonstrated that an incremental rate calculated to recover the costs of the proposed project would be less than Columbia's applicable system rate for service. Therefore, we find that Columbia's proposal to charge its existing system rates as initial recourse rates for Smithfield III Expansion Project service will not result in existing customers subsidizing the proposed project.

14. The proposed Smithfield III Expansion Project facilities are designed to enable Columbia to provide incremental service for new shippers. The proposals should have no effect on service to Columbia's existing firm customers. In addition, no pipelines or their captive customers filed adverse comments regarding Columbia's proposal. Thus, we find that the project will not adversely affect Columbia's existing customers or other pipelines and their customers.

15. We further find that Columbia has taken steps to minimize any adverse impacts to landowners and communities that might be affected by its projects. The proposed expansion of Columbia's existing Glenville Compressor station will take place within the existing compressor station lot. As for the proposed new Redd Farm Compressor Station, Columbia will be entering into a lease agreement with the owner of the 1.75 acres on which the compressor station will be located. No landowners affected by the proposal have protested or filed comments in opposition to the project.

16. Columbia's proposals will enable Columbia to provide an additional 444,000 Dth per day of firm transportation service, 94 percent of which is subscribed by three customers. Based on the benefits the project will provide, the minimal adverse impacts on Columbia's existing customers, other pipelines and their captive customers, and landowners and surrounding communities, we find that Columbia's proposed project is consistent with the Certificate Policy Statement and required by the public convenience and necessity, as conditioned in this order.

## **B. Rates**

### **1. Initial Recourse Rate**

17. Columbia proposes to use its existing Rate Schedule FTS reservation rate and all applicable charges and surcharges as the initial recourse rate for firm transportation service on the Smithfield III Expansion Project.

18. The Commission has found it appropriate for pipelines to charge their existing system rate as the initial recourse rate for new project services in cases where an

incremental rate calculated to recover the costs associated with an expansion project would be lower than the pipeline's existing rate for service.<sup>15</sup> Here, Columbia's currently effective base reservation rate under Rate Schedule FTS is \$5.262 per Dth per day. The estimated incremental monthly firm base reservation rate for this project would be \$2.353 per Dth per day.<sup>16</sup> Since the estimated incremental rate is less than Columbia's existing rate, we will approve the use of Columbia's existing system rates as the initial recourse rates for services utilizing the new capacity created by the expansion facilities.

## 2. Rolled-in Rate Proposal

19. Columbia requests a predetermination that it may roll the costs of the project into its system-wide rates in its next NGA section 4 general rate proceeding. In support of its request, Columbia provides in Exhibit N of its application a three-year statement of revenues, expenses, and income, as well as a three-year cost-of-service analysis.

20. The expansion shippers have agreed to pay a negotiated rate that is higher than the currently effective system rate. In instances where this is the case, when the Commission considers a request for rolled-in rate treatment, the Commission has generally compared project costs with the revenues that would be generated if all project services under contract were provided at the maximum recourse rate. Using the contracted volumes and Columbia's currently effective Rate Schedule FTS base reservation rate, we have calculated estimated revenue for the first year of the project to be \$26,457,336<sup>17</sup> and conclude that Columbia has demonstrated that projected revenues for the project exceed its estimated incremental cost of service by \$13,921,855. Thus, we will approve Columbia's request for a pre-determination that it will be appropriate to roll the costs of the project into Columbia's system rates in its next NGA section 4 general rate proceeding, absent any significant change in circumstances.

21. To ensure that all parties to a future rate proceeding will have full knowledge of the costs and revenues attributable to the project, we will require Columbia to account for the construction and operating costs and revenues separately in accordance with section

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<sup>15</sup> See *Millennium Pipeline Company, L.L.C.*, 145 FERC ¶ 61,007, at P 30 (2013).

<sup>16</sup> This value is derived by dividing the first year cost of service of \$12,535,481 by the total annual firm design capacity equivalent of 5,328,000 Dth (444,000 Dth per day times 12 months).

<sup>17</sup> First year revenues were calculated utilizing the actual contracted capacity of 419,000 Dth per day and the currently effective Rate Schedule FTS base reservation rate of \$5.262 per Dth per day.

