

128 FERC ¶ 61,136
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Sudeen G. Kelly, and Marc Spitzer.

Pine Prairie Energy Center, LLC

Docket No. CP04-379-002

ORDER AMENDING CERTIFICATE

(Issued August 5, 2009)

1. On February 6, 2009, Pine Prairie Energy Center, LLC (Pine Prairie) filed an application under section 7(c) of the Natural Gas Act (NGA) to amend its certificate of public convenience and necessity issued in the Commission's November 23, 2004 order authorizing Pine Prairie to construct and operate a high-deliverability, salt-dome natural gas storage facility in Evangeline Parish, Louisiana (Pine Prairie Energy Center).¹ Pine Prairie seeks authority to develop two additional natural gas storage caverns, increase the working gas capacity of two of the three authorized storage caverns, construct and operate an additional water withdrawal well and a saltwater disposal well, construct and operate 5.3 miles of 24-inch diameter natural gas pipeline loop, and install six incremental compression units (Supplemental Expansion Project).

2. In addition to the proposed expansion of facilities, Pine Prairie seeks reaffirmation of its authorization to charge market-based rates for its storage and hub and wheeling services. For the reasons discussed below, we will grant Pine Prairie's requests.

3. Pine Prairie also seeks modification of two certificate conditions applicable to cavern integrity monitoring and noise surveys. As discussed below, the request to modify the condition concerning cavern integrity monitoring is denied; the request concerning noise surveys is granted.

I. Background and Proposal

4. Pine Prairie is a limited liability company organized and existing under the laws of the State of Delaware and is subject to the Commission's NGA jurisdiction.

¹ *Pine Prairie Energy Center, LLC*, 109 FERC ¶ 61,215 (2004) (November 2004 Order), *certificate amended*, 116 FERC ¶ 61,316 (2006) (September 2006 Order).

5. The Pine Prairie Energy Center is located near the Henry Hub, a major gas trading center in southern Louisiana, within easy reach of ten major interstate and intrastate pipelines and close to the sites of several proposed and existing LNG receiving terminals and associated gas pipeline delivery points. The Pine Prairie Energy Center interconnects with six interstate gas transmission pipelines.² As currently certificated, the Pine Prairie Energy Center consists of three salt dome storage caverns, each with a capacity of 9.6 billion cubic feet (Bcf)(8 Bcf working gas and 1.6 Bcf base gas) for a total capacity of 28.8 Bcf (24 Bcf working gas and 4.8 Bcf base gas). Pine Prairie began construction of the Pine Prairie Energy Center in the summer of 2005 and placed Cavern No. 1 into service in October 2008 and Cavern No. 2 into service in March 2009. Pine Prairie states that it plans to place Cavern No. 3 into service in April 2010. Pine Prairie currently has several customers for its storage services.

6. In this proceeding, Pine Prairie plans to develop two additional natural gas storage caverns (Caverns No. 4 and 5), each having a capacity of 12.8 Bcf, by using a combination of solution mining and solution mining under gas (SMUG) methods. Pine Prairie also proposes to increase the working gas capacity of Caverns No. 2 and 3 by 2.0 Bcf of working gas and 1.2 Bcf of base gas each using the SMUG method to obtain working gas capacities of 10.0 Bcf and base gas capacity of 2.8 Bcf, for a total cavern storage capacities of 12.8 Bcf for each cavern.

7. When the Supplemental Expansion Project construction is complete, the Pine Prairie Energy Center will include five storage caverns having total working gas capacity of 48 Bcf, supported by 12.8 Bcf of cushion gas, for a total facility capacity of 60.8 Bcf. The Pine Prairie Energy Center will be capable of withdrawing and delivering gas at a rate of up to 3.2 Bcf per day and of receiving and injecting gas at a rate of up to 2.4 Bcf per day.

8. In addition to the proposed storage caverns, Pine Prairie proposes to construct one additional raw water withdrawal and one additional saltwater disposal well, construct and operate a 5.3-mile, 24-inch diameter segment of loop pipeline in the existing South Pipeline Corridor, install six compression units totaling 34,800 hp and expand its existing Gas Handling Facility.

9. To support its assertion that it continues to qualify for authorization to charge market-based rates for storage and related services, Pine Prairie submitted an updated market power study.

² Those pipelines are ANR Pipeline Company, Florida Gas Transmission Company, Tennessee Gas Pipeline Company, Texas Eastern Transmission LP, Texas Gas Transmission LLC, and Transcontinental Gas Pipeline Corporation.

