

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

Questar Pipeline Company

Docket No. CP05-5-000

ORDER ISSUING CERTIFICATE

(Issued January 21, 2005)

1. On October 12, 2004, Questar Pipeline Company (Questar) filed an application under section 7(c) of the Natural Gas Act (NGA), to construct, install, modify, and operate various pipeline and compression facilities needed for Questar's Southern System Expansion Project in Utah and Colorado. The proposal will serve the public interest by delivering an additional 102,000 dekatherms equivalent of natural gas per day (Dth/d) from various receipt points on Questar's interstate natural gas transmission system to an existing interconnection with Kern River Gas Transmission Company (Kern River) on Questar's Main Line No. 104 at Goshen, Utah, for three shippers with long-term firm transportation service contracts.

2. We will approve Questar's proposal, subject to the conditions discussed herein. This order serves the public convenience and necessity because the authorized facilities will provide additional capacity on the Questar system for incremental transportation service and provide existing customers with increased operational flexibility and greater system reliability.

Proposal

3. Questar proposes to undertake the following activities as part of its Southern System Expansion Project (SSXP):

- (1) Construct and operate approximately 18.7 miles of new 24-inch diameter pipeline and related facilities in the vicinity of Price, Carbon County, Utah, including pig launchers and receivers, block valves, control headers, cathodic protection systems, and associated crossover piping and valves to interconnect the new pipeline with existing pipelines;
- (2) Construct and operate a new 6,200 horsepower (HP) compressor station (the Thistle Creek Compressor Station) in Utah County, Utah;

- (3) Construct and operate a new 9,400 HP compressor station (the Blind Canyon Compressor Station), including a slug catcher, pipeline liquid storage tanks, pig launcher and receiver, and tie-in valves, in Duchesne County, Utah;
- (4) Modify the existing Oak Spring Compressor Station in Carbon County, Utah, by restaging centrifugal compressor units and adding a gas cooler, filter/separator, valves, and yard and station piping;
- (5) Modify the existing Greasewood Compressor Station in Rio Blanco County, Colorado, by installing two parallel, approximately 750-foot long segments of new buried piping; and,
- (6) Increase the Maximum Allowable Operating Pressure (MAOP) from the current 801 psig to 860 psig on approximately 23.5 miles of Questar's existing Main Line (ML) 40 between the proposed Blind Canyon Compressor Station in Duchesne County, Utah, and Questar's existing Whitmore Park block valve in Carbon County, Utah.

4. Questar estimates the cost of the SSXP facilities at \$54,614,336, which it will finance through funds on hand and borrowing under short-term financing arrangements. For service using the proposed SSXP facilities, three shippers have agreed to pay the SSXP project-specific reservation charge of \$7.82712 per dekatherm each month for 100 percent of the incremental transportation expansion capacity, and the currently effective system-wide usage charge on Questar's Statement of Rates.¹ Questar's proposed incremental reservation rate of \$7.82712/Dth/month exceeds Questar's currently effective maximum reservation rate of \$5.28804/Dth. The reservation rate applied to the 102,000 Dth/d of incremental capacity recovers the full cost of service of the SSXP. Therefore, Questar states that its current customers will not subsidize the SSXP.

5. In its calculations, Questar used the following percentages: (a) Depreciation: 3 percent; and (b) Capital structure: Debt 53.63 percent - Equity 46.37 percent; Cost of Debt 7.15 percent; Return on Equity 11.75 percent. These are the same percentages

¹ Questar has entered into firm transportation service agreements with these parties for the entire 102,000 Dth/d of incremental transportation capacity. Bill Barrett Corporation (Barrett) contracted for 12,000 Dth/d for 10 years, EOG Resources contracted for 30,000 Dth/d for ten years and PacifiCorp contracted for 60,000 Dth/d for 20 years and all of the contracts have year to year Evergreen Renewal Terms after their initial terms expire. All three shippers are natural gas producers.

accepted in the settlement of Questar's last general rate case in Docket Nos. RP95-407-006 and RP95-407-007. Questar's rate case settlement was accepted by a Commission Order, issued July 1, 1996.²

6. On December 20, 2004, Questar submitted a supplement to revise its initially filed Statement of Rates in Exhibit P to the application. Questar states that it inadvertently omitted the interruptible transportation rate service to be made available from Questar's proposed SSXP. Pursuant to Section 284.9(a) (1), Questar's supplement provides an interruptible SSXP Usage maximum charge of \$0.26000 and minimum charge of \$0.00267. The supplement also provides minor reformatting of Questar's rate sheets, a correction to its SSXP volumetric rate and a footnote that describes the applicability of SSXP rates.³