154.309 of the Commission's regulations.<sup>18</sup> With such information, the parties and the Commission can evaluate the costs of the project and identify any change in material circumstances that may warrant a re-examination of rolled-in rate treatment in Columbia's next general NGA section 4 rate proceeding. This information must be in sufficient detail so that the data can be identified in Statements G, I, and J in any future NGA section 4 or 5 rate case and provided consistent with Order No. 710 on incremental facilities.<sup>19</sup>

### **3. Fuel Rate**

22. Columbia proposes to charge its generally applicable system fuel and lost and unaccounted-for retention for project services. Based on engineering data that Columbia used to design the project, we have determined that Columbia's fuel retention would remain the same and that existing shippers will not subsidize or be adversely affected by the fuel changes resulting from this project. Thus, we will approve Columbia's proposal to charge its generally applicable system fuel and lost and unaccounted-for retention.

### **4. Negotiated Transportation Rate**

23. Columbia states that it will provide service to its customers under negotiated rate agreements pursuant to the negotiated rate authority in its General Terms and Conditions.<sup>20</sup> Columbia must file either its negotiated rate agreements or tariff records setting forth the essential terms of the agreements associated with the project, in accordance with the Alternative Rate Policy Statement<sup>21</sup> and the Commission's negotiated rate policies.<sup>22</sup> Columbia must file the negotiated rate agreements or tariff

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<sup>18</sup> 18 C.F.R. § 154.309 (2013).

<sup>19</sup> *See Revisions to Forms, Statements, and Reporting Requirements for Natural Gas Pipelines*, Order No. 710, FERC Stats. & Regs. ¶ 31,267, at P 23 (2008).

<sup>20</sup> *See Columbia Gas Transmission, LLC, FERC NGA Gas Tariff, Baseline Tariffs, Gen. Terms & Conditions, Negotiated Rates, 0.0.0.*

<sup>21</sup> *See Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines; Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076, at 61,241, *order granting clarification*, 74 FERC ¶ 61,194, *reh'g denied*, 75 FERC ¶ 61,024 (1996).

<sup>22</sup> *See Natural Gas Pipelines Negotiated Rate Policies and Practices; Modification of Negotiated Rate Policy*, 104 FERC ¶ 61,134 (2003), *order on reh'g and clarification*,

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records at least thirty days, but not more than sixty days, before the in-service date of the proposed facilities.<sup>23</sup>

### C. Environmental Analysis

24. On July 9, 2013, the Commission issued a *Notice of Intent to Prepare an Environmental Assessment* (NOI). The NOI was published in the *Federal Register*<sup>24</sup> and mailed to interested parties including federal, state, and local officials; agency representatives; conservation organizations; potentially interested Indian tribes; local libraries and newspapers; and affected landowners in the vicinity of the Smithfield III Expansion Project.

25. In response to the NOI, we received one comment from the Clean Air Council (Council).<sup>25</sup> The Council raised general concerns about the purpose and need for the project; cumulative impacts and natural gas production and its effect on climate change; and the environmental review of the project and Columbia's Line 1570 Project as separate projects. The Council further requested that the environmental assessment (EA) consider whether an environmental impact statement (EIS) is necessary; deficiencies in Columbia's treatment of air quality in its application; the need for air modeling, pollution controls, and alternative equipment that may reduce the impacts of the project; and reasonable alternatives, including low-impact renewable energy sources, energy efficiency measures, and electric compressor/turbine engines.

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114 FERC ¶ 61,042, *dismissing reh'g and denying clarification*, 114 FERC ¶ 61,304 (2006).

<sup>23</sup> Columbia's filing with the Commission should also clearly specify the non-aggregated rates the expansion shippers will pay for service on the Columbia system.

<sup>24</sup> 78 Fed. Reg. 42,062 (July 15, 2013).

<sup>25</sup> In a separate filing, the Catawba Indian Nation expressed concern about the project's impact on cultural resources and requested to be a consulting party. The tribe was accepted as a consulting party and received copies of cultural resource survey reports. The tribe then indicated that they had no concerns with the project, but would like to be notified if human remains or grave goods were found during construction. Columbia added the tribe's contact information to the Unanticipated Discoveries Plan. *See* EA at 2-18.

