135 FERC ¶ 61,019
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Trunkline Gas Company, LLC Docket No. CP11-19-000

ORDER ISSUING CERTIFICATE AND AUTHORIZING ABANDONMENT

(Issued April 8, 2011)

1. On October 29, 2010, Trunkline Gas Company, LLC (Trunkline) filed an application under sections 7(b)[1] and 7(c)[2] of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations for a certificate of public convenience and necessity authorizing it to make certain modifications to a portion of its existing South Texas System to facilitate bi-directional flow of gas. As discussed below, the Commission will grant Trunkline's proposals, subject to conditions.

I. Background and Proposals

A. Background

2. Trunkline is a natural gas company, as defined in the NGA, engaged in the business of transporting natural gas in interstate commerce. Trunkline's system extends from supply sources in the States of Texas, Louisiana, and offshore Texas and Louisiana through the States of Arkansas, Mississippi, Tennessee, Kentucky, Illinois, and Indiana to its terminus at the Indiana-Michigan state line.

3. In 1950, the Commission authorized Trunkline to construct and operate its pipeline system, including the 20-inch diameter South Texas System.[3] Additionally, in

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[1] 15 U.S.C. § 717f(b) (2006).

[2] 15 U.S.C. § 717f(c) (2006).

[3] *Trunkline Gas Supply Co.*, 9 FPC 721 (1950).

1955, the Commission authorized Trunkline to construct and operate approximately 22 miles of 26-inch diameter pipeline loop (Edna Loop), which parallels a portion of the original 20-inch diameter system.[4] The South Texas System extends from Jim Wells County, Texas, northeast through the Beeville, Edna, Cypress, and Kountze Compressor Stations in Texas to its terminus at the Longville Compressor Station in Louisiana. From Longville, Trunkline transports gas north to serve its market-area customers.

4. DCP Midstream, LP (DCP) is a non-jurisdictional gas gathering company that operates gathering facilities in production areas in eight states. For the most part, DCP's facilities deliver raw gas to processing plants. DCP's LaGloria Processing Plant in Jim Wells County is connected to the South Texas System.[5] Currently, DCP is constructing a non-jurisdictional 20-inch diameter pipeline to connect its Gulf Plains Processing Plant in Nueces County, Texas to the South Texas System.

B. Proposals

5. Trunkline states that there has been a decline in production from traditional domestic gas supply sources in South Texas. Trunkline states that the certificated capacity on its South Texas System is 178,535 MMcf per day at the Beeville Compressor Station and 200,000 MMcf per day at the Edna Compressor Station. However, Trunkline contends that as a result of the decline in natural gas production, throughput on the South Texas System has dropped from an average of 98,832 Dth per day in 2005 to 87,572 Dth per day in October 2010, and that the Edna Loop has not been used for several years.

6. Trunkline states that producers are using advances in horizontal directional drilling technology and hydraulic fracturing techniques to develop new liquids-rich natural gas production in the Eagle Ford Shale production area, which extends from the Mexican

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[4] After the construction of these facilities, Trunkline installed well connects with producers and interconnects with various pipelines pursuant to the gas supply budget-type certificate authorization issued in 10 FERC ¶ 62,058 (1980), and subsequently, its section 157, Subpart F blanket certificate issued in 22 FERC ¶ 62,044 (1983).

[5] In *Trunkline Gas Co.*, 81 FERC ¶ 61,351 (1997), the Commission authorized Trunkline to abandon by transfer to Duke Energy Field Services, Inc. (now DCP) approximately 74.25 miles of Trunkline's South Texas System extending from producing areas in Hidalgo and Brooks Counties north to the LaGloria Processing Plant in Jim Wells County.

border into portions of East Texas.[6] Trunkline states that because the gas from the Eagle Ford Shale is liquids-rich, it needs to be processed in order to become pipeline quality.

7. Trunkline states that it would be able to use the available capacity on its South Texas System to transport liquids-rich gas with only minor modifications to its system. In doing so, Trunkline contends that it can link the Eagle Ford Shale production area to DCP's LaGloria and Gulf Plains Processing Plants and the rest of DCP's Gulf Coast gathering system.

