

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

SemGas Storage L.L.C.

Docket No. CP07-113-000

ORDER GRANTING EXEMPTION
FOR TEMPORARY ACTS AND OPERATIONS

(Issued April 4, 2007)

1. On March 22, 2007, SemGas Storage L.L.C. (SemGas) filed a petition pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure.¹ SemGas requests an exemption, as provided in section 7(c)(1)(B) of the Natural Gas Act (NGA),² from the certificate requirements of NGA section 7(c) to re-work existing wells and perform other activities to obtain further technical information regarding the Avoca Storage Project in Steuben County, New York.³
2. We find it is in the public interest to grant SemGas' requested exemption for the proposed activities, subject to the conditions herein, to facilitate the development of storage facilities.

Proposed Activities

3. SemGas seeks an exemption from NGA section 7(c) certificate requirements to obtain further technical information regarding the Avoca Storage Project, an underground natural gas storage facility in Steuben County, New York. SemGas is not a natural gas

¹ 18 C.F.R. § 385.207 (2006).

² 15 U.S.C. § 717(c)(1)(b).

³ Section 7(c)(1)(B) of the NGA permits the Commission to exempt "temporary acts or operations for which the issuance of a certificate will not be required in the public interest."

company within the meaning of section 2(6) of the NGA and holds no section 7 certificates.

4. In 1994, the Commission granted Avoca Natural Gas Storage (Avoca) certificate authorizations to construct and operate natural gas storage facilities and provide open-access storage service.⁴ The Avoca storage project was a salt cavern storage project, and Avoca was authorized to drill several brine disposal wells on the project site. Following certification, Avoca completed much of the approved construction, including the drilling of six disposal wells. However, construction of the project was never completed, and Avoca requested and received authorization to abandon the project and its certificates in 1999.⁵

5. In 2005, SemGas purchased the rights to the Avoca Storage Project, including all related property and facilities, and intends to reactivate the project. As part of that process, SemGas proposes to re-work the existing brine disposal wells, perforating new formations at approximately 5,500 feet, in order to obtain new and updated geological and hydrologic information about the formations these wells penetrate. SemGas requests exemption from certificate authority in order to conduct these tests. SemGas requests that the exemption be applicable to all six existing disposal wells. However, SemGas states that it will most likely only need to re-work two wells and is still in the process of determining which wells.

6. SemGas states that the testing will be temporary in nature, will not render storage or transportation services, and will not affect the public as a whole. SemGas owns the entire Avoca site, including the locations of the wells and the surrounding acreage. SemGas state that it will conduct the proposed tests in compliance with the requirements of the New York State Department of Environmental Conservation and section 157.206(b) of the Commission's regulations,⁶ which sets forth the environmental conditions applicable to natural gas companies' activities under their Part 157 blanket certificates.

Notice and Intervention

7. Notice of SemGas' application was issued on March 23, 2006 and published in the *Federal Register* on March 29, 2007 (72 Fed. Reg. 14788). No protests, comments, or petitions to intervene in opposition were filed.

⁴ *Avoca Natural Gas Storage*, 68 FERC ¶ 61,333 (1994).

⁵ *Avoca Natural Gas Storage*, 88 FERC ¶ 62,245 (1999).

⁶ 18 C.F.R. § 1257.206(b) (2006).

Discussion

8. SemGas' proposed activities are a necessary preliminary phase in the development and construction of the Avoca Storage Project. The drilling of test wells, or in this case, the re-working of existing wells, to obtain the necessary physical and hydrologic characteristics of the salt and/or surrounding formations is a necessary step in determining whether the development of a salt cavern storage field is feasible. 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.⁷

10. SemGas emphasizes that its proposed testing 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 wells 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 SemGas 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 SemGas' petition, we find that the proposed activities constitute temporary acts or operations within the meaning of the 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). Given the limited availability of storage facilities in the vicinity of the potential storage site, we acknowledge the potential benefit a new storage facility could provide. Further, we find that without performing the proposed activities, SemGas cannot make further informed engineering decisions regarding the development of the Avoca Storage Project, which would allow SemGas to better serve the growing natural gas demands needs in the region.

⁷ See, e.g., *Mississippi Hub, LLC*, 115 FERC ¶ 61,363 (2006); *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 Company LLC*, 89 FERC ¶ 61,006 (1999).

13. In view of the above, we will exempt SemGas from NGA section 7's certificate and abandonment requirements 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 SemGas may file for authorization for a storage project at the site or related pipeline construction.

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to section 7(c)(1)(B) of the NGA, SemGas is granted an exemption from the certificate and abandonment requirements of section 7 of the NGA to undertake the activities specified in this order and in SemGas' 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) SemGas shall notify the Commission within 10 days after commencing activities within the exemption granted in Ordering Paragraph (A). SemGas shall allow inspection by Commission staff at any time.

(C) SemGas 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)

Philis J. Posey,
Acting Secretary