

191 FERC ¶ 61,207
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 157

[Docket No. RM25-12-000]

Blanket Certificate Cost Limitations

(Issued June 18, 2025)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of inquiry.

SUMMARY: The Federal Energy Regulatory Commission (Commission) seeks information and stakeholder perspectives to help the Commission explore whether, and if so how, to revise its Part 157, Subpart F blanket certificate regulations to adjust the cost limitations for projects that interstate natural gas pipelines may construct without a case-specific authorization order.

DATES: Comments are due **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**

ADDRESSES: Comments, identified by docket number, may be filed in the following ways. Electronic filing through <http://www.ferc.gov>, is preferred.

- Electronic Filing: Documents must be filed in acceptable native applications and print-to-PDF, but not in scanned or picture format.
- For those unable to file electronically, comments may be filed by USPS mail or by hand (including courier) delivery.

Docket No. RM25-12-000

- 2 -

- Mail via U.S. Postal Service Only: Addressed to: Federal Energy
Regulatory Commission, Secretary of the Commission, 888 First Street NE,
Washington, DC 20426.
- Hand (including courier) delivery: Deliver to: Federal Energy Regulatory
Commission, 12225 Wilkins Avenue, Rockville, MD 20852.

The Comment Procedures Section of this document contains more detailed filing procedures.

FOR FURTHER INFORMATION CONTACT:

Danielle Elefritz (Legal Information)
Office of the General Counsel
Federal Energy Regulatory Commission
888 First Street NE
Washington, DC 20426
(202) 502-8767

Nicole Huang (Technical Information)
Office of Energy Projects
Federal Energy Regulatory Commission
888 First Street NE
Washington, DC 20426
(202) 502-8410

SUPPLEMENTARY INFORMATION:

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Blanket Certificate Cost Limitations

Docket No. RM25-12-000

NOTICE OF INQUIRY

(Issued June 18, 2025)

1. In this notice of inquiry, the Commission seeks information and stakeholder perspectives to help the Commission explore whether, and if so how, it should revise its Part 157, Subpart F blanket certificate regulations¹ to adjust the cost limitations for projects that interstate natural gas pipelines may construct without a case-specific authorization order.

I. Background

2. Interstate pipelines that hold a certificate of public convenience and necessity pursuant to section 7(c) of the Natural Gas Act (NGA)² may obtain a blanket certificate under Part 157, Subpart F of the Commission's regulations to undertake, without a case-specific authorization order, certain activities automatically and certain other activities after prior notice. Currently, blanket certificate activities are limited to a maximum cost of \$14,500,000 per project undertaken without prior notice (also referred to as automatic

¹ 18 CFR pt. 157, subpt. F.

² 15 U.S.C. 717f(c).

authorization projects) and \$41,100,000 per project undertaken subject to prior notice.³ Additionally, a certificate holder may undertake certain natural gas storage activities without prior notice for the testing or development of underground storage reservoirs if the total cost during the calendar year does not exceed \$7,900,000.⁴ The cost limitations are adjusted each year to reflect the “GDP implicit price deflator” published by the Department of Commerce for the previous calendar year.⁵

3. The blanket certificate program was designed “provide streamlined procedures which increase flexibility and reduce regulatory burden” for a generic class of routine activities with constraints for consistency with the Commission’s statutory obligations under the NGA and environmental statutes.⁶ In 1982, in instituting the blanket certificate program, the Commission explained the new program as follows:

[T]he final regulations divide the various actions that the Commission certificates into several categories. The first category applies to certain activities performed by interstate pipelines that either have relatively little impact on ratepayers, or little effect on pipeline operations. This first

³ 18 CFR 157.208(d).

⁴ *Id.* § 157.215(a)(5).

⁵ *Id.* § 157.208(d).

⁶ *Interstate Pipeline Certificates for Routine Transactions*, Order No. 234, 47 FR 24254, at 24256, 24263 (June 4, 1982), FERC Stats. & Regs. ¶ 30,368, at 30,201 (1982) (cross-referenced at 19 FERC ¶ 61,216); *see also Revisions to the Blanket Certificate Reguls. & Clarification Regarding Rates*, Order No. 686, 71 FR 63680 (Oct. 31, 2006), 117 FERC ¶ 61,074, at P 7 (2006) (“The blanket certificate program was designed to provide an administratively efficient means to authorize a generic class of routine activities, without subjecting each minor project to a full, case-specific NGA section 7 certificate proceeding.”).

category also includes minor investments in facilities which are so well understood as an established industry practice that little scrutiny is required to determine their compatibility with the public convenience and necessity. The second category of activities provides for a notice and protest procedure and comprises certain activities in which various interested parties might have a concern. In such cases there is a need to provide an opportunity for a greater degree of review and to provide for possible adjudication of controversial aspects. Activities not authorized under the blanket certificate are those activities which may have a major potential impact on ratepayers, or which propose such important considerations that close scrutiny and case-specific deliberation by the Commission is warranted prior to the issuance of a certificate.⁷

4. Since the 1982 rulemaking, the Commission has relied on the Department of Commerce's gross domestic product (GDP) implicit price deflator as a measure to make annual adjustments to the blanket cost limits.⁸ In that rulemaking, the Commission declined to base annual adjustments on the Handy-Whitman Index, an alternative price tracker that is focused more narrowly on gas utility construction costs, finding the GDP implicit price deflator to be preferable to "an index based on a private collection of data not easily susceptible to governmental verification."⁹ In 2006, the Commission revised its regulations to increase the cost limitations above the then-inflation adjusted cost cap to address concerns that construction costs had risen faster than the overall rate of inflation.¹⁰ To do so, the Commission compared the rate of cost increase derived from

⁷ Order No. 234, FERC Stats. & Regs. ¶ 30,368 at 30,200.

