

119 FERC ¶ 61,057
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Port Barre Investments, L.L.C.
d/b/a Bobcat Gas Storage

Docket No. CP06-66-001

ORDER AMENDING CERTIFICATE

(Issued April 19, 2007)

1. On February 7, 2007, Bobcat Gas Storage (Bobcat) filed an application in Docket No. CP06-66-001 under section 7(c) of the Natural Gas Act (NGA) for amendment of the certificate of public convenience and necessity issued by the Commission on July 20, 2006 in Docket No. CP06-66-000.¹ The amendment would increase Bobcat Gas Storage Project's authorized gas capacity, decrease the diameter of interconnecting pipelines, and add additional interconnecting pipelines. As discussed below, the Commission finds that Bobcat's proposal is in the public interest and grants Bobcat's request for amendment of its certificate authority, subject to conditions. This order also affirms the July 20, 2006 order's grant of market-based rate authority to Bobcat.

¹ *Port Barre Investments, L.L.C.*, 116 FERC ¶ 61,052 (2006). Bobcat is a limited liability corporation organized and existing under the laws of Delaware. Bobcat is a wholly-owned subsidiary of Port Barre Holdings, LLC, a Delaware corporation. Port Barre Holdings is wholly-owned by Haddington Energy Partners III LP. The general partner of Haddington Energy Partners is Haddington Ventures III, LLC, whose principals are experienced developers and operators of natural gas storage projects.

Background And Proposal

2. The Commission's July 20, 2006 Order authorized Bobcat to construct two high-deliverability salt dome storage caverns with a total capacity of 17.8 billion cubic feet (Bcf), a compressor station, various 24-inch, bi-directional pipelines to five interstate and one intrastate² natural gas pipeline system interconnects and appurtenant facilities in Landry Parish, Louisiana. As currently certificated, the storage facility would be capable of delivering natural gas at the rate of 1.2 Bcf per day and receiving injection gas at a rate of 0.9 Bcf per day. Each salt cavern would have base gas capacity of 2.9 Bcf and working gas capacity of 6 Bcf. Bobcat states that construction of the Bobcat Gas Storage Project commenced on December 18, 2006, and currently is ongoing.

3. Bobcat seeks amended certificate authorization to increase each of its two storage cavern's authorized base gas capacity from 2.9 Bcf to 3.25 Bcf and each cavern's authorized working gas capacity from 6 Bcf to 6.75 Bcf, increasing the total facility storage capacity to 20 Bcf. Bobcat also seeks amendment of its certificate authorization to decrease the approved diameter of its pipeline facilities in the North and South corridors from 24 inches to 20 inches and in the West corridor from 24 inches to 12 inches.

4. In addition, Bobcat seeks authorization to construct, own and operate a 16-inch diameter, 2.11-mile natural gas pipeline in the North corridor extending from the gas storage site to an interconnection with Texas Eastern Transmission, L.P.; a 12-inch diameter, 2.14-mile natural gas pipeline in the South corridor extending from the gas storage site to the point of interconnect between authorized facilities in the West and South corridors; and a 16-inch diameter, 1.34-mile brine pipeline within the South corridor extending from the gas storage site to the three previously authorized brine wells.

5. Bobcat states that the cavern expansions will require no surface facility construction beyond that already authorized by the Commission. Bobcat's updated engineering and design studies indicate that deeper caverns operating at higher pressures will allow more favorable pipeline hydraulics. According to Bobcat, the improved pipeline hydraulics allow for the proposed reduction in pipeline diameters without reducing pipeline capacity.

² In its Implementation Plan filed on October 17, 2006, Bobcat states that it no longer seeks to construct the authorized intrastate interconnect with Cypress Pipeline Company.

6. The facility additions are proposed in response to open-season customer requests for added assurances of Bobcat's ability to simultaneously receive gas from and deliver gas to pipeline interconnects at times of peak demand.³ The proposed additional pipeline facilities will provide Bobcat's customers with increased operational flexibility and are responsive to customer requests for additional pipeline laterals.