26. To satisfy the requirements of the National Environmental Policy Act of 1969 (NEPA),<sup>26</sup> our staff prepared an EA for Columbia's proposal. The analysis in the EA addressed geology, soils, water resources, wetlands, vegetation, fisheries, wildlife, threatened and endangered species, land use, recreation, visual resources, cultural resources, air quality, noise, safety, cumulative impacts, and alternatives. On October 29, 2013, the EA was placed into the public record for this proceeding. All substantive comments received in response to the NOI were addressed in the EA and are summarized below.

### **1. Whether an EIS is Appropriate for the Project**

27. The Council maintains that the Commission should have prepared an EIS for the Smithfield III Expansion Project.

28. The Council of Environmental Quality (CEQ) regulations implementing NEPA state that one of the purposes of an EA is to assist agencies in determining whether to prepare an EIS or a finding of no significant impact.<sup>27</sup> Consistent with CEQ's regulations, the Commission's policy is to prepare an EA, rather than an EIS, if our initial review indicates that a project is not likely to be a major federal action significantly affecting the quality of the human environment. The Commission's NEPA regulations require preparation of an EIS for a "major pipeline construction project."<sup>28</sup> Our regulations do not define or explain what constitutes a "major pipeline construction project." However, the Commission's years of experience with NEPA implementation for natural gas projects indicate that construction and operation of a single compressor station, the addition of compression at an existing station, and minimal modifications at other existing facilities would not fall under the "major" category for which an EIS is automatically prepared. Further, our NEPA scoping process yielded only a single comment letter. As indicated in the EA, no significant impacts would occur as a result of the construction and operation of the project.<sup>29</sup> We affirm the EA's finding and reject the Council's assertion that an EIS is required.

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<sup>26</sup> 42 U.S.C. §§ 4321-4347 (2012).

<sup>27</sup> See 40 C.F.R. § 1508.9 (2013).

<sup>28</sup> See 18 C.F.R. § 380.6(a)(3) (2013).

<sup>29</sup> See EA at 4-1.

## 2. Whether Stated Purpose and Need for Project is Vague

29. The Council contends that Columbia has provided a vague definition of the purpose and need for the project and has not sufficiently explained why the project is necessary.

30. As stated in the EA, Columbia has clearly defined the purpose and need for the project, that is to enable it to provide an additional 444,000 Dth of natural gas per day of firm transportation service on its pipeline system.<sup>30</sup> Columbia held an open season and reverse open season, which resulted in the execution of binding precedent agreements for 419,000 Dth per day of firm transportation service for three customers. We find that Columbia has sufficiently explained that the project is necessary in order to provide the contracted additional capacity to meet market demand.

## 3. Whether the Commission Improperly Segmented Projects

31. The Council believes that Columbia's Smithfield III Expansion Project and its Line 1570 Project should be considered together and urges the Commission to consider whether Columbia has improperly segmented the two projects to avoid comprehensive environmental review.

32. Improper segmentation of a project occurs when interrelated projects are artificially divided into smaller, less significant components in order to avoid the NEPA requirement that an EIS be prepared for all major federal actions with significant environmental impacts.<sup>31</sup> To determine whether a proposal has been improperly segmented, courts have considered such facts as whether the proposed segment (1) has logical termini; (2) has substantial independent utility; (3) does not foreclose the opportunity to consider alternatives; and (4) does not irretrievably commit federal funds for closely related projects.<sup>32</sup> The CEQ's NEPA regulations provide guidance on when actions should be analyzed together or separately. Specifically, CEQ's regulations provide that proposals should be analyzed in the same EIS if they are "connected" (i.e., "closely related").<sup>33</sup> Actions are connected if they automatically trigger other actions that

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<sup>30</sup> See *id.* at 1-5.

<sup>31</sup> See *Taxpayers Watchdog, Inc. v. Stanley*, 819 F.2d 294, 298 (D.C. Cir. 1987).

<sup>32</sup> See *Jackson County, N.C. v. FERC*, 589 F.3d 1284, 1290 (D.C. Cir. 2009); *O'Reilly v. U.S. Army Corps of Engineers*, 477 F.3d 225, 236 (5th Cir. 2007).