II. Notice

10. Notice of Pine Prairie's application was published in the *Federal Register* on February 23, 2009 (74 FR 8077). No motions to intervene or protests were filed.

III. Discussion

A. Certificate Policy Statement

11. Because the proposed facilities will be used to provide natural gas services in interstate commerce subject to the jurisdiction of the Commission, their construction and operation are subject to the requirements of sections 7(c) and (e) of the NGA.

12. The Commission's September 15, 1999 Certificate Policy Statement provides guidance as to how we will evaluate proposals for certificating new construction.³ The 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 in evaluating new pipeline construction 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, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain.

13. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to support the project financially 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.

14. The Commission also considers potential impacts of the proposed project on other pipelines in the market and those existing pipelines' captive customers, as well as 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, the Commission 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

³*Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

interests will the Commission then proceed to complete the environmental analysis where other interests are considered.

15. As discussed below, Pine Prairie will continue to lack market power following our approval of its Supplemental Expansion Project, and we, therefore, are granting its request for continued market-based rate authority. By accepting market-based rate authority for all of its services, Pine Prairie continues to assume the economic risks associated with the costs of its storage project, including the facilities approved herein, to the extent any capacity is unsubscribed. Accordingly, the Commission finds that Pine Prairie's proposal satisfies the threshold no-subsidy requirement of the Certificate Policy Statement.

16. We also find that the Supplemental Expansion Project will have no adverse impact on existing pipelines or storage providers or their customers. The Pine Prairie Energy Center is located in a competitive market area, and will further increase the competitive alternatives available to customers purchasing storage services. No pipeline or storage company in Pine Prairie's market area has protested the Supplemental Expansion Project.

17. The project will also have minimal impact on landowners and surrounding communities. The proposed additional 24-inch loop pipeline will be constructed within the existing South Pipeline Corridor. The proposed new saltwater disposal well and raw water withdrawal well will be constructed on a site which the Commission previously approved as the location of Saltwater Disposal Site 6. The proposed fourth and fifth storage caverns will be constructed on a 40-acre tract adjacent to the site that hosts the Pine Prairie Energy Center's three certificated caverns and its Gas Handling Facility. Pine Prairie states that it has encountered no landowner opposition to the project, and no landowners have filed any comments in this proceeding.

18. Accordingly, we find that the Supplemental Expansion Project is required by the public convenience and necessity and the modifications proposed herein do not disturb the Commission's prior finding that the Pine Prairie Energy Center is required by the public convenience and necessity.

B. Market-Based Rates

19. Pine Prairie is seeking reaffirmation of its authority to provide firm storage and interruptible hub and wheeling services at market-based rates. The Commission granted Pine Prairie's initial request to charge market-based rates for its services⁴ and subsequently re-affirmed that authorization,⁵ but expressly required Pine Prairie to

⁴ See November 2004 Order, 109 FERC ¶ 61,215.

⁵ See November 2004 Order, 116 FERC ¶ 61,316.

submit a new market power study in the event it again sought to expand the Pine Prairie Energy Center facility. Pine Prairie submitted such a study showing that this proposed expansion will not alter the Commission's previous determination that Pine Prairie does not have market power in providing firm storage and interruptible hub and wheeling services.

20. The Commission has approved market-based rates for storage services where applicants have demonstrated, under the criteria in the Commission's Alternative Rate Policy Statement, that they lack significant market power or have adopted conditions that significantly mitigate market power.⁶ In prior orders, we have approved requests to charge market-based rates for storage services based on a finding that the operators of proposed projects would not be able to exercise market power due to their proposed storage facilities' relatively small size, anticipated share of the market, and numerous competitors.⁷

21. In support of its request for continuation of market-based rate authority, Pine Prairie has filed an updated market power study based on the traditional criteria set forth in the Alternative Rate Policy Statement. Pine Prairie's market power study for its base storage service defines the relevant product and geographic markets, measures market share and concentration, identifies the numbers and types of alternatives available to potential customers and evaluates other factors. The market power study defines the relevant geographic market as consisting of eastern Texas, Louisiana, Mississippi and Alabama (Gulf States Market), and concludes that Pine Prairie's proposed addition to working gas capacity does not alter the original conclusion that it lacks market power.

