
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION PROPOSES EXPANDING BLANKET CERTIFICATE ELIGIBILITY FOR NATURAL GAS INFRASTRUCTURE PROJECTS

The Federal Energy Regulatory Commission today proposed rules that would extend blanket certificate authority to interstate natural gas facilities previously ineligible for such consideration. The proposal also would raise project cost limits.

“The Commission has an outstanding record in the development of a strong gas pipeline network. Our policies have encouraged adequate investment in pipeline expansion, and we have been very efficient in our processing of pipeline applications. That much is acknowledged by the industry. However, we are always looking for improvements,” Commission Chairman Joseph T. Kelliher said, noting the rulemaking is “completely consistent” with the Energy Policy Act of 2005’s goal of strengthening the U.S. energy infrastructure.

Blanket certificates are granted to companies that already hold a certificate of public convenience and necessity under section 7 of the Natural Gas Act. The program provides procedures that allow blanket certificate holders to improve and upgrade existing natural gas facilities that meet certain criteria without the need for a case-specific section 7 Natural Gas Act certificate authorization for the project.

In November 2005, the Natural Gas Supply Association and the Interstate Natural Gas Association of America filed a joint petition for rulemaking seeking revisions to the blanket certificate program to expand the types of activities that would be eligible under a blanket certificate and requested the project cost limits be raised. In addition, the petitioners asked the Commission clarify its policies as they pertain to natural gas companies that charge different rates for the same firm service based on the date the customers contract for that firm service.

The Commission proposes to:

- raise the blanket certificate project cost limits for a self-implementing (or automatic authorization) project from the current \$8.2 million to \$9.6 million;

- raise the cost limit for a prior-notice project from \$22.7 million to \$27.4 million;
- expand blanket certificate authority to include previously ineligible facilities such as mainlines, certain storage facilities, and pipelines receiving gas from liquefied natural gas (LNG) and synthetic gas plants;
- expand the timeframe for landowner notification under the automatic authorization provision from 30 days to 45 days and from 45 days to 60 days for projects eligible for authorization after prior notice to the public on planned facility upgrades;
- modify the content of the prior notice to the public to include a more detailed description of the planned construction, a general map, a statement of the proposed project's purpose and timing, a discussion of what the project sponsor will need from the landowner and how to contact the project sponsor, distribution of the Commission's landowner brochure addressing basic concerns; a brief summary of the landowner's rights under the eminent domain rules of the relevant state and the project sponsor's environmental complaint resolution procedure;
- clarify that a natural gas company is not necessarily engaged in an unduly discriminatory practice if it charges different customers different rates for the same service based on the date the customers commit to the service, provided potential shippers have a fair opportunity to sign for the service.

Currently, construction under the blanket certificate regulations is limited to facilities necessary to provide service within existing certificated levels.

The Commission in November 2005 temporarily waived certain of its blanket certificate regulations to help speed the recovery of natural gas infrastructure that was destroyed by Hurricanes Katrina and Rita. The Commission expanded the eligibility of facilities that are now ineligible for the blanket certificate program: mainline, or a facility – including looping and compression – that alters the capacity of the mainline and temporary compression that raises the capacity of a mainline.

The Commission also temporarily removed cost caps for projects that may be constructed under the automatic authorization provisions from \$8 million to \$16 million and projects subject to the prior notice provisions from \$22 million to \$50 million. Under the temporary waiver, the projects must increase access to gas supply, and construction must be completed on or before February 28, 2007.

In the proposed rule, the Commission disagreed with petitioners' request to exempt from the mandatory 180-day pre-filing process takeaway pipelines and other facilities that interconnect with LNG terminals.

The Commission said the LNG terminal and the facilities that attach directly to it are “interdependent – inextricably bound in design and operation and must be evaluated in tandem; both merit a similar degree of regulatory scrutiny.”

The Commission also declined to include in the proposed rule criteria sought by the petitioners to expand blanket certificate authority to encompass the development of new storage salt caverns or storage zones within a previously defined and certificated project area.

“The Commission ... views the blanket certificate program as ill-suited to construction that would create new storage zones, because impacts associated with such projects are wide ranging and go beyond the limited impact that increases in deliverability are expected to have on existing fields,” the proposal states.

The Commission said the proposed rule is not intended to include storage reservoirs that are still under development or reservoirs which have yet to reach their inventory and pressure levels as determined from their original certificated construction parameters.

However, the Commission proposes expanding its blanket certificate program to include additional storage field activities subject to the prior notice provisions and the submission of information specified in the proposal, such as a description of the current geological interpretation of the storage reservoir, and the filing of isopach and structural maps of the storage field.

Comments to the proposed rule must be submitted within 60 days after publication in the *Federal Register*. All comments must include the Docket No. RM06-7-000 and may be submitted electronically by following the instructions on the Commission’s website, www.ferc.gov. Commenters unable to file electronically may send an original and 14 copies of their comments by postal mail to the Federal Energy Regulatory Commission, Office of the Secretary, Washington, DC 20426.

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