⁸ *Id.* at 30,206.

⁹ *Id.*

¹⁰ Order No. 686, 117 FERC ¶ 61,074 at P 33. The 2006 rulemaking also expanded the scope of blanket certificate activities to include certain mainline, liquified

the Handy-Whitman Index to that resulting from the GDP implicit price deflator and raised the cost limitations on a one-time basis from \$8,200,000 to \$9,600,000 for automatic authorization projects and from \$22,700,000 to \$27,400,000 for prior notice projects to account for the discrepancy between the two different inflation indicators.¹¹

The Commission did not otherwise revise its cost limitation regulations, thus the annual inflation adjustment is based on the Department of Commerce's GDP implicit price deflator.

5. Services using capacity constructed under blanket certificate authorization are provided at a certificate holder's existing Part 284 rates, and blanket project costs are afforded the presumption that they will qualify for rolled-in rate treatment in a future NGA section 4 proceeding. The 1982 rulemaking explained that the rates that would be charged for service over blanket facilities would already have been approved in a previous rate proceeding.¹² The Commission has applied a presumption in favor of rolled-in rate treatment for the costs of blanket certificate projects because of the expected *de minimis* impact on a pipeline system's overall rates, i.e., the expectation that

natural gas and synthetic gas, and storage facilities, subject to the prior notice provisions of our regulations regardless of their estimated costs to protect from adverse impacts to existing customers' rates and services and environmental, safety, and security concerns. *Id.* P 11.

¹¹ *Id.* P 34.

¹² Order No. 234, FERC Stats. & Regs. ¶ 30,368 at 30,201.

blanket certificate projects will not be subsidized by existing customers.¹³ The Commission specifically adopted this presumption in its 1995 Pricing Policy Statement,¹⁴ and continued the approach in its 1999 Certificate Policy Statement.¹⁵ In the 2006 rulemaking, which in part raised the bases from which the cost ceilings for blanket certificate projects are increased on an annual basis to reflect inflation, the Commission declined to allow project sponsors to request incremental rates for blanket certificate projects, reasoning that the additional time necessary to complete such a review would delay the otherwise expedited project authorization available under the blanket certificate program.¹⁶

II. Discussion

6. The Commission is issuing this notice of inquiry to consider whether, and if so, how our Part 157, Subpart F blanket certificate cost limitation regulations should be modified to address potential increases in the cost of constructing pipeline facilities.

¹³ See, e.g., *Fla. Se. Connection, LLC*, 163 FERC ¶ 61,158, at P 20 (2018).

¹⁴ *Pricing Policy for New & Existing Facilities Constructed by Interstate Pipelines*, 71 FERC ¶ 61,241, at 61,917 (1995) (Pricing Policy Statement).

¹⁵ *Certification of New Interstate Nat. Gas Pipeline Facilities*, 61 FR 21540 (May 10, 1996), 88 FERC ¶ 61,227, *corrected*, 89 FERC ¶ 61,040, at 61,746 n.12 (1999), *clarified*, 90 FERC ¶ 61,128, *further clarified*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement) (explaining that it is not a subsidy for existing customers to pay for projects designed to replace existing capacity or improve the reliability or flexibility of existing service).

¹⁶ Order No. 686, 117 FERC ¶ 61,074 at P 38. The Commission explained that the validity of the presumption could be addressed in an NGA section 4 rate proceeding. *Id.*

7. On April 14, 2025, as modified on June 11, 2025, the Interstate Natural Gas Association of America (INGAA) filed a petition for temporary waiver of the Commission's regulations to increase the blanket certificate cost limitations for prior notice projects. Specifically, INGAA requested a two-year waiver of the cost limitation regulations to double the prior notice authorization cost limit from \$41,100,000 to \$82,200,000 and that the Commission initiate a notice of inquiry to assess whether a permanent revision to the blanket certificate cost limits is warranted.¹⁷ In support of its request, INGAA avers that "barriers to infrastructure construction have ballooned infrastructure development costs in the United States" and "[i]nflation alone cannot account for the disproportionate cost increase."¹⁸ INGAA states that the cost of pipeline construction in the United States has risen from an average of \$84,788 per inch-mile in 2006 to \$221,713 per inch-mile in 2015, with that value expected to reach to \$312,466 per inch-mile by 2025.¹⁹

¹⁷ *Interstate Nat. Gas Ass'n of Am.*, Petition, Docket No. CP25-208-000, at 9 (filed Apr. 14, 2025) (Petition); *Interstate Nat. Gas Ass'n of Am.*, Modified Petition, Docket No. CP25-208-000, at 1 (filed June 11, 2025).