<sup>33</sup> 40 C.F.R. § 1508.25(a)(1)(iii) (2013).

may require an EIS, cannot or will not proceed unless other actions are taken previously or simultaneously, or are interdependent of a larger action and depend on the larger action for their justification.<sup>34</sup>

33. Here, it is apparent that the Smithfield III Expansion Project and the Line 1570 Project have substantial independent utility. As explained in this order, the Smithfield III Expansion Project's purpose is to enlarge Columbia's mainline capacity in order to provide firm transportation service for 444,000 Dth per day of gas, 94 percent of which transportation service has been subscribed by three new shippers to an interconnection with Columbia Gulf's system in Leach, Kentucky. The purpose of the Line 1570 Project is to modernize Line 1570 to improve its reliability and to expand that line to provide additional transportation capacity for shippers different from the Smithfield III Expansion Project shippers to an existing interconnection with Texas Eastern Transmission, LP's system near Columbia's Waynesburg Compressor Station in Greene County, Pennsylvania. Neither project triggers another action nor are they dependent on a larger action; therefore, they are not connected. We find that the two projects were not improperly segmented.

34. Moreover, the EA included resource impact information for the Line 1570 Project and considered the impacts of that project on the Smithfield III Expansion Project in the cumulative impacts section.<sup>35</sup> We find that the EA complies with NEPA requirements and CEQ's NEPA guidance.

#### **4. Cumulative Impacts With Respect to Natural Gas Production and Climate Change**

35. The Council comments that cumulative impacts of the project should be considered with respect to natural gas production and greenhouse gas emissions (GHG) known to contribute to climate change. The Council further comments that all direct and indirect impacts of the project should be considered, including impacts of existing and reasonably foreseeable Marcellus Shale gas development.

36. The EA evaluated the direct and indirect impacts associated with the project and concluded that they would be relatively minor.<sup>36</sup> Further, the EA found that the majority of the cumulative impacts identified from past, present, or reasonably foreseeable future

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<sup>34</sup> See *id.* § 1508.25(a)(1).

<sup>35</sup> See EA at 2-37 to 2-44.

<sup>36</sup> See *id.* at 2-43 to 2-44.

projects or activities in the region of influence would also be temporary and minor.<sup>37</sup> The EA recommended additional measures to further reduce impacts, which are included as conditions in Appendix C to this order.

37. The EA quantified the potential GHG emissions from the project's stationary, fugitive, and construction sources. The potential increase in GHG emissions from operation of the four stationary sources (i.e., the Redd Farm Compressor Station, the Hero-Jollytown and Pigeon valve settings, the Smithfield Compressor Station, and the Glenville Compressor Station) is anticipated to be a total of 143,413 tons per year of CO<sub>2e</sub>; construction would emit 2,007 tons of CO<sub>2e</sub>.<sup>38</sup> By way of comparison, the U.S. Environmental Protection Agency's (EPA) threshold for permitting is 100,000 tons per year of CO<sub>2e</sub> from a *single* stationary source (excluding construction-related emissions).<sup>39</sup> Emissions from none of the proposed stationary sources exceed that level. Further, under EPA's GHG reporting program, Columbia will be required to report the GHG emissions when actual emissions exceed 25,000 tons CO<sub>2e</sub> per year from any stationary source.<sup>40</sup> Regarding cumulative emissions of non-GHG pollutants, the EA identified other existing, proposed, and reasonably foreseeable emission sources in the project area and determined that because they are located more than 10 kilometers from the project facilities, significant cumulative impacts are not anticipated.<sup>41</sup>

38. With regard to the cumulative impacts of the project on Marcellus Shale gas development, the EA stated that such an analysis is outside the scope of the EA because the timing, scale, and location of future development are speculative.<sup>42</sup>

##### **5. Whether Columbia's Resource Report 9 (Air and Noise Quality Submission) is Inadequate**

39. The Council contends that Resource Report 9 (Air and Noise Quality) of Columbia's application is inadequate because it did not include air quality impacts

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<sup>37</sup> See *id.* at 2-38 to 2-44.

