

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

Mississippi Hub, LLC

Docket No. CP06-276-000

ORDER GRANTING EXEMPTION FOR TEMPORARY ACTS AND OPERATIONS

(Issued June 22, 2006)

1. On May 11, 2006, Mississippi Hub, LLC (MS Hub) filed a petition pursuant to Rule 207(a)(5) of the Commission's Rules of Practice and Procedure.¹ MS Hub 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 drill test wells and perform other activities to determine the feasibility of developing a natural gas storage facility in Simpson County, Mississippi.³

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

Proposed Activities

3. MS Hub seeks an exemption from NGA section 7(c) certificate requirements to explore and assess the technical and economic feasibility of developing an underground natural gas storage facility in Simpson County, Mississippi. MS Hub states that it is a limited liability company organized under the laws of the State of Mississippi, with its principle place of business in Lafayette, Louisiana. MS Hub declares that it was formed for the purpose of exploring the feasibility of developing an underground storage facility

¹18 C.F.R. § 385.207 (2005).

²15 U.S.C. § 717(c)(1)(b).

³Section 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."

in an underground salt formation that exists on property that it owns in Simpson County, Mississippi. MS Hub seeks to drill stratigraphic wells to gather site-specific geologic, stratigraphic and hydrologic data concerning the site. MS Hub states that if it finds the development of a storage facility feasible and that a demand for natural gas storage services exists, it intends to apply to the Commission for a certificate of public convenience and necessity pursuant to section 7 of the NGA.

4. MS Hub requests an exemption from NGA section 7(c) certificate requirements in order to drill stratigraphic test wells and, if necessary, pre-granted abandonment authority. MS Hub anticipates that stratigraphic test wells will be required to confirm: a) the feasibility of rock mechanics for storage development; b) the feasibility of obtaining water supplies necessary to develop the project; and c) the feasibility of brine disposal. MS Hub has identified drilling locations on the property owned by MS Hub, and MS Hub is in the process of preparing necessary filings for approval of the proposed drilling under state law in Mississippi. MS Hub will have operational control over both the surface and subsurface mineral rights for the properties on which the planned stratigraphic wells will be drilled.

5. MS Hub affirms that these test wells will be designed to characterize the strata and confirm the feasibility of underground storage, feasibility of obtaining water supplies, and feasibility of long-term brine disposal. MS Hub explains the data obtained from the drilling of the stratigraphic wells is essential for obtaining the necessary final regulatory approvals should MS Hub proceed with the development of a natural gas storage facility in the area.

6. MS Hub states that the company will bear the full costs of the activities described above, and that the construction and testing will be temporary in nature. MS Hub also affirms that no service will be rendered under this application. Specifically, MS Hub intends to conduct the proposed tests in compliance with the requirements of the State of Mississippi and any applicable requirements under section 157.206(b) of the Commission's environmental regulations, as modified by Order No. 603.

Notice and Intervention

7. Notice of MS Hub application was published in the *Federal Register* on May 24, 2006 (71 *Fed. Reg.* 29932). No protests, comments, or petitions to intervene in opposition were filed.

Discussion

8. MS Hub'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.⁴

10. MS Hub emphasizes 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 MS Hub 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 MS Hub'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). 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, MS Hub cannot make an informed business and engineering decision regarding the feasibility of developing a new storage complex, which would allow MS Hub to better serve the growing gas demand needs in the region.

13. In view of the above, we will exempt MS Hub from NGA section 7's certificate and abandonment requirements as to the activities specified herein, subject to the conditions set forth below.⁵ The certificate exemption granted herein is without prejudice

⁴ 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 Company LLC*, 89 FERC ¶ 61,006 (1999).

⁵ The pre-granted abandonment authority requested by MS Hub is not necessary since no jurisdictional facility or service requiring abandonment will be constructed or provided by MS Hub pursuant to this order.

to any decision the Commission may make regarding any application MS Hub 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 NGA section 7(c)(1)(B), MS Hub 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 MS Hub's 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) MS Hub shall notify the Commission within 10 days after commencing activities within the exemption granted in Ordering Paragraph (A). MS Hub shall allow inspection by Commission staff at any time.

(C) MS Hub 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