8. Trunkline held an open season from September 29 to October 13, 2010, for capacity on its South Texas System. As a result of the open season, Trunkline states that it entered into a precedent agreement with DCP to transport 336,000 Dth per day of unprocessed gas on a firm basis for a term of 15 years.[7] The precedent agreement contains negotiated rates.

1. Facilities

9. Trunkline seeks authorization to modify its South Texas System to facilitate the bi-directional transportation of liquids-rich gas by isolating a 165-mile segment of pipeline, to be known as the Modified Transportation System, from the South Texas System's point of origin in Jim Wells County northeast to the Edna Compressor Station. Specifically, Trunkline proposes to isolate the Modified Transportation System by closing off the block valves at the Edna Compressor Station[8] and installing valves at the existing Beeville Compressor Station in Bee County to allow for the bi-directional transportation of liquids-rich natural gas.[9] Trunkline requests authorization to install a tap and construct a delivery point to be known as the DCP Edna delivery point within the Edna Compressor Station yard.

10. In addition, Trunkline requests authorization to abandon by sale to DCP the Edna Loop, composed of approximately 13 miles of pipeline upstream of the Edna Compressor

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[6] DCP operates gathering facilities in the Eagle Ford Shale production area.

[7] When a firm contract is signed, the contract will amend an existing firm transportation agreement that provides for Trunkline's transportation of up to 30,000 Dth of gas per day for DCP.

[8] The Edna Compressor Station will be idled until such time that processed gas is received and compression required.

[9] Trunkline will also install liquid handling facilities within the Beeville Compressor Station yard and perform electrical upgrades to existing equipment.

Station and approximately 9 miles of pipeline downstream of the Edna Compressor Station. Trunkline states that the Edna Loop has not been used in several years and will be disconnected from Trunkline's facilities for DCP's use in its gathering system. Trunkline also seeks authorization to abandon: (1) by sale to DCP two, approximately 4,000-foot sections of 12-inch pipeline (Lines 7D-100 and 7F-100); (2) by sale to DCP one, approximately 100-foot section of its 20-inch 100-1 Line; and (3) by transfer to DCP one, approximately 100-foot section of its 20-inch 100-1 Line. Trunkline states that once the abandonments take place, the demarcation of the southern terminus of its 100-1 Line will be at Valve Section 7, at Milepost 74.58 in Jim Wells County.

11. Trunkline states that existing shippers who had firm contracts with receipt points on the Modified Transportation System have changed their receipt points to locations downstream of the Edna Compressor Station. There is one farm tap on the Modified Transportation System. Trunkline states that as a result of the modifications proposed herein, the farm tap customer elected to convert to propane.

12. Trunkline states that the total costs of its proposals are $19,470,364. Trunkline will finance the proposed facility modifications from internally generated funds.

2. <u>Tariff Proposals</u>

13. To provide the contemplated transportation service for DCP, Trunkline proposes to revise section 22 (Fuel Reimbursement Adjustment) and section 13 (Quality) of the General Terms and Conditions (GT&C) of its currently effective FERC Gas Tariff.

14. Trunkline proposes to provide service over the Modified Transportation System at its existing Field Zone rates. However, Trunkline proposes pro forma tariff language that would create a separate fuel and lost and unaccounted for gas rate for the Modified Transportation System. Rather than using Trunkline's currently-effective bi-annually adjusted fuel adjustment retention rate, Trunkline proposes to post monthly on its web site an estimated South Texas Modified Transmission System Fuel Reimbursement retention rate. Trunkline proposes to retain the actual quantity used for fuel and lost and unaccounted for gas, allocated to each shipper on the basis of its pro rata share of delivered quantities.