<sup>38</sup> See *id.* at 2-23, 2-25, 2-30.

<sup>39</sup> See 40 C.F.R. § 52.21(b)(49)(v) (2013).

<sup>40</sup> See *id.* § 98.231.

<sup>41</sup> See EA at 2-40 and 2-41.

<sup>42</sup> See *id.* at 2-44.

associated with the proposed Pigeon valve setting in Roane County, West Virginia and the Clendenin Compressor Station in Kanawha County, West Virginia.<sup>43</sup> The Council asserts that the proposed construction at these sites may result in increased fugitive emissions. Furthermore, the Council argues that Resource Report 9 failed to identify volatile organic compounds, hazardous air pollutants, and GHG emissions.

40. During the Commission staff's review and preparation of the EA, the staff requested additional information from Columbia regarding its analysis of air quality impacts. Columbia subsequently provided all necessary information for staff to complete the EA, including the air quality information for the Pigeon valve setting modifications and Clendenin Compressor Station. Thus, any deficiency in the air quality analysis in Columbia's application was adequately supplemented and the project's impact on air quality was fully addressed in the EA.<sup>44</sup>

## **6. Consideration of Air Modeling and Alternative Pollution Control Technologies**

41. The Council contends that Columbia should be required to perform dispersion modeling to properly assess air quality impacts of the project.<sup>45</sup> The Council further comments that additional pollution control technologies should be considered, including selective catalytic reduction and potential replacement and retrofits that mitigate degradation to air quality.

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<sup>43</sup> See Appendix A to this order for a description of Columbia's proposed construction activities to be conducted pursuant to 18 C.F.R. § 2.55(a).

<sup>44</sup> See EA at 2-18 to 2-30 (page 2-26 of the EA specifically discusses air quality impacts at the Pigeon valve setting and Clendenin Compressor Station and pages 2-26 and 2-30 discuss fugitive GHG emissions).

<sup>45</sup> The Council also referenced an air model that it conducted for the Barto Compressor Station, which alleged that nitrogen dioxide (NO<sub>2</sub>) emissions from the station exceeded National Ambient Air Quality Standards (NAAQS). The Pennsylvania Department of Environmental Protection (PADEP), which is responsible for monitoring air quality within the state to ensure compliance with the Clean Air Act, concluded that it did not detect NO<sub>2</sub> measurements greater than NAAQS and stated that it would continue to monitor the impacts of the Marcellus industry on air quality. See Attachments A, B, and C in the Response of Columbia to Comments of the Clean Air Council filed on September 12, 2013.

42. As stated in the EA, an air modeling analysis was conducted using the screening mode of the American Meteorological Society/Environmental Protection Regulatory Model.<sup>46</sup> The EA identified the modeling results for the Redd Farm Compressor Station, the Glenville Compressor Station, and the Smithfield Compressor Station in comparison with NAAQS. The results demonstrate that emissions from each of these compressor stations, following completion of the project, are below NAAQS and operations would not result in regionally significant impacts on air quality.<sup>47</sup>

43. We confirm here that Columbia's compressor station design incorporates emission reduction technologies. Further, Environmental Condition 8 in Appendix C to the order requires Columbia to file documentation that it has received all necessary authorizations required under federal law, which would include the required PADEP and West Virginia Department of Environmental Protection (WVDEP) Air Permits. As stated in the EA, Columbia must demonstrate to the state agencies that emissions from the compressor stations would not exceed acceptable levels and obtain the requisite air quality permits.<sup>48</sup> The PADEP and WVDEP are responsible for enforcing the federally authorized state implementation plan to comply with air quality standards according to the Clean Air Act. Columbia's compliance with the permitting process would ensure that the compressor stations minimize air quality impacts. Thus, the EA concluded that analyses of additional emission control alternatives for the compressor stations are not warranted.<sup>49</sup>

7. **Consideration of Renewable Energy Alternatives,  
Energy Conservation and Efficiency Measures**

44. The Council suggests that the Commission consider alternatives to the proposed action, mentioning renewable energy sources including solar, offshore wind, and energy conservation and efficiency measures. The EA concluded that these alternatives relate to energy generation and usage and have no relation to the transportation of natural gas.<sup>50</sup>

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<sup>46</sup> See EA at 2-27.

