

117 FERC ¶ 61,012
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Southeast Storage Development
Company, L.L.C.

Docket No. CP06-453-000

ORDER GRANTING EXEMPTION FOR TEMPORARY
ACTS AND OPERATIONS

(Issued October 4, 2006)

1. On September 8, 2006, Southeast Storage Development Company, L.L.C. (Southeast Storage) filed, pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure¹ and section 7(c)(1)(B) of the Natural Gas Act (NGA),² a petition for exemption from the certificate requirements of NGA section 7(c) to drill three test wells and perform other activities to determine the feasibility of developing an underground natural gas storage facility in Smith County, Mississippi.

2. We find it is in the public interest to grant Southeast Storage's requested exemption for the proposed activities, subject to the conditions herein, to facilitate the development of storage facilities.

Proposed Activities

3. Southeast Storage seeks an exemption from NGA section 7(c) certificate requirements to explore and assess the technical and economic feasibility of developing

¹18 C.F.R. § 385.207 (2006).

²15 U.S.C. § 717(c)(1)(b). Section 7(c)(1)(B) permits the Commission to exempt "temporary acts or operations for which the issuance of a certificate will not be required in the public interest."

an underground natural gas storage facility in Smith County, Mississippi.³ Southeast Storage is a wholly owned subsidiary of Southern Natural Gas Company (Southern) and was formed for the purpose of exploring the feasibility of developing an underground natural gas storage facility. It is not a “natural gas company” within the meaning of the section 2(6) of the NGA and currently holds no section 7 certificates. Southeast Storage seeks to drill three test wells to gather site-specific geologic, stratigraphic, and hydrologic data concerning an underground salt formation that exists at the site in Smith County, Mississippi.

4. Southern has obtained an agreement granting it an option to purchase a 72-acre parcel of land and a 7.5-acre parcel of land in Smith County, Mississippi. The option includes permission from the current landowners to drill the proposed test wells. Southeast Storage proposes to drill a 6,000-foot stratigraphic test well on the 72-acre site to gather site-specific geologic, stratigraphic, and hydrologic data on the salt dome and surrounding formations. Southeast Storage also proposes to drill a 3,000-foot fresh water supply test well and a 6,000-foot brine disposal test well on the 7.5-acre site to test the capabilities of the formations surrounding the storage facility for water supply and brine disposal purposes.

5. Southeast Storage notes that the wells will be drilled, operated and then plugged and abandoned in accordance with the rules, regulations, and requirements of the Mississippi State Oil and Gas Board, the Mississippi Department of Environmental Quality, and any other requirements of the State of Mississippi, as well as those contained in section 157.206(b) of the Commission's regulations.

6. Southeast Storage states it will bear the full costs of drilling the test wells and that no gas storage or transportation service will be rendered in connection with this temporary activity.

Notice and Intervention

7. Notice of Southeast Storage's application was published in the *Federal Register* on September 22, 2006 (71 Fed. Reg. 55,458). Bay Gas Storage Company, Ltd. filed a

³ Southeast Storage also requests pre-granted abandonment authority if such authority is necessary. Pre-granted abandonment authority is not necessary since no jurisdictional facility or service requiring abandonment will be constructed or provided by Southeast Storage pursuant to this order.

timely, unopposed motion to intervene.⁴ No protests, comments, or petitions to intervene in opposition were filed.

Discussion

8. Southeast Storage's proposed activities are a necessary preliminary phase in the development and construction of a natural gas storage facility. Depending on the outcome of tests, salt caverns for the storage of natural gas may or may not be developed. We therefore consider the proposed activities as a necessary phase in the construction of a jurisdictional storage facility, and as such, the proposed activities are subject to the certificate requirements of NGA section 7(c).

9. Pursuant to NGA section 7(c)(1)(B), if we find it in the public interest, we may exempt certain temporary acts or operations from the certificate requirement that would otherwise apply. Previously, we have granted exemptions to allow operations of a temporary nature that have no effects on the ratepayer, on the quality of service provided by a pipeline, or on the public as a whole.⁵

10. Southeast Storage states that its proposed exploratory activities are temporary and will be conducted in order to determine the feasibility of developing a salt cavern storage complex. No jurisdictional service will be rendered from the well without Commission authorization. The certificate authorization exemption will be used solely for discrete exploratory activities to obtain geological and engineering data.

11. As proposed by Southeast Storage in its application, its authorization will be conditioned on its performing all activities in compliance with the same environmental conditions that apply to natural gas companies' activities under their Part 157 blanket certificates, as set forth in section 157.206(b) of the Commission's regulations.

12. Under the circumstances described in Southeast Storage's petition, we find that the proposed activities constitute temporary acts or operations within the meaning of NGA section 7(c)(1)(B), and we find it in the public interest to exempt the proposed activities from the certificate requirements of NGA section 7(c). We find that without performing

⁴ Timely, unopposed motions to intervene are granted by operation of Rule 214, 18 C.F.R. § 385.214 (2006).

⁵ See, e.g., *Desert Crossing Gas Storage and Transportation System LLC*, 98 FERC ¶ 61,277 (2002); *Copper Eagle Gas Storage L.L.C.*, 97 FERC ¶ 62,193 (2001); and *Central New York Oil and Gas Co. LLC*, 89 FERC ¶ 61,006 (1999).

the proposed activities, Southeast Storage cannot make an informed business and engineering decision regarding the feasibility of developing a new storage complex, which would allow it to better serve the growing gas demand needs in the region.

13. In view of the above, we will exempt Southeast Storage from the certificate requirements of NGA section 7 as to the activities specified herein, subject to the conditions set forth below. The certificate exemption granted herein is without prejudice to any decision the Commission may make regarding any application Southeast Storage may file for authorization for a storage project at the site or related pipeline construction.

14. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the petition submitted in support of the authorization sought herein, and in consideration of the record,

The Commission orders:

(A) Upon the terms and conditions of this order and pursuant to NGA section 7(c)(1)(B), Southeast Storage is granted an exemption from the certificate requirements of section 7 of the NGA to undertake the activities specified in this order and in the petition. This exemption is effective upon issuance of this order. The authorized drilling and testing activities shall be completed within one year of the date of this order.

(B) Southeast Storage shall notify the Commission within 10 days after commencing activities within the exemption granted in Ordering Paragraph (A). Southeast Storage shall allow inspection by Commission staff at any time.

(C) Southeast Storage shall comply with the environmental requirements of section 157.206(b) of the Commission's regulations in implementing the drilling and testing activities.

(D) The exemption granted in Ordering Paragraph (A) may be revoked if the actions are determined to be inconsistent with this order or with state or federal law and

regulations. The Commission may halt work authorized under this exemption until any required consistency determination is completed.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.