

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeen G. Kelly.

Trunkline Gas Company, LLC

Docket No. CP06-35-000

ORDER APPROVING ABANDONMENT AND ISSUING CERTIFICATE

(Issued April 26, 2006)

1. On December 8, 2005, Trunkline Gas Company, LLC (Trunkline) filed an application under sections 7(b) and 7(c) of the Natural Gas Act (NGA) to abandon an existing 2,000 horsepower (hp) reciprocating unit at its Cypress Compressor Station in Harris County, Texas and for a certificate of public convenience and necessity for authorization to construct a new 7,000 hp electric compressor unit as its replacement. As discussed below, the requested authorizations are required by the public convenience and necessity and are granted herein.

**Background and Proposal**

2. The Cypress Compressor Station is located on Trunkline's South Texas system in the northern portion of Harris County, Texas. The Cypress Compressor Station was originally certificated in 1956 and consisted of three reciprocating compressor units (Unit Nos. 4301, 4302 and 4303), each rated at 2,000 hp.<sup>1</sup> In 1966, the Commission authorized an additional reciprocating compressor unit at the Cypress Station (Unit No. 4304), also rated at 2,000 hp, for a current total of 8,000 hp of compression.<sup>2</sup> Trunkline is proposing to abandon-in-place one of the reciprocating units (Unit No. 4302), install a new 7,000 hp electric unit, and use the three remaining reciprocating units to provide backup compression for the proposed new unit.

3. Trunkline states that its proposal is designed to reduce the nitrogen oxides (NOx) emissions at the Cypress Station in order to meet the federal and state air quality standards mandated by the Texas Commission on Environmental Quality (TCEQ). The Cypress Compressor Station is located within the Houston-Galveston non-attainment zone and must meet the emission guidelines established for that region. The annual

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<sup>1</sup> 15 FPC 46 (1956).

<sup>2</sup> 35 FPC 224 (1966).

emission allowance at the Cypress Station is limited to 415.8, 269.2, and 82.7 tons of NO<sub>x</sub> for years 2005, 2006, and 2007, respectively, and 29.5 tons of NO<sub>x</sub> for the year 2008 and beyond.

4. Trunkline states that two of the four existing units (Unit Nos. 4303 and 4304) were modified with emission control equipment in 2005. Even with additional controls to the remaining two engines (Unit Nos. 4301 and 4302), Trunkline states that the emissions would exceed the 2008 and subsequent years' emission allowances that have been allocated to the Cypress Compressor Station. Therefore, in order to reduce the NO<sub>x</sub> emissions and meet the TCEQ air quality standards, Trunkline has proposed the horsepower replacement project.

5. The current certificated design capacity at the discharge of the Cypress Compressor Station is approximately 332,000 Mcf/d. According to Trunkline, the new 7,000 hp electric compressor will be sufficient to maintain the design capacity of Trunkline's South Texas mainline system. The existing units to be placed on standby service will be operated only in the event of a power failure or when maintenance is needed on the proposed electric unit. Trunkline states that it does not intend to increase the certificated capacity of the Cypress Station and will not use the backup horsepower to exceed the currently certificated level for the Cypress Station. Trunkline estimates the cost to abandon the existing compressor Unit No. 4302 to be \$15,000, and the cost to construct the new electric compressor unit and auxiliary facilities to be \$10,247,890. Trunkline states that these costs will be financed from funds on hand.

### **Interventions**

6. The application was noticed by publication in the *Federal Register* on December 28, 2005 (70 *Fed. Reg.* 76,798), with protests or interventions due by December 30, 2005. Michigan Consolidated Gas Company and Memphis Light, Gas and Water Division, City of Memphis, Tennessee filed timely motions to intervene.<sup>3</sup> Mr. Brad Wilson, an affected landowner in the vicinity of the Cypress Compressor station, filed comments regarding alternative locations for the new compressor as well as public safety. Both of these issues are addressed in the Environmental Assessment (EA), as discussed below. No party protested or expressed opposition to the application.

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<sup>3</sup> Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 CFR § 385.214.

