



Federal Energy Regulatory Commission
October 19, 2006
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

Item C-1: Revisions to the Blanket Certificate Regulations and Clarification Regarding Rates (RM06-7-000)

"Today, the Commission issues a final rule to expand the blanket certificate program, raising the dollar limits for automatic and prior notice projects and expanding the scope of blanket authority to include previously excluded facilities, namely mainlines, storage facilities, pipelines transporting a mix of synthetic and natural gas, and pipelines transporting exclusively revaporized liquefied natural gas (LNG).

This final rule follows a petition for rulemaking filed by INGAA and NGSA in November 2005. We acted quickly, solicited comments on the petition, and issued a proposed rule in May. In response to the petition and comments, we now adopt a final rule that reflects comments on the May proposal.

In the petition for rulemaking, INGAA and NGSA sought changes in three areas. First, they asked the Commission to allow blanket authorization of certain mainline expansions, storage enhancements, and liquefied natural gas takeaway facilities. Second, they sought adjustments in the dollar limits for blanket facilities, raising limits to reflect current project development costs. Third, they requested favorable rate treatment for anchor shippers or foundation shippers.

The final rule substantially adopts the proposed actions.

The Commission makes these changes because it agreed with the petitioners that gas project costs have increased faster than inflation, and that the Commission's regulatory oversight have undergone fundamental change since the blanket program was introduced in 1982. Further, certain restrictions that were valid in 1982 are no longer needed, and may impede development of the gas pipeline infrastructure.

To establish a one-time true-up of construction cost in this rule, the Commission relies on an inflation factor that more accurately reflects gas pipeline construction costs than the general inflation tracker used by the Commission. Use of this factor raises the automatic limit from \$8.3 to \$9.6 million, and the prior notice limit from \$22.7 to \$27.3 million. This adjustment should capture the cumulative lag over the past 25 years from using the GDP inflation tracker.

We were urged to adopt higher dollar limits for both automatic and prior notice projects. We declined to do so, largely for lack of support.

The final rule also makes changes designed to benefit landowners and the public. The landowner notification and prior notice comment periods would be increased, a proposed project would have to be described in greater detail, and certain environmental conditions and noise compliance and monitoring requirements would be clarified.

The final rule also clarifies that pipelines may offer a more favorable rate to "foundation shippers", shippers that commit to a project early and make it possible for a pipeline to secure financing for a proposed project. Both of these changes should result in significant investments in the pipeline infrastructure, and accelerate

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certain investments.

In addition, the rule renders moot the joint Petition made by Kinder Morgan and Northern Natural Gas requesting that mainline facilities serving Ethanol plants be eligible for inclusion in the blanket program. The relief sought by the Petitioners is effectively granted by today's action revising the blanket certificate program to include mainline facilities regardless of their intended purpose.

One of the clear policy goals of the Energy Policy Act of 2005 was strengthening our energy infrastructure. Today's action is completely consistent with the policy direction laid down by the President and the Congress in that it will help eliminate regulatory barriers and speed needed development of energy infrastructure that will ultimately benefit our Nation's energy consumers."