7. The July 20, 2006 order authorized Bobcat to charge market-based rates for its storage and hub services. Bobcat's February 7, 2007 application includes updates to the February 15, 2006 Market Power Study to support continuation of its market-based rate authority.

Notice And Interventions

8. Public notice of Bobcat's February 7, 2007 application for certificate amendment was published in the *Federal Register* on February 26, 2007 (72 Fed. Reg. 8,364). Florida Gas Transmission Company filed a timely unopposed motion to intervene. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Regulations.⁴

Discussion

A. Certificate Policy Statement

9. Since the subject facilities will be used to provide natural gas service in interstate commerce subject to the jurisdiction of the Commission, Bobcat's proposal is subject to the requirements of the sections 7(c) and (e) of the NGA.

10. The Commission's September 15, 1999 Certificate Policy Statement provides guidance as to how it will evaluate proposals for certifying new construction.⁵ The

³ Bobcat's first open season, held March 27, 2006 through April 27, 2006, resulted in two binding precedent agreements with two customers for 5 Bcf for firm storage service. Bobcat states that a second open season, held January 9, 2007 through January 26, 2007, for 1 Bcf of storage service resulted in 14 bids totaling over 14 times the capacity offered.

⁴ 18 C.F.R. § 385.214(a) (3) (2006).

⁵ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *further order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explains that in deciding whether to authorize the construction of major new pipeline facilities, the Commission balances the public benefits against the potential adverse consequences. Our goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, and the avoidance of the unnecessary exercise of eminent domain or other disruptions of the environment.

11. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, we will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will we proceed to complete the environmental analysis where other interests are considered.

12. As stated, the threshold requirement is that the applicant must be prepared to financially support the project without relying on subsidization from its existing customers. Bobcat is a new entrant in the natural gas storage market, in the process of constructing its initial natural gas storage facilities, and has no existing customers. Therefore, there will be no subsidization. Moreover, by requesting market-based rate authority, Bobcat assumes the economic risks associated with the costs of the project's facilities to the extent that any capacity is unsubscribed. Thus, the Commission finds that Bobcat has satisfied the threshold requirement of the Certificate Policy Statement. Further, since Bobcat has not commenced service, its request for amendment of its certificate authority to modify certain facilities and construct additional facilities will have no other adverse impact on existing customers or services.

13. Since Bobcat's storage facilities will serve increased market demand, there should be no negative impact on existing storage providers or their captive customers. As discussed below, the proposed project will be located in a competitive market and will serve new demand in a region that is experiencing rapid growth in natural gas use. The proposal also will enhance storage options available to pipelines and their customers, and thus, will increase competitive alternatives. Additionally, no storage company in

Bobcat's market area has protested Bobcat's application. Also, effects on landowners and surrounding communities have been minimized since the proposed additional pipeline facilities are situated, to the extent possible, parallel to existing pipeline rights-of-way. Accordingly, consistent with the Certificate Policy Statement and NGA section 7, we find approval of Bobcat's proposal to be in the public convenience and necessity.

B. Market Based Rates

14. In the instant filing, Bobcat seeks to increase the working gas capacity of each of the two authorized storage caverns from 6.0 Bcf to 6.75 Bcf, increasing total capacity from 12.0 Bcf to 13.5 Bcf (a 12.5% net increase). We examined the effect of this increase on the relevant calculations and results reflected in the Market Power Study filed by Bobcat with its application for certificate amendment.⁶ Bobcat's proposed 1.5 Bcf net increase will result in (1) only a 0.2% increase (*i.e.*, from 1.6% to 1.8%) in Bobcat's market share, and (2) a negligible increase in the HHI value for working gas capacity (*i.e.*, from 862 to 863).⁷ Therefore, Bobcat's proposed increase in working gas capacity does not change the Commission's finding in the July 20, 2006 Order that Bobcat will lack market power.