22. According to Pine Prairie's updated market power study, since the filing of Pine Prairie's original application, the market for hub and storage services in the Gulf Coast region has become less concentrated due to ownership changes at certain storage facilities, expansion of existing facilities, as well as the construction of new facilities. Including the 24 Bcf of additional working gas capacity which would be generated by the

⁶ *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines* (Alternative Rate Policy Statement), 74 FERC ¶ 61,076 (1996), *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *petitions for review denied and dismissed*, *Burlington Resources Oil & Gas Co. v. FERC*, 172 F.3d 918 (D.C. Cir. 1998), *criteria modified*, *Rate Regulation of Certain Natural Gas Storage Facilities*, Order No. 678, *FERC Statutes and Regulations* ¶ 31,220 (2006), *order on clarification and reh'g*, Order No. 678-A, 117 FERC ¶ 61,190 (2006).

⁷ *Black Bayou Storage, LLC*, 123 FERC ¶ 61,277 (2008); *Golden Triangle Storage, Inc.*, 121 FERC ¶ 61,313 (2007); *Monroe Gas Storage Co.*, 121 FERC ¶ 61,285 (2007).

proposed upgrades to the Pine Prairie Energy Center, the storage facilities in the relevant geographic market will have a total working gas capacity of 766 Bcf and total peak day deliverability of 27,508 MMcf. Pine Prairie's share of the total working gas capacity in the Gulf States Market would be approximately six percent and its share of peak day deliverability would be approximately 12 percent. The market power analysis also shows that twenty-five other storage facilities in the Gulf States Market, totaling 400 Bcf of working gas capacity, are currently under construction or expanding.

23. We use the Herfindahl Hirschman Index (HHI) test to determine market concentration for gas pipeline and storage markets. The Alternative Rate Policy Statement explains that a low HHI, generally less than 1,800, indicates that sellers cannot exert market power because customers have sufficiently diverse alternatives in the relevant market. While a low HHI suggests a lack of market power, a high HHI, generally greater than 1,800, requires closer scrutiny in order to make a determination about a seller's ability to exert market power. Pine Prairie's market power analysis shows an HHI calculation of 892 for working gas capacity and an HHI calculation of 774 for peak day deliverability. These measures of market concentration are well below the Commission's threshold level of 1,800, indicating that Pine Prairie would not have market power in the relevant market area.

24. As to interruptible wheeling service, Pine Prairie presented a matrix, referred to as a "bingo-card analysis," which identifies all possible interconnects for pipelines attached to a hub and indicates whether good alternatives exist. Pine Prairie's analysis shows that there are a number of alternative paths available to shippers desiring to wheel natural gas between interstate natural gas pipelines in the Gulf States Market. Including Pine Prairie, there will be at least twelve market centers and hubs operating in the Gulf Coast Market, with interconnections to numerous interstate and intrastate pipelines. The market power study shows that Pine Prairie's market share for wheeling delivery capacity at alternative hubs and market centers in the Gulf States Market will be 17 percent and its market share for receipt capacity will be 19 percent. The HHIs are 1,059 for delivery capacity and 1,178 for receipt capacity, both of which are below the 1,800 level set forth in the Alternative Rate Policy Statement. The market power study also shows that ample competitive alternatives exist for Pine Prairie's interruptible hub and wheeling services and that there are alternative interconnection paths for every possible flow of gas among the pipelines with which the Pine Prairie facility will interconnect.

25. In view of these considerations, we will reaffirm Pine Prairie's market-based rate authority for its expanded storage, hub, and wheeling services. However, consistent with the November 2004 and September 2006 Orders authorizing market-based rates for Pine Prairie, we will again require that Pine Prairie notify the Commission of future circumstances that may significantly affect its market power status. Thus, our approval of continued market-based rate authority is subject to re-examination in the event that: (a) Pine Prairie adds storage capacity beyond the capacity authorized in this order; (b) an

affiliate increases storage capacity; (c) an affiliate links storage facilities to Pine Prairie Energy Center; or (d) Pine Prairie or an affiliate acquires an interest in, or is acquired by, an interstate pipeline connected to Pine Prairie Energy Center. Because these circumstances could affect its market power status, Pine Prairie must notify the Commission within 10 days of acquiring knowledge of any such changes. The notification shall include a detailed description of the new facilities and their relationship to Pine Prairie.⁸

C. Waiver of Cost-Based Regulations

26. Because it proposes to charge market-based rates, Pine Prairie requests waiver of the Commission's cost-based regulations in § 157.6(b)(8) (cost and revenue data for rates); § 157.14(a)(13), (14), (16), and (17) (cost-based exhibits); § 157.14(a)(10) (accessible gas supplies); § 260.1 and 260.2 and Part 201 (accounting and reporting requirements for cost-of-service rate structure, including Form 2A); § 284.7(e) (reservation charge) and § 284.10 (straight fixed-variable rate design).