## **Discussion**

7. Since the proposed facilities will be used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, Trunkline's proposal to construct, operate, and abandon these facilities is subject to the requirements of subsections (b), (c), and (e) of section 7 of the NGA.
8. On September 15, 1999, the Commission issued a Policy Statement to provide guidance as to how proposals for certificating new construction will be evaluated.<sup>4</sup> The Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposal will serve the public interest. The Policy Statement explains that in deciding whether to authorize the construction of major new pipeline facilities, the Commission balances the public benefits against the potential adverse consequences. The Commission's goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.
9. Under this policy, the threshold requirement for existing pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from 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.
10. The Commission also considers potential impacts of the proposed project on other pipelines in the market and those existing pipelines' captive customers, or landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified, after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will the Commission then proceed to complete the environmental analysis where other interests are considered.

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<sup>4</sup> *Certification of New Interstate Natural Gas Pipeline Facilities (Policy Statement)*, 88 FERC ¶ 61,227 (1999); *Order Clarifying Statement of Policy*, 90 FERC ¶ 61,128 (2000); *Order Further Clarifying Statement of Policy*, 92 FERC ¶ 61,094 (2000).

11. As noted above, the threshold requirement is that pipelines must be prepared to financially support the project without relying on subsidization from existing customers. The proposed abandonment and replacement of compression at the Cypress Compressor Station would have the overall regional benefit of reducing NOx emissions and would enable Trunkline to meet emission limitations required by the TCEQ. Further, the ability to use three of the four existing units as back-up for the proposed 7,000 hp electric unit would increase the operational flexibility, reliability, and security of Trunkline's system. The Policy Statement provides that increasing the 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.<sup>5</sup> Therefore, it is appropriate to permit Trunkline to roll in the project costs in its next general section 4 rate proceeding absent any significant change in circumstances.<sup>6</sup>

12. The project will also have minimal adverse impacts. No new capacity will be created nor will any new markets be served. Since the project does not involve any new service and affects only Trunkline's system, there will be no adverse impact on other pipelines or their customers. Nor will the project result in any significant impact on landowners, since the facilities will be constructed entirely within the boundaries of the existing Cypress Compressor Station. On balance, the benefits outweigh any potential adverse consequences and Trunkline's proposal to construct and operate replacement facilities is required by the public convenience and necessity.

### **Abandonment**

13. Trunkline proposes to abandon an existing 2000 hp compressor unit at its Cypress Compressor Station. Since Trunkline must abandon the compressor unit to meet emission guidelines required by the TCEQ, we find that the abandonment is permitted by the public convenience and necessity. Therefore, we will approve the abandonment.

### **Pro Forma Tariff Changes**

14. Trunkline's application includes *pro forma* tariff sheets amending its fuel reimbursement mechanism to include the purchased power costs incurred to operate its

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<sup>5</sup> See *Policy Statement*, 88 FERC ¶ 61,227 at 61,746, n.12 (1999); see also *Columbia Gas Transmission Corp.*, 111 FERC ¶ 61,431 (2005).

<sup>6</sup> *Id.*; see also, *Texas Eastern Transmission Corp.*, 95 FERC ¶ 62,031 (2000); *Columbia Gas Transmission Co.*, 93 FERC ¶ 62,156 (2000).

first electric-driven compressor. Specifically, Trunkline revises its General Terms and Conditions (GT&C) section 22 to convert its electric power costs to equivalent gas units (in MMBtus) for recovery through its fuel tracker. Trunkline proposes to derive the gas equivalent by dividing the electric power costs by the same average spot index prices used to determine its cash-in/out of imbalances.

15. Our review of Trunkline's GT&C section 5.2(F) shows that Trunkline uses the average of the spot prices published weekly in Natural Gas Week's "Gas Price Report" for Louisiana Gulf Coast, Onshore and Offshore (reported separately), and Texas Gulf Coast, Onshore. We note that Natural Gas Week publishes its spot gas prices according to our policy directive for pricing indices.<sup>7</sup> With respect to Trunkline's proposed tariff revisions, we find that recovery of its electric power costs through its existing fuel tracker is consistent with similar pipeline cost recovery mechanisms accepted by the Commission.<sup>8</sup> Accordingly, we accept Trunkline's *pro forma* tariff changes and direct Trunkline to file at least 30 days but no more than 60 days prior to the in-service date of the subject compression facility, actual tariff sheets implementing its revised fuel reimbursement mechanism amended to include the recovery of its purchased power costs.