15. As required by section 284.504(b) of the Commission's regulations, adopted by Order No. 678 and stated in the July 20, 2006 Order, the Commission's approval of market-based rate authority for Bobcat is subject to re-examination in the event that: (a) Bobcat adds storage capacity beyond the capacity authorized in this order; (b) an affiliate increases storage capacity; (c) an affiliate links storage facilities to Bobcat; or (d) Bobcat, or an affiliate, acquires an interest in, or is acquired by, an interstate pipeline connected to Bobcat, since these circumstances could affect its market power status. Bobcat shall notify the Commission within 10 days of acquiring knowledge of any such changes.⁸ The notification shall include a detailed description of the new facilities and

⁶ Bobcat does not propose to increase its peak day deliverability of 1,200 MMcf/Day. Therefore, the proposed increase in working gas capacity does not affect the Commission's July 20, 2006 Order's acceptance of Bobcat's market power analysis related to Hub Services.

⁷ See Market Power Study, Attachment 1: Gas Storage in the Gulf Coast Region with Approved Expansions and New Facilities including the Market Share and Herfindahl-Hirschman Index Analysis.

⁸ Order No. 678, at PP 90-91. See also 18 C.F.R. § 284.504(b) (2007).

their relationship to Bobcat. The Commission also reserves the right to require an updated market power analysis at anytime.⁹

C. Engineering Analysis

16. The Commission reviews the design capacity of proposed natural gas facilities to ensure that the design is appropriate and efficient. Based on Commission staff's engineering review of Bobcat's proposal, Bobcat's certificate authority will be conditioned to provide that the maximum inventory of natural gas stored in Bobcat's facilities shall not exceed 20 Bcf at 14.73 psia and 60° F (10 Bcf per cavern). The maximum gas storage shut-in stabilized pressure gradient of each cavern will not exceed 0.9 psi/ft and the minimum pressure gradient in each cavern will be limited to 0.244 psi/ft applied to the casing seats of the wells penetrating the caverns. If Bobcat finds that a lower minimum pressure gradient is acceptable, Bobcat shall file a separate request to operate at that gradient.

17. Our staff's analyses confirm Bobcat's contention that the deeper cavern designs operating at higher pressures will allow more favorable pipeline hydraulics. Thus, Bobcat has demonstrated that with the higher cavern pressures coupled with the smaller pipeline diameters, delivery conditions would meet or exceed requirements of the individual interconnected pipelines. Based on staff's analyses, we find that the revised facilities are appropriately designed to withdraw up to 1.2 Bcf of natural gas per day from storage and to inject up to 0.9 Bcf of natural gas per day into storage subject to the conditions herein and in the July 20, 2006 Order.

D. Environmental Analysis

18. Our staff prepared an environmental assessment (EA) for Bobcat's proposed amendment. The EA was issued and placed in the record in this proceeding on March 22, 2007. The EA addresses geology, soils, water resources, fisheries, wetlands, vegetation, wildlife, endangered and threatened species, land use, cultural resources, air and noise quality, and alternatives.

19. All proposed additional pipelines would be constructed concurrently with the previously certificated pipelines, and collocated within the previously approved rights-of-way. No additional permanent or temporary rights-of-way would be required. In addition, the proposal would require no additional surface facilities, temporary extra

⁹ See, e.g., *Mississippi Hub, LLC*, 118 FERC ¶ 61,099 at P 29 (2007); and *MoBay Storage Hub, Inc.*, 117 FERC ¶ 61,298 at P 34 (2006).

workspaces, contractor yards, pipe storage yards, access roads, or non-jurisdictional facilities beyond those previously approved. No new landowners would be affected. Thus, the EA finds that there will be no additional impact on vegetation, wildlife, wetlands, water resources, and land use. There would be minimal additional impact on soils. If the need for additional or alternative extra workspace areas is identified in the future due to changes in site-specific construction requirements, Bobcat will be required to file information on each area for review and the Director of the Office of Energy Projects' approval prior to use.