15. As to the gas quality provisions, Trunkline proposes pro forma tariff language that provides that gas delivered to the Modified Transportation System may have up to 3 percent carbon dioxide and a gross heating content between 1100 to 1300 Btu per cubic foot, as compared to 2 percent carbon dioxide and a gross heating content between 950 to 1200 Btu per cubic foot for gas delivered to the rest of the Trunkline system. Trunkline also proposes pro forma tariff language to clarify that the Modified Transportation System's list of receipt and delivery points, used to define contract services and

scheduling, is separate from the list maintained for the remaining portion of the South Texas System.[10]

II. Notice and Interventions

16. Notice of Trunkline's application in Docket No. CP11-19-000, was published in the *Federal Register* on November 17, 2010 (75 Fed. Reg. 70,223). UGI Utilities, Inc., ProLiance Energy, LLC, ConocoPhillips Company, DCP, and Copano Energy, L.L.C. filed timely, unopposed motions to intervene. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's regulations.[11]

III. Discussion

17. Since Trunkline seeks to construct and abandon facilities for use 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), (b), and (e) of section 7 of the NGA.

A. Certificate Policy Statement

18. The Certificate Policy Statement provides guidance for evaluating proposals to certificate new construction.[12] 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 pipeline construction.

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[10] Trunkline states that the proposed new quality provisions will only apply to the points of receipt on the Modified Transportation System. Trunkline avers the currently-connected wellhead flowing volumes will be "grandfathered" based on existing tariff quality specifications.

[11] 18 C.F.R. § 385.214(a)(3) (2010).

[12] *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).

19. 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.

20. As noted above, the threshold requirement is that the pipeline must be able to support the project without relying on subsidization from its existing customers. As discussed below, Trunkline's 10-year cost and revenue study estimates project revenues of $98,234,640 using DCP's negotiated rates and costs of $39,755,823. Since revenues will exceed costs, we find that existing shippers will not subsidize the project.

21. We also find that implementation of the proposed Modified Transmission System project will not adversely impact Trunkline's existing customers, as existing shippers with primary receipt points located on the proposed Modified Transmission System have agreed to relocate their primary receipt points downstream of the Edna Compressor Station. The only farm tap customer has switched to propane. Further, existing pipelines and their current customers are not adversely affected by the proposals since the Modified Transmission System is designed for the transportation of liquids-rich gas, and this service does not duplicate existing service on any other pipeline in the area. In addition, no pipeline or existing shippers protested the proposals.

22. We find that Trunkline's proposal has been designed to minimize impacts on landowners and the environment, since all of the proposed construction activities would take place within Trunkline's existing compressor station yards and rights-of-way. Thus, there are minimal adverse impacts to landowners or the environment.

23. DCP, a major producer of Eagle Ford Shale gas, has entered into a precedent agreement for 336,000 Dth of capacity on the Modified Transmission System, demonstrating the need for Trunkline's proposal. Based on the benefits the project will provide and the lack of any identifiable adverse impacts on existing customers, other pipelines and their customers, and minimal impacts on landowners and communities, we find, consistent with the Certificate Policy Statement and section 7(c) of the NGA, that Trunkline's proposals are required by the public convenience and necessity. Further, we also find that the public convenience and necessity permit Trunkline's abandonment of the facilities described above under section 7(b) of the NGA in order to allow for the bi-directional transportation of liquids-rich gas.

B. Rates

1. Cost of Service and Rate Proposals

24. The Modified Transportation System consists of existing and modified facilities that are covered by Trunkline's Field Zone rate. Trunkline's estimated annual cost of service for the Modified Transportation System is $4,631,858. This cost of service is based on estimated plant costs of $19,470,364.[13] Trunkline uses the depreciation rates, return on equity of 12.56 percent, and debt costs of 8.25 percent approved in its last general rate case.[14] However, we note that instead of using its last approved capital structure of 40.92 percent debt/59.08 percent common equity,[15] Trunkline proposes a capital structure of 14.06 percent debt/85.94 percent common equity, stating that the figures were derived from its 2009 FERC Form 2.[16]

25. We do not endorse Trunkline's use of the 2009 FERC Form 2 capital structure in calculating the Modified Transportation System's cost of service. Use of that capital structure would result in an after tax weighted return on equity of 11.95 percent, as opposed to the 10.80 percent underlying Trunkline's current rates. Commission policy generally requires initial rates be calculated using the same return on equity underlying existing rates.[17] However, we will not require that the cost of service be recalculated, since in this case such a recalculation to reflect the capital structure approved in Docket No. RP96-129-000 will not change the finding to be drawn from Trunkline's cost and revenue study.[18]

26. With the exception of an incremental charge for fuel and lost and unaccounted for gas, Trunkline proposes to charge its existing Field Zone rates for services on or through

[13] Trunkline clarified that the estimated plant costs are only incremental plant costs necessary to modify the Modified Transportation System. The plant costs do not include any existing plant costs. Trunkline's February 17, 2011 Response to Question No. 4.