<sup>47</sup> See *id.* at 2-28 to 2-29.

<sup>48</sup> See *id.* at 2-27.

<sup>49</sup> See *id.* at 2-27.

<sup>50</sup> See *id.* at 3-1.

The alternatives would not meet the project objectives (i.e. to provide additional natural gas transportation service for up to 444,000 Dth per day).<sup>51</sup>

45. The Council also comments that electric motor-driven compressors should be considered as an alternative at the Redd Farm and Glenville Compressor Stations. Because electric-driven compression would require additional environmental impacts associated with the construction of the electrical substation and overhead transmission lines, the EA concluded that electric motor-driven compressors would not provide a significant environmental advantage over the proposed project design.<sup>52</sup>

46. Based on the analysis in the EA, we conclude that if constructed and operated in accordance with Columbia's application and supplements, and in compliance with the environmental conditions in Appendix C to this order, approval of Columbia's proposal would not constitute a major federal action significantly affecting the quality of the human environment.

47. 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 of facilities approved by this Commission.<sup>53</sup>

48. At a hearing held on December 19, 2013, the Commission on its own motion received and made part of the record in this proceeding all evidence, including the application, 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 Columbia to construct and operate the Smithfield III Expansion Project, as described more fully in this order and in the application.

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<sup>51</sup> See *id.*

<sup>52</sup> See *id.* at 3-2.

<sup>53</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.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

(B) The certificate issued in Ordering Paragraph (A) is conditioned on:

- (1) Columbia's completing the authorized construction of the proposed facilities and making them available for service within two years of the date of this order pursuant to section 157.20(b) of the Commission's regulations;
- (2) Columbia's compliance with all applicable Commission regulations, including paragraphs (a), (c), (e), and (f) of section 157.20 of the Commission's regulations;
- (3) Columbia's compliance with the environmental conditions listed in Appendix C to this order.

(C) Columbia's proposal to use its currently-effective rates under Rate Schedule FTS as its initial recourse rates for service on the Smithfield III Expansion Project is approved.

(D) Columbia's request for a predetermination favoring rolled-in rate treatment of the Smithfield III Expansion Project costs in Columbia's next general rate case is approved, absent a significant change in circumstances.

(E) Columbia shall file all negotiated rate agreements or a tariff record describing the negotiated rate agreements associated with this project no earlier than 60 days, and no later than 30 days, prior to the in-service date of the proposed facilities.

(F) Columbia shall execute firm natural gas transportation contracts equal to the level of service represented in its precedent agreements prior to commencing construction.

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

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

## Appendix A

### Auxiliary Facilities to be Constructed Under 18. C.F.R. § 2.55(a)

- a) A new regulation setting on Line 1570 in Greene County, Pennsylvania, to regulate the pressure differences on Line 1983 and Line 1570. Columbia also proposes to install a line heater at this location.
- b) A new station recycle to enhance the flexibility at Columbia's existing Smithfield Compressor Station in Wetzel County, West Virginia.<sup>54</sup> Columbia will also improve the ventilation at the station, install a new discharge gas cooler and a new generator, upgrade the existing office building, and replace hydraulic motors on existing gas coolers with electrical variable speed drives.
- c) A modified Pigeon valve setting to remove the restriction in the current crossover piping and check valve in Roane County, West Virginia.
- d) New filter separators at the suction side of Columbia's existing Clendenin Compressor Station in Kanawha County, West Virginia, and associated station piping, valves, and a gas control system.

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<sup>54</sup> A station recycle is a valve assembly that recycles gas flow during periods of low flow through the compressor unit in order to prevent surge conditions that could cause the compressor unit to shut down.