27. The cost-related information required by these regulations is not relevant in light of our approval of market-based rates for Pine Prairie's storage hub and wheeling services. Thus, consistent with our findings in previous orders,⁹ we will grant Pine Prairie's request for waivers, except for the information necessary for the Commission's assessment of annual charges.¹⁰ Pine Prairie is required to file pages 520 and 520-A of Form No. 2-A, reporting the gas volume information which is the basis for imposing an Annual Charge Adjustment (ACA) charge. However, these waivers are subject to re-examination in the event that Pine Prairie's market power or market-based rates need to be re-examined. In addition, we also require Pine Prairie to maintain sufficient records consistent with the Uniform System of Accounts should the Commission require Pine Prairie to produce these reports in the future.

D. Engineering Review

1. Construction

28. The proposed cavern locations are well within the design criteria and confinement

⁸ See, e.g., *Copiah County Storage Company*, 99 FERC ¶ 61,316 (2002); *Egan Hub*, 99 FERC ¶ 61,269 (2002).

⁹ See, e.g., *SG Resources Mississippi, L.L.C.*, 118 FERC ¶ 61,252, at P 29 (2007), *Port Barre Investments, L.L.C. d/b/a Bobcat Gas Storage*, 116 FERC ¶ 61,052 (2006), *Liberty Gas Storage, L.L.C.*, 113 FERC ¶ 61,247, at P 54 (2005).

¹⁰ See *Wycoff Gas Storage Co., LLC*, 105 FERC ¶ 61,027, at P 65 (2003).

of the salt dome and the caverns are located at sufficient depth and within proper distances from the other caverns and the salt boundaries to avoid pressure influences between caverns when they are operated at full storage capacity/pressure. The caverns are spaced and designed under the Louisiana Department of Natural Resources (LDNR) regulations for domal salt storage facilities; the wells are designed properly; and the various tests and logs to be run on these caverns and wells are consistent with Interstate Oil and Gas Compact Commission guidelines for salt dome storage. The maximum and minimum cavern pressure gradients throughout the storage cycle (0.9 psi/ft and 0.2 psi/ft) have been chosen to preserve the structural integrity of the caverns, and are within the limits recommended by the LDNR. The design dimensions for each cavern were converted to an equivalent gas volume at the maximum and minimum pressure gradients. Material balance of the maximum volume was estimated to be within +/- 5 percent of Pine Prairie's proposed total capacity for the facility of 60.8 Bcf. We find that the proposed salt cavern storage facility, if constructed as described, is technically sound and well defined.

2. Cavern Integrity Monitoring Proposal

29. The Commission generally conditions salt cavern gas storage certificate orders to require the project operator to conduct a sonar survey of each cavern every five years.¹¹ Pine Prairie notes that in two recent orders, however, the Commission has eliminated this condition at the request of storage operators that had committed to implement enhanced cavern integrity monitoring programs.¹² Pine Prairie states that it intends to implement at the Pine Prairie Energy Center a cavern integrity monitoring program that will be essentially identical to these programs, and requests that the Commission permit Pine Prairie to employ this program as an alternative to conducting sonar surveys of each cavern every five years. Pine Prairie describes this alternate system as a simulation package that takes into account the thermal and thermodynamic history of the cavern, gas movements and heat transfer, and involves monitoring of wellhead and downhole temperatures and pressures.

30. The Commission recognizes that advances in technology have resulted in new and alternate ways to monitor cavern integrity other than the standard sonar survey, and has allowed companies to use, upon prior approval of the methodology, a cavern integrity

¹¹ See, e.g., *PetroLogistics Natural Gas Storage, LLC*, 122 FERC ¶ 61,193, at Engineering Condition 5 (2008). We note that this engineering condition was not specifically imposed on Pine Prairie in the 2004 order authorizing Pine Prairie's storage facility or the 2006 order amending the authorization. We are imposing the condition in this order (see Engineering Condition 4 in Appendix A).