[14] *Trunkline Gas Co.*, 90 FERC ¶ 61,017 (2000).

[15] *Id.* at 61,120.

[16] Trunkline's February 17, 2011 Response to Question No. 5.

[17] *See, e.g.*, *Northwest Pipeline Corp.*, 98 FERC ¶ 61,352, at 62,499 (2002).

[18] *See Southern Natural Gas Co.*, 126 FERC ¶ 61,093, at P 19 (2009).

the Modified Transportation System as the maximum recourse rate.[19] Trunkline notes however, that its precedent agreement with DCP provides for negotiated rates, which are lower than the Field Zone rate. Nevertheless, Trunkline demonstrates that even the lower negotiated rates will recover approximately $5 million in excess of the proposed cost of service in the first year. Thus, we will approve the use of Trunkline's existing Field Zone reservation and usage rates for services rendered on the Modified Transportation System.

27. Although Trunkline did not request a predetermination on rolled-in treatment for Modified Transportation System costs, it is Commission policy to make such a finding, where appropriate, recognizing that a predetermination of how costs will be treated enables existing and potential shippers to make appropriate decisions to protect their interests either in the certificate proceeding or in their contracts with the pipeline. As shown in Exhibit N to Trunkline's application, the net operating revenues for the Modified Transportation System are expected to be approximately $9.7 million annually for the first five years, and approximately $10.0 million for the following five years. The cost of service for the same periods ranges from approximately $4.6 million to $3.4 million annually, resulting in increased annual revenues of $5.1 million to $6.6 million over the 10-year period. Because the record demonstrates that the revenue derived from the Modified Transportation System exceeds the cost of service in Year 1 and in every year thereafter, we find it will be appropriate for Trunkline to roll the costs of the Modified Transportation System into its existing facility costs in its next NGA section 4 rate case, absent a significant change in circumstances.

28. Trunkline proposes to charge a fuel and lost and unaccounted for gas retention rate that is based on the Modified Transportation System's actual receipts and deliveries, calculated and applied monthly. This charge will be separately provided for in a new section 22.6 to be added to Trunkline's GT&C. Thus, transportation service that passes through the Modified Transportation System to or from the remaining part of the Field Zone will be subject to two fuel and lost and unaccounted for gas retention rates.

29. We find that the proposed Modified Transportation System fuel retention rate design is acceptable. Fuel retention rates are typically established through limited NGA section 4 filings, where parties have an opportunity to examine the data used to derive the projected fuel rate and review the reconciliation data. However, under Trunkline's proposal, Trunkline will be using actual measurements for the same billing month, not

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[19] Trunkline has a zone matrix rate design. The currently effective within Field Zone Rate Schedule FT base rates consist of: (i) a reservation rate of $3.7001 per Dth per month; (ii) a usage rate of $0.0024 per Dth; and (iii) a fuel reimbursement rate of 0.64 percent retention. Trunkline's Fourth Revised Volume No. 1, FERC NGA Gas Tariff, Rate Schedule FT, Currently Effective Rates, 2.0.0.

estimates. This proposal reduces the need to maintain deferred accounts and reconciliation adjustments. Shippers are still protected, as they will be able to use their North American Energy Standard Board's (NAESB) rights to challenge the measurement of actual receipts and deliveries and billing of the retained quantities.[20] If disputed bills are not resolved through the NAESB process, shippers have the right of recourse by filing a complaint with the Commission.