### **Environmental Analysis**

16. An EA was prepared for Trunkline's proposal. The EA addresses water resources, vegetation and wildlife, threatened and endangered species, land use, geologic resources, soils, cultural resources, air quality, noise, reliability and safety, and alternatives including system alternatives and alternate compressor station locations. Based on the discussion in the EA, there would be no significant adverse environmental impacts, and a net reduction in noise and air emissions following construction of the compressor station modification. Also, since Trunkline proposes to place the three remaining reciprocating units in reserve status to provide backup compression for the new unit there are no significantly superior alternative sites. Therefore, if abandoned and replaced in accordance with Trunkline's application, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

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<sup>7</sup> See *Policy Statement on Natural Gas and Electric Price Indices*, 104 FERC ¶ 61,121 at P 39 (2003); *order on clarification*, 112 FERC ¶ 61,040 (2005).

<sup>8</sup> See, e.g., *Trailblazer Pipeline Co.*, 95 FERC ¶ 61,258 (2001) and Trailblazer's FERC Gas Tariff Third Revised Volume No. 1, GT&C section 41.4(b), Current Expansion Fuel Reimbursement – Electric Compression Costs.

17. In his comments, Mr. Wilson expressed general safety concerns and suggested that the new compressor be located in a less populated area. Mr. Wilson also noted that the company has not provided information addressing the safety precautions it will take with the installation of the new compressor. The Department of Transportation (DOT) is solely responsible for establishing criteria and requirements for the safety of natural gas pipeline facilities. DOT sets standards for the design, construction, inspection, and operation of natural gas pipelines in accordance with the Natural Gas Pipeline Safety Act of 1968. DOT's safety standards specify material selection and qualification, minimum design requirements, and protection from internal, external, and atmospheric corrosion. Any applicant for a certificate from the Commission is required to verify that the proposed facilities would meet DOT safety standards. With respect to an alternative location for the proposed compressor, the EA finds that relocation of the Cypress Compression Station would likely result in a much greater impact to environmental resources than constructing the compressor at the existing site. Therefore the Commission is approving Trunkline's proposal to construct the replacement compressor unit at the Cypress Station.

18. 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>9</sup> Trunkline shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Trunkline. Trunkline shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

19. The Commission on its own motion received and made part of the record in this proceeding all evidence including the application and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration,

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<sup>9</sup> See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *National Fuel Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P., et al.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

The Commission orders:

(A) Upon the terms and conditions of this order a certificate of public convenience and necessity is issued authorizing Trunkline to construct and operate the facilities, as described above and conditioned herein and as more fully in the application.

(B) Trunkline shall comply with all applicable Commission regulations, particularly the conditions set forth in paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations.

(C) Permission for and approval of the abandonment by Trunkline of the subject facilities, as described above and in the application, are granted, subject to compliance with Part 157 of the Commission's regulations.

(D) Trunkline shall file actual tariff sheets, implementing its revised fuel reimbursement mechanism amended to include the recovery of its purchased power costs not less than 30 days and no more than 60 days prior to the commencement of service on the proposed expansion facilities.

(E) Construction of the proposed facilities will be completed and made available for service within one year from the date of this order pursuant to section 157.20 (b) of the Commission's regulations.

(F) Trunkline shall notify the Commission of the date of abandonment within 10 days thereof.

(G) The authority issued in Paragraph (A) above is conditioned on Trunkline's compliance with all the environmental conditions set forth in the Appendix.

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

(I) This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order pursuant to 18 CFR § 385.713.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

**Appendix**  
**Trunkline Gas Company, LLC**  
**Environmental Conditions**

As recommended in the EA, this authorization includes the following conditions:

1. Trunkline shall follow the construction procedures and mitigation measures described in its application and as identified in the environmental assessment (EA), unless modified by this Order. Trunkline must:
  - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
  - b. justify each modification relative to site-specific conditions;
  - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
  - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) **before using that modification.**
  
2. The Director of OEP has delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during construction and operation of the project. This authority shall allow:
  - a. the modification of conditions of this Order; and
  - b. the design and implementation of any additional measures deemed necessary (including stop work authority) to assure continued compliance with the intent of the environmental conditions as well as the avoidance or mitigation of adverse environmental impact resulting from project construction and operation.
  
3. Trunkline shall file a noise survey with the Secretary **no later than 60 days** after placing the Cypress Compressor Station in service. If the noise attributable to the operation of all the equipment at the Cypress Compressor Station at full load exceeds an  $L_{dn}$  of 55 dBA at any nearby noise sensitive areas, Trunkline shall file a report on what changes are needed and shall install additional noise controls to meet that level **within 1 year** of the in-service date. Trunkline 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.