

U.S. Department of Transportation

400 Seventh Street, S, W, Washington, D.C. 20590

Research and Special Programs Administration

Mr. Glynn Blanton
Chief, Gas Pipeline Safety Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Dear Mr. Blanton:

This refers to your enclosed letter of January 22, 2001, in which you ask whether the Stone Mountain Pipeline Company (Stone Mountain) project, as described below, is jurisdictional to our agency.

According to the information provided, Stone Mountain currently has 63 miles of pipelines extending from Kentucky to Virginia which the Federal Energy Regulatory Commission (FERC) regards as a gathering system and does not regulate. However, Stone Mountain has started a project which will add a ten-inch pipeline from the south end of the ten-inch Martins Fork to Rose Hill pipeline to a proposed Rogersville Compressor Station. . This pipeline will be used to deliver gas gathered from many fields, through as many as 62 wells, into the East Tennessee system at an interconnection downstream of the Rogersville Compressor Station, East Tennessee will build a lateral to the proposed site of the interconnection pursuant to its blanket authority from FERC. According to Stone Mountain, some of the lines feeding into the ten-inch pipeline will be several miles long and will act as "backbone" pipelines that will collect gas from numerous feeding lines along their length.

Onshore gathering lines are not subject to 49 CFR Part 192 if they lie outside of the limits of an incorporated or unincorporated city, town, or village or any designated residential or commercial area. Assuming that the Stone Mountain project will lie entirely outside of these areas, the issue is whether the ten-inch pipeline that is being constructed between Rose Hill, Virginia, and the proposed Rogersville Compressor Station, is classified as a gathering line or a transmission line.

49 CFR. § 192.3 explains that a gathering line ends at a transmission line, and a transmission line is a pipeline that transports gas from a gathering line to a distribution

center, storage facility or large volume customer that is not downstream from a distribution center.

Accordingly, the Office of Pipeline Safety (OPS) historically has selected the appropriate end point on a case-by-case basis, primarily using four points. These four points include (1) the outlet of a processing plant; (2) if there is no upstream processing plant, the outlet of a main compressor; (3) if there is no processing plant or compressor station, then the point where two or more well lines converge; and (4) if no other point is appropriate, the point where there is a change in ownership of the pipeline. In addition, once designated as a transmission line, no portion of the line may be redesignated as a gathering line even if further commingling of gas occurs downstream.

Stone Mountain believes that FERC will continue to classify their entire system as a gathering system. However, OPS is not bound by FERC's classification of gathering lines under the Natural Gas Act (15 U.S.C. § 717 et seq.), 49 U.S.C. § 60101(b)(1)(B)(ii). This means that although FERC may continue to classify the Stone Mountain system as a gathering system, OPS is not required to do so.

Although the Stone Mountain project clearly does not contain a processing plant, it will have three compressor stations, located at Martins Fork and Rose Hill, Virginia, and Rogersville, Tennessee. As used in our four-point test, a main compressor is one that has the main function of moving gas in transportation even if it also enhances the production process. Because the Rose Hill Compressor Station is not currently being used to gather gas from the existing upstream facilities, it appears that it will be used to move gas through the proposed ten-inch line from Rose Hill to Rogersville. Therefore, this is the last logical end point for the gathering line and, therefore, the point at which the transmission line begins. Because this line becomes a transmission line no further downstream than Rose Hill, Virginia, it cannot be redesignated a gathering line in Tennessee, even if it receives additional gas from other gathering lines.

The Stone Mountain ten-inch pipeline from Martins Fork to Rose Hill and continuing to the Rogersville Compressor Station is expected to receive and commingle gas from as many as 62 wells located in multiple fields. Moreover, this line currently serves four market delivery points, including a federal prison, and Stone Mountain anticipates an additional delivery point to the Hawkins County Utility District. The ten-inch pipeline appears to be transporting gas from the incoming gathering lines to its delivery points and, finally, to the East Tennessee interconnect. Therefore, OPS characterizes the ten-inch line from the proposed Rose Hill Compressor Station to the proposed Rogersville Compressor Station as a transmission line.

Interstate transmission lines are subject to the jurisdiction of OPS. Intrastate transmission lines are subject to the jurisdiction of the state under its Section 60105 certification. According to 49 U.S.C. § 60101(a), an interstate pipeline must be subject to the jurisdiction of FERC under the Natural Gas Act and intrastate pipelines are not subject to the jurisdiction of FERC. Therefore, the determination of whether this is an interstate or intrastate pipeline is based on whether FERC has jurisdiction over the pipeline. Because

this segment is not certificated by FERC, it is an intrastate transmission line and, therefore, it is subject to jurisdiction by the Tennessee Regulatory Authority under its Section 60105 certification.

If we can be of further assistance in this matter, please contact me at (202) 366-4565.

Sincerely yours,

Richard D. Hurlaux, P.E. Manager, Regulations Office of Pipeline Safety

Enclosure

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