7. Questar will receive (a) 12,000 Dth/d of natural gas from Barrett at a tap on Questar's Main Line 68 in West Garfield County, Colorado; (b) 30,000 Dth/d of natural gas from EOG Resources at a tap on Questar's Main Line 59 in Uintah County, Utah; and (c) 60,000 Dth/d of natural gas from PacifiCorp at two taps (30,000 Dth at the Painter Reservoir tap and 30,000 Dth at the East Anschutz tap) on two jurisdictional laterals that connect to Questar's Main Lines 113 and 115 in Uinta County, Wyoming. Questar will deliver 102,000 Dth/d of natural gas to the existing interconnection with Kern River at Goshen, Utah County, Utah, for further transportation to western markets served by Kern River. Questar anticipates commencing service via the SSXP facilities on October 1, 2005.

Interventions

8. After due notice by publication in the *Federal Register* on October 27, 2004 (69 Fed. Reg. 62658), Kern River Gas Transmission Company filed a timely motion to intervene.⁴ No protests or comments in opposition to the application were filed.

² *Questar Pipeline Company*, 76 FERC ¶ 61,001 (1996).

³ The Rate Schedule T-1 SSXP volumetric rate filed on October 12, 2004, was overstated at \$0.26000/Dth. The revised tariff sheets reflect the contract rate of \$0.25733/Dth and exclude the \$0.00267/Dth Usage Charge, which is separately applied to Volumetric Release transportation throughput.

⁴ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.

Discussion

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

Public Convenience and Necessity

10. On September 15, 1999, the Commission issued a Policy Statement providing guidance as to how it will evaluate proposals for certificating new construction (Policy Statement).⁵ 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. It explains that the Commission, in deciding whether to authorize the construction of major new pipeline facilities, 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 to the environment, and the unneeded exercise of eminent domain, in evaluating new pipeline construction

11. 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 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.

12. If residual adverse effects on these interest groups are identified, after efforts have been made to minimize them, the Commission evaluates 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.

⁵*Certification of New Interstate Natural Gas Pipeline Facilities, Statement of Policy*, 88 FERC ¶ 61,227 (1999); *Order Clarifying Statement of Policy*, 90 FERC ¶61,128 (2000); and *Order Further Clarifying Statement of Policy*, 92 FERC ¶ 61,094 (2000).

Subsidization

13. Where a pipeline proposes to charge an incremental rate for new construction, the project will not be subsidized by existing customers.⁶ Here, Questar proposes an incremental rate to cover the costs associated with the proposed facilities. Questar has demonstrated that the annual revenues generated by the shipper contracts will exceed the annual expenses. Thus, the threshold requirement of no subsidization has been met.

Adverse Impacts

14. Questar's proposed SSXP will have no adverse effects on Questar's existing customers or competing pipelines and their captive customers. Questar's existing customers not participating in the latest expansion will not experience higher rates or any degradation in service, and the incremental capacity will foster competition in the market. In addition, no other pipelines or their customers have objected to the proposal.

15. The SSXP, as conditioned, will have minimal impact on landowners and the surrounding environment. The proposed compressor station reconfigurations will occur within existing or previously disturbed rights-of-way, or fenced compressor stations boundaries. The proposed pipeline facilities will be located adjacent to the existing Questar rights-of-way for 77 percent of the 18.7 miles of proposed new pipeline. Only 4.2 miles will require new right-of-way. In total, 96.2 acres of additional right-of-way will be needed. In addition, no landowners intervened, filed comments, or objected to the proposal. Consequently, the proposal will have minimal effect on the environment.

16. Based on the above considerations, the Commission concludes that Questar's proposal can proceed without subsidies, will not adversely affect or degrade service to its existing customers, and will not harm existing pipelines or their captive customers. Questar's proposed expansion is necessary to serve the firm load growth in the three shippers' markets, which need is demonstrated by the fact that all of the project's capacity is subscribed under long-term contracts by shippers well-qualified to assess objectively the demand for additional natural gas service. Without the expanded capacity on its system, end-users in the shippers' markets could face severe curtailments and be forced to rely on environmentally and economically inferior fuels such as coal and fuel oil. Additionally, the proposed MAOP uprate allowance for a higher operating pressure on specific portions of Questar's system will serve to enhance the efficiency and flexibility of its pipeline operations. In addition to the benefits of the proposed facilities on the Southern System, the proposed facilities will provide additional capacity on Questar's mainline pipeline system, as well as provide Questar's existing customers increased operational flexibility and greater system reliability.