¹² Citing *SG Resources Mississippi, L.L.C.*, 125 FERC ¶ 61,197 (2008) and *Copiah Storage, LLC*, 123 FERC ¶ 61,082 (2008).

monitoring plan that is consistent with the intent of the sonar survey. However, Pine Prairie did not provide a detailed description of the proposed plan or the methodology; therefore, the Commission cannot authorize the use of the alternate system at this time. This does not preclude Pine Prairie from filing a detailed alternate monitoring plan as indicated in the engineering conditions. Such plan must be filed no less than thirty days before the in-service date of Caverns No. 4 and No. 5.

E. Environmental Review

1. NOI

31. On March 13, 2009, we issued a *Notice of Intent to Prepare an Environmental Assessment for the proposed Pine Prairie Energy Center Supplemental Expansion Project and Request for Comments on Environmental Issues* (NOI). The NOI was mailed to interested parties including federal, state, and local officials; agency representatives; conservation organizations; Native American groups; local libraries and newspapers; and landowners in the vicinity of the proposed project.

32. We received five comment letters from public agencies. The United States Fish and Wildlife Service stated that it did not have any specific concerns and that there would be no effect on sensitive species. We received a comment from the Louisiana Department of Environmental Quality (DEQ) regarding the possibility of historical PCB contamination at the Eunice Gas Plant. In a response, Pine Prairie states that there would be no construction within the Eunice Gas Plant. We also received comments in support of the project from the Evangeline Parish Police Jury, the Evangeline Parish Schools, the Evangeline Parish Solid Waste Commission, and the Evangeline County Sales Tax Commission.

33. Commission staff prepared an environmental assessment (EA) for Pine Prairie's proposal which was placed in the public record on July 10, 2009. The EA includes a summary of the project's stated purpose and need, and an analysis of potential impacts on geology, soils, water resources, wetlands, vegetation, fish and wildlife, threatened and endangered species, land use, recreation, cultural resources, air quality, noise impacts, and alternatives. No substantive issues were raised in the scoping comments.

34. Based on the discussion in the EA, we conclude that if the described facilities are constructed in accordance with the application and supplements, and in compliance with the environmental conditions in Appendix B to this order, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

35. 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.¹³

2. Noise Survey

36. The November 2004 Order's Environmental Condition No. 14 directs Pine Prairie to conduct a noise survey after it places its compression facilities into service. The noise survey is to be conducted at "full load." Pine Prairie requests a modification of this requirement.

37. Pine Prairie is currently authorized to install six 8,000 horsepower compressors and states that it has installed four of the six authorized compressors. Pine Prairie states further that it began limited use of these first four compressors in late 2008 when it placed Cavern No. 1 into service. As of the date of this application, Pine Prairie is continuing the process of commissioning its first four compressors. Pine Prairie expects its fifth and sixth authorized compressors be operational in October 2009.

38. Pine Prairie states that it will not be able to perform the noise survey contemplated by the November 2004 Order until it completes construction of all of the compressors at its existing Gas Handling Facility compressor building and all of those compressors can be operated at "full load." Until then, Pine Prairie states that it is unable to conduct a meaningful noise survey because of the limited operational capacity (only Cavern No. 1 is in service at present) at full load. Moreover, Pine Prairie's construction of the seventh and eighth compressors at the existing Gas Handling Facility compressor building, as proposed under this application, will prevent it from conducting a meaningful noise survey until that construction is complete because the compressor building cannot be sealed during the construction of those compressors.

39. Accordingly, Pine Prairie requests modification of the November 2004 Order to allow it to conduct the noise survey required under Environmental Condition 14 after commissioning of the six currently authorized compressors plus two of the six compressors proposed herein and at such time as storage operations at the Pine Prairie Energy Center permit operation of the eight compressors at full load. Pine Prairie states that this proposed timing for the noise survey will not adversely affect any local residents as the area surrounding the Pine Prairie Energy Center is rural timberland and is sparsely populated. Pine Prairie notes that it has not received any complaints from residents in nearby areas during its initial operation of the compression facilities.

¹³ See, 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).