30. Trunkline does not propose a reporting requirement with respect to its proposed Modified Transportation System fuel retention rate. However, Trunkline also has an existing, traditional fuel tracker with estimated retention rates, reconciliations, and a bi-annual limited NGA section 4 filing. We are concerned whether the data provided in these limited section 4 filings will be adequate to determine whether the Modified Transportation System fuel and lost and unaccounted for gas volumes are being properly allocated. Thus, we will condition approval of the Modified Transportation System retention rate upon Trunkline's proposing tariff language to report actual monthly Modified Transportation System retention rates and data demonstrating that Modified Transportation System costs are not recovered through other rates in its bi-annual fuel tracker filing.

31. Trunkline states that it expects to enter into a negotiated rate contract with DCP. With regard to its negotiated rate contract, Trunkline has agreed to file with the Commission, prior to commencement of service, the details of the negotiated rate agreement including the name of the shipper, the negotiated rate, the term, volume, and the receipt and delivery points applicable to the service. Trunkline states that it will keep separate and identifiable accounts for any quantities transported, billing determinants, rate component, surcharges, and revenue associated with its negotiated rates in sufficient detail that they can be separately identified in future rate proceedings. We will require Trunkline to file these negotiated rate contracts and maintain its accounts consistent with its existing negotiated rate authority and tariff.

2. Accounting

32. Trunkline proposes to capitalize a total allowance for funds used during construction (AFUDC) of $1,082,215 as part of the cost of the project. Trunkline represents that it will commence the accrual of AFUDC on the date capital expenditures

[20] Trunkline's Fourth Revised Volume No. 1, FERC NGA Gas Tariff, GT&C Section 16, Statements and Payments, 0.0.0 and GT&C Section 25, Business Practices Standards, 1.0.0. In addition, these NAESB procedures should suffice to satisfy the Commission's policy requiring reconciliation procedures for fuel tracker mechanisms. *See ANR Pipeline Co.*, 110 FERC ¶ 61,069, at P 22 (2005).

for the project begin. Under the Commission's policy on the commencement of AFUDC,[21] a natural gas pipeline may begin accruing AFUDC when the following conditions are met: (1) capital expenditures for the project have been incurred; and (2) activities that are necessary to get the construction project ready for its intended use are in progress. Based on Trunkline's representations, its accrual of AFUDC for the project appears to be consistent with the Commission's policy governing the commencement of AFUDC.

33. For purposes of determining its rate of return and AFUDC rate, Trunkline proposes to use a capital structure derived from its 2009 FERC Form 2 of 14.06 percent debt and 85.94 percent equity and the debt and equity cost rates approved in its last rate proceeding. Use of Trunkline's proposed capital structure results in a rate of return and AFUDC rate of 11.95 percent.[22] However, consistent with Commission policy to design initial rates using a pipeline's existing cost factors, it is also the Commission's policy to limit the maximum amount of AFUDC that a pipeline could capitalize by limiting the AFUDC rate to a rate no higher than the overall rate of return underlying its recourse rates.[23] Since we do not endorse Trunkline's proposed capital structure and the use of the proposed capital structure results in an AFUDC rate higher than its overall rate of return, we find that it is not appropriate for Trunkline to use its proposed capital structure in calculating its AFUDC rate. Thus, Trunkline must revise its AFUDC methodology to ensure that its maximum AFUDC rate is no higher than the overall rate of return underlying its recourse rates.

34. As described above, Trunkline proposes to abandon by sale certain pipeline facilities to DCP. Trunkline proposes to treat the abandonment as a normal retirement and account for the abandonment of the facilities by debiting Account 108, Accumulated Provision for Depreciation of Gas Plant in Service, and crediting Account 101, Gas Plant in Service, consistent with Gas Plant Instruction No. 10.[24]

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[21] *See Florida Gas Transmission Co. LLC,* 130 FERC ¶ 61,194 (2010); *Southern Natural Gas Co.,* 130 FERC ¶ 61,193 (2010); and Accounting Release No. 5 (Revised), *Capitalization of Allowance for Funds Used During Construction*, effective March 18, 2010.

[22] Trunkline's February 17, 2011 Response to Question No. 5.

[23] *See, e.g.*, *Bison Pipeline LLC*, 131 FERC ¶ 61,013, at P 19 (2010); *Gulfstream Natural Gas System*, LLC, 91 FERC ¶ 61,119, at 61,466 (2000).