⁶ See, e.g., *Transcontinental Gas Pipe Line Corporation*, 100 FERC ¶ 61,311 (2002).

Environmental

17. Our staff prepared an environmental assessment (EA) for Questar's proposal and distributed the EA for public comment on November 24, 2004. The EA addresses water resources, soils, fisheries, wildlife, vegetation, threatened and endangered species, cultural resources, land use, recreation, visual resources, agriculture, air quality and noise, cumulative impacts, and alternatives. We received letters from the Fish and Wildlife Service (FWS) and the United States Geological Survey stating that they have no comments on the EA.

18. Based on the discussion in the EA, we conclude that if constructed in accordance with Questar's application and supplements filed on November 12, November 18, and December 21, 2004, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

19. 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 abandonment of facilities approved by this Commission.⁷ Questar 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 Questar. Questar shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

20. At a hearing held on January 19, 2005, there was received and made a part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorization sought herein, and in consideration thereof,

The Commission orders:

(A) A certificate of public convenience and necessity is issued authorizing Questar to construct and operate facilities as described more fully in the body of this order and in Questar's application.

⁷ See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *Northern 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).

(B) Questar shall comply with all applicable Commission regulations under the NGA, particularly the conditions set forth in Part 154 and section 157.20(a), (c), (e), and (f) of the Commission's regulations.

(C) The facilities authorized in this order shall be completed and placed into operation within one year of the date of issuance of this order in compliance with section 157.20(b) of the Commission's regulations.

(D) Questar shall file actual tariff sheets consistent with the *pro forma* tariff sheets, not less than 30 days, nor more than 60 days, prior to the effective date of the SSXP incremental services.

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

(F) Questar shall comply with the environmental conditions set forth in the Appendix.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.

APPENDIX

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

1. Questar shall follow the construction procedures and mitigation measures described in its application and supplement (including responses to staff data requests) and as identified in the environmental assessment (EA), unless modified by this Order. Questar 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 delegation 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. **Prior to any construction**, Questar shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors, and contractor personnel will be informed of the environmental inspector's authority and have been or will be trained on the implementation of the environmental mitigation measures appropriate to their jobs **before** becoming involved with construction and restoration activities.
4. The authorized facility locations shall be as shown in the EA, as supplemented by filed alignment sheets. **As soon as they are available, and before the start of construction**, Questar shall file with the Secretary any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 with station positions for all facilities approved by this Order. All requests for modifications of environmental conditions of this Order or site-specific clearances must be written and must reference locations designated on these alignment map/sheets.

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

5. Questar shall file with the Secretary detailed alignment 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, and 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 route variations required herein or extra workspace allowed by the Upland Erosion Control, Revegetation, and Maintenance Plan, minor field realignments per landowner needs and requirements which do not affect other landowners or sensitive environmental areas such as wetlands.

Examples of alterations requiring approval include all route realignments and facility location changes resulting from:

- a. implementation of cultural resources mitigation measures;
 - b. implementation of endangered, threatened, or special concern species mitigation measures;
 - c. recommendations by state regulatory authorities; and
 - d. agreements with individual landowners that affect other landowners or could affect sensitive environmental areas.
6. Questar shall employ at least one Environmental Inspector (EI). The EI shall be:
 - a. responsible for monitoring and ensuring compliance with all mitigative measures required by this Order and other grants, permits, certificates, or other authorizing documents;