¹⁸ Petition at 10-11 (citing Zachary Liscow, *Getting Infrastructure Built: The Law and Economics of Permitting*, 39 J. Econ. Persps. 151, 155-59, 161-63 (2025)).

¹⁹ *Id.* at 11 (citing The INGAA Foundation, Inc., *North America Midstream Infrastructure through 2035* app. F (2018), <https://ingaa.org/foundation/resources/north-america-midstream-infrastructure-through-2035-significant-development-continues/> (accessed May 12, 2025)).

8. On June 18, 2025, the Commission issued an order granting in part INGAA's petition and waiving, on a temporary basis, our regulations to increase the cost limitations for prior notice blanket certificate projects constructed and placed in service by May 31, 2027.²⁰ The Commission wants to ensure that routine and relatively minor infrastructure projects can continue to be developed in a timely manner to ensure energy reliability, affordability, and resource adequacy, even after the end of the temporary waiver period.

9. Accordingly, the Commission seeks comment on the following questions. Comments should address whether any proposal therein aligns with any Commission policy and precedent, and if so, how.

- 1) What types of projects, including their rate, operational, or environmental impacts, should be included under either of the two categories of blanket certificate projects?
- 2) Recognizing that natural gas pipelines vary in size, what is the cost of projects that are "minor investments" or which may not "have a major potential impact on ratepayers?"
- 3) What types of projects warrant "close scrutiny and case-specific deliberation by the Commission" and how much do such projects cost on average? Please provide any data supporting such costs estimates.
- 4) What effect have input costs, including labor, materials, equipment, and project financing had on natural gas project costs since the Commission's 2006

²⁰ *Interstate Nat. Gas Ass'n of Am.*, 191 FERC ¶ 61,206 (2025).

rulemaking amending the cost limitations, if any? If these factors have deviated from the Commission's existing cost escalator, how should the Commission amend its blanket certificate cost limitations to reflect the rise in costs of future projects that represent "minor investments" or which may not "have a major potential impact on ratepayers"?

5) Is there an alternative price metric or inflation tracker or combination of trackers (e.g., pipeline construction labor and capital costs) that the Commission should use to annually adjust the blanket certificate cost limitations moving forward that better reflects the changes in natural gas project construction costs than the Department of Commerce's GDP implicit price deflator?

6) Should the Commission extend its current practice of requiring project sponsors that receive a predetermination of rolled-in rate treatment in NGA section 7(c) case-specific authorizations to keep separate books and accounting of costs and revenues attributable to the project in the same manner as required by § 154.309 of our regulations to projects authorized by the blanket certificate program? What other measures, if any, should the Commission require, in the blanket certificate application or subsequent to the authorization of the blanket project, to ensure the appropriate rate treatment of blanket certificate projects?

7) Should the Commission allow project sponsors to request incremental rates for prior notice blanket projects? How might that be implemented in a manner that would maintain the goal of streamlining procedures and reducing

regulatory burdens while ensuring that there are no adverse impacts on existing rates and services?

8) What additional measures, if any, should the Commission consider to limit any potentially adverse impacts, including impacts to affected communities or environmental impacts, which might be associated with adjusting the blanket certificate cost limitations?

III. Comment Procedures

10. The Commission invites interested persons to submit comments on the matters and issues identified in this notice. Comments are due **[INSERT DATE**

60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]. Comments

must refer to Docket No. RM25-12-000, and must include the commenter's name, the organization they represent, if applicable, and their address in their comments. All

comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below.

Commenters on this proposal are not required to serve copies of their comments on other commenters.

11. The Commission encourages comments to be filed electronically via the eFiling link on the Commission's website at <http://www.ferc.gov>. The Commission accepts most standard word processing formats. Documents created electronically using word processing software must be filed in native applications or print-to-PDF format and not in a scanned format. Commenters filing electronically do not need to make a paper filing.

12. Commenters that are not able to file comments electronically may file an original of their comment by USPS mail or by courier-or other delivery services. For submission sent via USPS only, filings should be mailed to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street NE, Washington, DC 20426. Submission of filings other than by USPS should be delivered to: Federal Energy Regulatory Commission, 12225 Wilkins Avenue, Rockville, MD 20852.

IV. Document Availability

13. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through the Commission's Home Page (<http://www.ferc.gov>).

14. From the Commission's Home Page on the Internet, this information is available on eLibrary. The full text of this document is available on eLibrary in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number excluding the last three digits of this document in the docket number field.

15. User assistance is available for eLibrary and the Commission's website during normal business hours from the Commission's Online Support at (202) 502-6652 (toll free at 1-866-208-3676) or email at ferconlinesupport@ferc.gov.

By direction of the Commission.

(S E A L)

Docket No. RM25-12-000

- 11 -

Debbie-Anne A. Reese,
Secretary.

Document Content(s)

RM25-12-000.docx.....1