40. We grant Pine Prairie's request to allow the noise survey to be completed after installation of the additional compressors. Further, while we are concerned about excessive noise leakage from the Gas Handling Facility from the operation of the existing units during completion of the acoustically designed compressor building, we are confident that the noise controls during construction will be adequate.¹⁴

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

The Commission orders:

(A) Pine Prairie's certificate of public convenience and necessity, issued November 23, 2004, as amended, is further amended to authorize the Supplemental Expansion Project, as more fully described in its application, subject to the environmental and engineering conditions stated in the body of this order and in the appendices.

(B) This authorization is conditioned on Pine Prairie's compliance with all applicable Commission regulations under the NGA, particularly the general terms and conditions in Parts 154, 157, and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations.

(C) Pine Prairie's facilities authorized by this order must be constructed and made available for service within three years of the date of the order in this proceeding as required by section 157.20(b) of the Commission's regulations.

(D) Pine Prairie's request to charge market-based rates for firm storage and interruptible hub and wheeling services is approved, consistent with the discussion in the body of this order. This authorization is subject to reexamination in the event that: (a) Pine Prairie expands its storage capacity beyond the amount authorized in this proceeding; (b) an affiliate acquires an interest in another storage field in the relevant geographic market area; (c) an affiliate links storage facilities to Pine Prairie; or (d) Pine Prairie or an affiliate acquires an interest in or is acquired by an interstate pipeline in Pine Prairie's market. Pine Prairie or an affiliate shall notify the Commission if any of the above conditions occur within 10 days of acquiring such knowledge.

(E) Pine Prairie's request for waivers of the Commission's cost-based regulations is granted, as discussed herein. Pine Prairie is required to file page 520 and 520-A of Form No. 2-A to report gas volume information as the basis for imposition of

¹⁴ See Pine Prairie's July 15, 2009 Response to Staff Inquiry Regarding Mitigation of Compressor Installation Construction Noise Emissions.

ACA charges. These waivers are subject to re-examination in the event that Pine Prairie's market power or market-based rates need to be re-examined. Pine Prairie shall maintain records consistent with the Uniform System of Accounts.

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

(G) Pine Prairie's request to modify the certificate condition applicable to cavern integrity monitoring, is denied. Pine Prairie's request to modify the condition concerning noise surveys, is granted.

By the Commission. Commissioner Moeller is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix A Engineering Conditions

1. Pine Prairie shall establish and maintain a subsidence monitoring network over the proposed cavern storage area.
2. Pine Prairie shall assemble, test and maintain an emergency shutdown system.
3. Pine Prairie shall periodically log each cavern's wells to check the casing status.
4. Pine Prairie shall conduct sonar surveys of the caverns every five years to:
(a) monitor their dimensions and shape, including the cavern roof, (b) estimate pillar thickness between caverns throughout the storage operations, and (c) file the results with the Commission.

In the alternative, no less than 30 days before placing the caverns into service, Pine Prairie may file with the Commission, for prior approval of the methodology, a detailed cavern integrity monitoring plan that is consistent with the intent of the sonar survey.

5. Pine Prairie shall conduct an annual inventory verification study on each cavern.
6. Pine Prairie shall determine and report to the Secretary of the Commission the final gas storage capacity of each cavern (including data and work papers to support the actual operating capacity determination).
7. The following conditions shall apply to the entire Pine Prairie storage facility:
 - a. The total maximum gas storage inventory stored in the facility shall not exceed 60.8 Bcf at 14.73 psia and 60°F (Cavern No.1 - 9.6 Bcf, Cavern No. 2 - 12.8 Bcf, Cavern No. 3 - 12.8 Bcf, Cavern No. 4 - 12.8 Bcf, and Cavern No.5 - 12.8 Bcf) without prior Commission authorization; and
 - b. The maximum gas storage shut-in stabilized pressure in each cavern shall not exceed 0.9 psi per foot of cavern depth and the minimum pressure in each cavern shall be limited to 0.2 psi per foot of the cavern depth.
8. Before commencing gas storage operations in any of the caverns, Pine Prairie shall file with Secretary of the Commission:
 - a. the results of the Mechanical Integrity Test for each cavern before conversion of that cavern to natural gas storage;