- b. responsible for evaluating the construction contractor's implementation of the environmental mitigation measures required in the contract and any other authorizing document;
 - c. empowered to order correction of acts that violate the environmental conditions of this Order, and any other authorizing document;
 - d. responsible for documenting compliance with the environmental conditions of this Order, as well as any environmental conditions/permit requirements imposed by other federal, state, or local agencies; and
 - e. responsible for maintaining status reports.
7. **Within 60 days of the acceptance of this certificate and before construction** begins, Questar shall file an initial Implementation Plan with the Secretary for review and written approval by the Director of OEP describing how Questar will implement the mitigation measures required by this Order. Questar must file revisions to the plan as schedules change. The plan shall identify:
- a. how Questar will incorporate these requirements into the contract bid documents, construction contracts (especially penalty clauses and specifications), and construction drawings so that the mitigation required at each site is clear to onsite construction and inspection personnel;
 - b. the number of EIs assigned per spread, and how the company will ensure that sufficient personnel are available to implement the environmental mitigation;
 - c. company personnel, including environmental inspectors and contractors, who will receive copies of the appropriate material;
 - d. what training and instructions Questar will give to all personnel involved with construction and restoration (initial and refresher training as the project progresses and personnel change);
 - e. the company personnel (if known) and specific portion of Questar's organization having responsibility for compliance;
 - f. the procedures (including use of contract penalties) Questar will follow if noncompliance occurs; and
 - g. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - i. the completion of all required surveys and reports;
 - ii. the mitigation training of onsite personnel;
 - iii. the start of construction; and
 - iv. the start and completion of restoration.
8. Questar shall file updated status reports prepared by the head environmental inspector with the Secretary on a **biweekly** basis **until all construction and restoration activities are complete**. On request, these status reports will also be

provided to other Federal and state agencies with permitting responsibilities. Status reports shall include:

- a. the current 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;
 - b. a listing of all problems encountered and each instance of noncompliance observed by the environmental inspector(s) during the reporting period (both for the conditions imposed by the Commission and any environmental conditions/permit requirements imposed by other federal, state, or local agencies);
 - c. corrective actions implemented in response to all instances of noncompliance, and their cost;
 - d. the effectiveness of all corrective actions implemented;
 - e. a description of any landowner/resident complaints which may relate to compliance with the requirements of this Order, and the measures taken to satisfy their concerns; and
 - f. copies of any correspondence received by Questar from other Federal, state or local permitting agencies concerning instances of noncompliance, and Questar's response.
9. Questar must receive written authorization from the Director of OEP **before commencing service** from the project. Such authorization will only be granted following a determination that rehabilitation and restoration of the right-of-way and other areas affected by the project are proceeding satisfactorily.
10. **Within 30 days of placing the certificated facilities in service**, Questar shall file an affirmative statement with the Secretary, certified by a senior company official:
- a. that the facilities have been constructed compliance with all applicable conditions, and that continuing activities will be consistent with all applicable conditions; or
 - b. identifying which of the certificate conditions Questar has complied with or will comply with. This statement shall also identify any areas along the right-of-way where compliance measures were not properly implemented, if not previously identified in filed status reports, and the reason for noncompliance.
11. Questar shall defer implantation of any treatment plans/measures (including archaeological data recovery); construction or use of all staging, storage and temporary work areas, and new or to-be-improved access roads until:

- a. Questar files with the Secretary any additional cultural resources reports and treatment plans and the SHPO and BLM comments;
- b. the ACHP has been given the opportunity to comment on the project; and
- c. the Director of OEP reviews and approves all reports and plans and notifies Questar in writing that treatment plans/measures may be implemented or construction may proceed.

All material filed with the Commission containing **location, character, and ownership** information about cultural resources must have the cover and any relevant pages therein clearly labeled in bold lettering: **“CONTAINS PRIVILEGED INFORMATION – DO NOT RELEASE.”**

12. Questar shall file with the Secretary updated emission data from the authorized engine-compressor package listing including manufacturer’s make and model number, list of air emission control equipment, stack height, and estimated emissions of criteria pollutants (based upon manufacturer data or state permit), **before commencing construction** of the Thistle Creek and Blind Canyon Compressor Stations.
13. Questar shall install silencers on the blowdown stacks on the ML 40 pipeline and at the Thistle Creek and Blind Canyon Compressor Stations.
14. Prior to construction, Questar shall submit a plan for review and approval by the Director of OEP, detailing all practical mitigation measures to reduce noise below currently predicted levels for the Thistle Creek and Blind Canyon Compressor Stations, specify the noise mitigation equipment it will install to decrease the noise impacts and provide a new acoustical analysis of the stations.
15. Questar shall file a noise survey with the Secretary **no later than 60 days** after placing the authorized unit(s) at the Oak Spring, Thistle Creek, and Blind Canyon Compressor Stations in service. If the noise attributable to the operation of the Compressor Stations at full load meets or exceeds the predicted L_{dn} noise level at any nearby NSA, Questar shall install additional noise controls to decrease the noise to a level below the predicted L_{dn} noise level **within 1 year** of the in-service date. Questar shall confirm compliance with this requirement by filing a second noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.