

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 1, 2006

In Reply Refer To:
Cotton Valley Compression, L.L.C.
Docket No. RP06-201-000

John & Hengerer
1200 17th Street, N.W.
Washington, D.C. 20036

Attention: Mathew T. Rick, Counsel
Cotton Valley Compression, L.L.C.

Reference: Third Replacement of Compressor, Waiver of Noise Study Requirement
and New Rates

Ladies and Gentlemen:

1. On January 31, 2006, Cotton Valley Compression, L.L.C. (Cotton Valley) filed Third Revised Sheet No. 2 and Third Revised Sheet No. 4 to its FERC Gas Tariff, Original Volume No. 1, and documentation to support: (1) the third replacement of a leased compressor; (2) a reduction in firm (FT) and interruptible (IT) transportation rates; and, (3) a one-time waiver of the Commission's certificate requirement to conduct a noise survey after replacing the compressor. Cotton Valley also includes a copy of an exemption to the State of Oklahoma's air emission standards granted by the Oklahoma Department of Environmental Quality (ODEQ). Cotton Valley requests the proposed tariff sheets become effective March 3, 2006. Cotton Valley's revised tariff sheets to effectuate decreased service rates are accepted, effective March 3, 2006, as proposed. For the reasons given below, the Commission denies Cotton Valley's request to forgo conducting the required noise study.

2. Notice of Cotton Valley's filing was issued February 3, 2006. Interventions and protests were due February 13, 2006, as provided in section 154.210 of the Commission's Regulations (18 C.F.R. § 154.210 (2005)). Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2005)). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. No adverse comments or protests were filed.

3. Cotton Valley advises the Commission of a third change to leased compressor units.¹ Cotton Valley submits that it replaced the 1,265 horsepower (hp) CAT 3516 leased compressor unit in service since 2001 with a 1,340 hp CAT 3516 unit. The new compressor increased total compression from 2,605 hp to 2,680 hp, and the maximum pipeline capacity from 25,298 Decatherms (Dth) per day to 29,458 Dth per day.² Cotton Valley claims it changed the compressor solely as a result of an increase in costs associated with the 1,265 hp unit rendering it more economical to lease the alternate 1,340 hp unit.

4. Cotton Valley provides, in Appendix B, a revised rate derivation that reflects an increase in annual lease rental costs, from \$396,316 to \$398,468. However, because of the throughput increase of 4,160 Dth per day gained with the higher horsepower unit, Cotton Valley contends the net result is an overall reduction in transportation rates. Specifically, the overall FT rate decreased from \$1.756 to \$1.513 per Dth and the overall IT rate decreased from 5.77 to 4.98 cents per Dth.³ Cotton Valley proposes no change to its 2 percent fuel retention charge, because it projects fuel use for the replacement compressor will not significantly differ from the old unit. Nevertheless, Cotton Valley reserves the right to file to change the retention percentage in the future if circumstances warrant. In addition to the new lower service rates, Cotton Valley revises its Preliminary Statement to reflect the increased compression and maximum pipeline capacity resulting from the compressor change.

5. In accordance with the Commission's order in Docket Nos. RP03-28-000 and CP99-541-003,⁴ Cotton Valley submits its operating cost spreadsheet summary, in Appendix B, for the most recent twelve months and copies of the most recent rental invoices for the two compressor units it currently leases.

¹ Cotton Valley acknowledges that it replaced the compressor unit on November 3, 2005, and that it submits the instant filing after expiration of the 60-day period prescribed in our certificate order issued February 28, 2000 in Docket Nos. CP99-541-000. We note that Cotton Valley filed a January 3, 2006 request for an extension of time in Docket No. CP99-541-000. Cotton Valley's request for an extension is hereby granted.

² The Commission authorized Cotton Valley to operate leased compressors up to 3,000 hp with an available capacity of up to 31,000 Dth per day subject to certain conditions. *See Cotton Valley Compression, L.L.C.*, 90 FERC ¶ 61,206 (2000), *reh'g denied*, 92 FERC ¶ 61,140 (2000).

³ Overall rates include two components: a compressor lease expense surcharge and the FT reservation charge, or the base rate for IT.

⁴ *See Cotton Valley*, 101 FERC ¶ 61,177, at P 7.

6. In its two previous compressor change filings, Cotton Valley certified that the applicable change in leased compression did not result in violations of air emission standards maintained by ODEQ. Cotton Valley notes that such certification is no longer necessary because, in October 2004, ODEQ advised Cotton Valley that it qualifies for an exemption from these standards and is no longer required to maintain an air quality permit.⁵

7. Cotton Valley's certificate authority is conditioned on the filing of a noise survey following any compressor replacement or upgrade.⁶ Cotton Valley states that it complied with this requirement by submitting noise surveys with both previous compressor replacement filings. Cotton Valley submits that in its last filing, it reported a day-night sound level (L_{dn}) of 42.8 dBA at the nearest noise sensitive area (NSA) which is well below the 55 dBA threshold established in the Commission's certificate order. Cotton Valley requests that the Commission waive the requirement to conduct a noise survey with respect to the instant compressor because the newly-installed compressor is virtually identical to the one it replaces. Further, Cotton Valley states the manufacturer's noise specification applicable to both the old and new units are identical.⁷ Therefore, Cotton Valley maintains that the replacement should have little to no impact on noise quality and on the results of the noise survey filed with the last compressor replacement. In addition, Cotton Valley states that the cost of a new survey is approximately \$2,000.00, which is not insignificant considering the very limited nature of Cotton Valley's operations and the fact that Cotton Valley only pursued the instant compressor replacement as a means to control increasing costs.

8. The Commission accepts Cotton Valley's compressor replacement filing. We find that Cotton Valley is permitted, by the Commission's February 28, 2000 Order to periodically increase or decrease the amount of leased compression on its pipeline system, provided it complies with various environmental conditions and it modifies its rates to track cost and capacity changes resulting from compressor replacements. We also find the rate changes proposed consistent with the Commission's certificate order. The Commission also recognizes that Cotton Valley is exempt from the emission standards maintained by ODEQ.

9. With regard to Cotton Valley's request for waiver to conduct a noise survey, we note that Environmental Condition No. 3 of the February 28, 2000 Order specifically requires Cotton Valley to perform such a study to assure acceptable decibel levels in

⁵ See Appendix C of filing.

⁶ See *Cotton Valley*, 90 FERC ¶ 61,206 (2000).

⁷ See Appendix D of filing.

adjacent noise sensitive areas. We are not persuaded that the replacement unit's manufacturer's noise specifications measured at the factory are the same as the actual levels existent at Cotton Valley's facilities. The Commission imposed the condition to protect the public and we view the \$2000.00 a nominal price to insure Cotton Valley provides the protection prescribed by our certificate. Accordingly, we find that Cotton Valley has failed to show good cause for us to grant waiver of the Environmental Condition No. 3 to our February 28, 2000 Order. Cotton Valley's waiver request is hereby denied.

10. The Commission accepts Cotton Valley's revised tariff sheets named above to become effective March 3, 2006, as proposed.

By direction of the Commission.

Magalie R. Salas,
Secretary.