20. The additional pipelines will be constructed in accordance with the previously approved construction procedures, as described in Bobcat's initial February 2006 application. Bobcat's expansion of its caverns will not require additional raw water production. Further, all facilities would be developed in accordance with applicable federal, state, and local regulations, permits, and approvals. Bobcat received an amended Class III Solution Mining Permit from the Louisiana Department of Natural Resources on December 28, 2006, and a Louisiana Pollutant Discharge Elimination System Permit to Discharge Hydrostatic Test Water from the Louisiana Department of Environmental Quality on December 20, 2006. No additional permits or authorizations are required.

21. The EA finds that there will be no additional impact to cultural resources as a result of the amendment of Bobcat's certificate authorization. The previously required cultural resources surveys, consultation with Native American tribes, and consultation with the State Historic Preservation Officer are applicable to the proposed activities.

22. The EA also concludes that no additional permanent emission sources or increases in noise levels are expected from the proposed project amendment. Because the additional proposed pipelines will be constructed concurrently with the previously certificated pipeline facilities, temporary noise quality effects and air emissions during construction will be similar to those previously analyzed. Therefore, the EA finds that Bobcat's proposal will result in no significant impact to air quality. Construction-related noise would not have a significant effect on any noise sensitive areas.

23. Based on the discussion in the EA, we conclude that if the proposed project is constructed and operated in accordance with Bobcat's application, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

24. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. The Commission encourages cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or

local laws, may prohibit or unreasonably delay the construction or operation of facilities approved by this Commission.¹⁰

25. Bobcat shall notify the Commission's environmental staff by telephone, e-mail, or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Bobcat. Bobcat shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

The Commission orders:

(A) The certificate of public convenience and necessity to construct and operate the storage facilities issued to Bobcat in Docket No. CP06-66-000 is amended to increase Bobcat's authorized gas capacity, to modify facilities authorized by the July 20, 2006 order in Docket No. CP06-66-000, and to authorize additional pipeline facilities, as described more fully in the application and in the body of this order.

(B) The certificate authorization granted in Ordering Paragraph (A) is conditioned on Bobcat's compliance with all applicable Commission regulations under the Natural Gas Act, particularly the general terms and conditions set forth in Parts 154, 157, and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations.

(C) Pursuant to section 157.20(b) of the Commission's regulations, Bobcat must construct the authorized facilities and make them available for service within four years from this date of this order.

(D) Pursuant to section 284.504(b) of the Commission's regulations, Bobcat must notify the Commission within 10 days of acquiring knowledge of significant changes that could affect its market power. The notification shall include a detailed description of the new facilities and their relationship to Bobcat. The Commission also reserves the right to require an updated market power analysis at anytime.

(E) (1) The maximum inventory of natural gas stored in Bobcat's facilities shall not exceed the certificated levels of 20 Bcf at 14.73 psia and 60° F (10 Bcf per cavern);

¹⁰See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *National Fuel Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

(2) The maximum gas storage shut-in stabilized pressure gradient of each cavern shall not exceed 0.9 psi/ft, and the minimum pressure gradient in each cavern will be limited to 0.244 psi/ft applied to the casing seats of the wells penetrating the caverns. If Bobcat finds that a lower minimum pressure gradient is acceptable, Bobcat shall file a separate request to operate at that gradient.

(3) Bobcat is authorized to withdraw up to 1.2 Bcf of natural gas per day from storage and to inject up to 0.9 Bcf of natural gas per day into storage.

(4) Except as provided in this Ordering Paragraph, Bobcat shall comply with the engineering conditions set forth in Appendix A to the July 20, 2006 Order. Based on our analyses, we find that the facilities as amended are appropriately designed to withdraw up to 1.2 Bcf of natural gas per day from storage and to inject up to 0.9 Bcf of natural gas per day into storage subject to the conditions herein and in the July 20 Order.

(F) Bobcat shall continue to comply with the environmental conditions set forth in Appendix B to the July 20, 2006 Order.

(G) Bobcat shall notify the Commission's environmental staff by telephone, e-mail, or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Bobcat. Bobcat shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.