## **Appendix B**

### **Timely Intervenors**

Antero Resources Appalachian Corporation  
Atmos Energy Marketing LLC  
BP Energy Company  
Chevron U.S.A. Inc.  
City of Charlottesville, Virginia  
City of Richmond, Virginia  
Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc. (together known as NiSource Distribution Companies)  
ConocoPhillips Company  
Cross Timbers Energy Services, Inc.  
Exelon Corporation  
Hess Corporation  
Interstate Gas Supply, Inc.  
National Fuel Gas Distribution Corporation  
National Grid Gas Delivery Companies  
New Jersey Natural Gas Company  
New York State Electric & Gas Corporation  
NJR Energy Services Company  
Noble Energy, Inc.  
Orange and Rockland Utilities, Inc.  
Pivotal Utility Holdings, Inc.  
ProLiance Energy, LLC  
Rice Drilling B LLC  
UGI Utilities, Inc., UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc. (together known as UGI Distribution Companies)  
Virginia Natural Gas, Inc.  
Washington Gas Light Company

## Appendix C

### Environmental Conditions

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

1. Columbia 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. Columbia must:
  - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary;
  - b. justify each modification relative to site-specific conditions;
  - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
  - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) before using that modification.
2. The Director of OEP has delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during activities associated with the 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**, Columbia shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors (EI), 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 soon as they are available, and before the start of construction**, Columbia shall file with the Secretary any revised construction workspace configuration drawings at a scale not smaller than 1:6,000 with station positions for all activities 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.

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

5. Columbia shall file with the Secretary detailed maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all route realignments or facility relocations, and 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 the Commission's *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 resource mitigation measures;
  - b. implementation of endangered, threatened, or special concern species mitigation measures;
  - c. recommendations by state regulatory authorities; and
  - d. agreements with individual landowners that affect other landowners or could affect sensitive environmental areas.
6. **Within 60 days of the acceptance of the Authorization and before construction begins**, Columbia shall file an Implementation Plan with the

Secretary for review and written approval by the Director of OEP. Columbia must file revisions to the plan as schedules change. The plan shall identify:

- a. how Columbia would 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 Columbia would 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 would ensure that sufficient personnel are available to implement the environmental mitigation;
  - d. company personnel, including EIs and contractors, who would receive copies of the appropriate material;
  - e. the location and dates of the environmental compliance training and instruction Columbia would 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 Columbia's organization having responsibility for compliance;
  - g. the procedures (including use of contract penalties) Columbia would 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.
7. Beginning with the filing of its Implementation Plan, Columbia 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 would also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
- a. an update on Columbia's 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 stream crossings or work in other 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 Columbia from other federal, state, or local permitting agencies concerning instances of noncompliance, and Columbia's response.
8. **Prior to receiving written authorization from the Director of OEP to commence construction of any project facilities**, Columbia shall file with the Secretary documentation that it has received all applicable authorizations required under federal law (or evidence of waiver thereof).
9. Columbia must receive written authorization from the Director of OEP **before placing the project into service**. Such authorization would only be granted following a determination that rehabilitation and restoration of the areas affected by the project are proceeding satisfactorily.
10. **Within 30 days of placing the authorized facilities in service**, Columbia 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 would be consistent with all applicable conditions; or
  - b. identifying which of the authorization conditions Columbia 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.
11. Columbia shall file a noise survey with the Secretary **no later than 60 days** after placing the Redd Farm Compressor Station in service. If a full power load condition noise survey is not possible, Columbia shall provide an interim survey at maximum possible horsepower load and provide the full load survey **within six months**. If the noise attributable to the operation of the equipment at the Redd Farm Compressor Station under interim or full horsepower load conditions

exceeds a day-night sound level of 55 decibel (A-weighted scale) at any nearby noise sensitive areas (NSAs), Columbia shall file a report on what changes are needed and shall install the additional noise controls to meet the level **within one year** of the in-service date. Columbia 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.

12. Columbia shall file noise surveys with the Secretary **no later than 60 days** after placing the modified Glenville and Smithfield Compressor Stations in service. If full horsepower load condition noise surveys are not possible, Columbia shall file interim surveys at the maximum possible horsepower load **within 60 days** of placing the compressor stations in service and file the full load surveys **within six months**. If the noise attributable to the operation of all of the equipment at the Glenville and Smithfield Compressor Stations under interim or full horsepower load conditions exceeds existing noise levels at any nearby NSAs, Columbia shall file a report on what changes are needed and shall install the additional noise controls to meet the level **within six months of each station's in-service date**. Columbia 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.