[24] 18 C.F.R. pt. 201 (2010).

35. Additionally, Trunkline proposes to debit Account 236, Taxes Accrued, and credit Account 409.2, Income Taxes, Other Income and Deductions, for the reduction of current income taxes related to the tax loss from the abandonment. Trunkline also proposes to debit Account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, and credit Account 282, Accumulated Deferred Income Taxes-Other Property, for the reversal of the related deferred federal and state income taxes. However, the reduction in current income taxes associated with a tax loss from a normal retirement relates to utility operating income, rather than other income and deductions. Thus, we will direct Trunkline to credit Account 409.1, Income Taxes, Utility Operating Income, instead of Account 409.2 to record the reduction in current income taxes, and debit Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, instead of Account 410.2 to record the reversal of deferred income taxes, consistent with instructions in the Commission's Uniform System of Accounts.[25]

IV. Environmental Analysis

36. To satisfy the requirements of the National Environmental Policy Act, the Commission's staff prepared an environmental assessment (EA) for Trunkline's proposal. The analysis in the EA is limited to Trunkline's erosion control and restoration plans, compliance with the Endangered Species Act and National Historic Preservation Act, and alternatives, because all ground disturbing activities would occur within Trunkline's existing compressor station yards. No environmentally sensitive resources would be affected by the project.

37. The EA was placed into the public record on December 14, 2010. The Commission did not receive any comments on the EA.

38. Trunkline would implement the mitigation measures described in the Commission's *Upland Erosion Control, Revegetation, and Maintenance Plan* and *Wetland and Waterbody Construction and Mitigation Procedures*.

39. On January 23, 2008, the Texas Historical Commission granted Trunkline a categorical exclusion for construction activities that occur within its existing easement. Additional consultation is not required.

40. The EA determined that the proposed activity is not likely to adversely affect any federally listed threatened or endangered species or their critical habitats. Further, the

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[25] *See,* text of Account 282 and Special Instructions, Accounts 410.1, 410.2, 411.1, and 411.2, 18 C.F.R. pt. 201 (2010).

EA did not identify any alternative to the proposal that could result in less environmental impacts than the proposal.

41. Based on the analysis in the EA, we conclude that if constructed, operated, and abandoned in accordance with Trunkline's application and supplements, our approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

42. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. We encourage 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.[26]

43. The Commission on its own motion received and made a 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 of the record,

The Commission orders:

(A) A certificate of public convenience and necessity is issued in Docket No. CP11-19-000, authorizing Trunkline to construct and operate the Modified Transmission System facilities, as described and conditioned herein, and as more fully described in the application.

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

(1) Trunkline's completing the authorized construction of the proposed facilities and making them available for service within one year of the issuance of this order pursuant to section 157.20(b) of the Commission's regulations;

[26] *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).

(2) Trunkline's compliance with all applicable Commission regulations, including paragraphs (a), (c), (e), and (f) of section 157.20 of the Commission's regulations;

(3) Trunkline's adherence to the environmental conditions, as described in the body of this order.

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

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

(E) Trunkline's tariff revisions are approved, as conditioned and modified in this order.

(F) Trunkline's proposal to charge its maximum existing Field Zone rates as initial recourse rates for service on the Modified Transmission System is approved.

(G) Trunkline's proposed Modified Transportation System fuel retention rate is approved, as conditioned in the order.

(H) Trunkline is directed to execute firm contracts equal to the level of service in accordance with the terms of service represented in its precedent agreement prior to the commencement of construction.

(I) Trunkline must file actual tariff sheets that comply with the requirements contained in the body of this order no less than 60 days, and no more than 90 days, prior to the commencement of interstate service.

(J) Trunkline is directed to file its negotiated rate agreement or a tariff sheet describing the essential elements of the agreement no less than 60 days, and no more than 90 days, prior to the commencement of service.

(K) Trunkline and its representations made with respect to AFUDC accrual are subject to audit to determine whether Trunkline is in compliance with the revised policy and related Commission rules and regulations.

(L) Trunkline shall adhere to the accounting requirements discussed in the body of the order.

(M) Trunkline 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 Trunkline. Trunkline shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.