- b. The results of any new sonar surveys of each cavern, including plan view and cross-sections;
 - c. copies of the latest interference, tracer surveys, or other testing or analysis, to verify the lack of communication between the caverns;
 - d. the volume of rubble at the base of each cavern, including the methodology for determining such volume; and
 - e. geological cross sections (when additional data is obtained) through the total project area showing all geologic units.
9. Pine Prairie shall file semiannual reports for each cavern (to coincide with the termination of the injection or withdrawal cycles) containing the following information (volumes shall be stated at 14.73 psia and 60°F):
 - a. the daily volume of natural gas injected and withdrawn;
 - b. the inventory of natural gas and shut-in wellhead pressure for each cavern at the end of reporting period;
 - c. the maximum daily injection and withdrawal rates experienced for the entire storage field during the reporting period;
 - d. the average working pressure on such maximum days taken at a central measuring point where the total volume injected or withdrawn is measured;
 - e. the results of any tests performed to determine the actual size, configuration or dimensions of the storage caverns;
 - f. a discussion of current operating problems and conclusions;
 - g. other data or reports which may aid the Commission in the evaluation of the storage project; and
 - h. the results of leak detection tests performed during storage operations to determine the integrity of each cavern/wellbore, casing and wellhead.
10. Pine Prairie shall file semiannual reports in accordance with section 157.214 (c) of the Commission's regulations until the maximum inventory reaches or closely approximates the maximum capacity authorized and for a period of one year following.

Appendix B Environmental Conditions

1. Pine Prairie shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the EA, unless modified by this order. Pine Prairie must:
 - a. request any modifications to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
 - b. justify each modification relative to site-specific conditions;
 - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
 - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) **before using that modification.**

2. The Director of OEP has delegated authority to take whatever steps are necessary to insure the protection of all environmental resources during construction and operation of the project. This authority shall allow:
 - a. the modification of conditions of this order; and
 - b. the design and implementation of any additional measures deemed necessary (including stop-work authority) to assure continued compliance with the intent of the environmental conditions, as well as the avoidance or mitigation of adverse environmental impact resulting from project construction and operation.

3. **Prior to any construction**, Pine Prairie shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors, and contractor personnel will be informed of the environmental inspector's authority and have been or will be trained on the implementation of the environmental mitigation measures appropriate to their jobs **before** becoming involved with construction and restoration activities.

4. The authorized facility locations shall be as shown in the EA, as supplemented by filed alignment sheets. **As soon as they are available, and before the start of construction**, Pine Prairie shall file with the Secretary any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 with station positions for all facilities approved by this order. All requests for modifications of environmental conditions of this order or site-specific clearances must be written and must reference locations designated on these alignment maps/sheets.

Pine Prairie's exercise of eminent domain authority under section 7(h) of the Natural Gas Act in any condemnation proceedings related to this order must be consistent with those authorized facilities and locations. Pine Prairie's right of eminent domain under section 7(h) does not authorize it to increase the size of its natural gas pipeline to accommodate future needs or to acquire a right-of-way for a pipeline to transport a commodity other than natural gas.

5. Pine Prairie shall file with the Secretary detailed alignment maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all route realignments or facility relocations, and staging areas, pipe storage yards, new access roads, and other areas that would be used or disturbed and have not been previously identified in filings with the Secretary. Approval for each of these areas must be explicitly requested in writing. For each area, the request must include a description of the existing land use/cover type, and documentation of landowner approval, whether any cultural resources or federally listed threatened or endangered species would be affected, and whether any other environmentally sensitive areas are within or abutting the area. All areas shall be clearly identified on the maps/sheets/aerial photographs. Each area must be approved in writing by the Director OEP **before construction** in or near that area.

This requirement does not apply to extra workspaces allowed by Pine Prairie's Erosion and Sedimentation Control Plan, minor field realignments per landowner needs, and requirements which do not affect other landowners or sensitive environmental areas such as wetlands.

Examples of alterations requiring approval include all route realignments and facility location changes resulting from:

- a. implementation of cultural resources mitigation measures;
 - b. implementation of endangered, threatened, or special concern species mitigation measures;
 - c. recommendations by state regulatory authorities; and
 - d. agreements with individual landowners that affect other landowners or could adversely affect sensitive environmental areas.
6. **Within 60 days of the acceptance of this certificate and before construction begins**, Pine Prairie shall file an Implementation Plan with the Secretary for review and written approval by the Director of OEP. Pine Prairie must file revisions to the plan as schedules change. The plan shall identify:
 - a. how Pine Prairie will implement the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests), identified in the EA, and

- required by this order;
 - b. how Pine Prairie will incorporate these requirements into the contract bid documents, construction contracts (especially penalty clauses and specifications), and construction drawings so that the mitigation required at each site is clear to onsite construction and inspection personnel;
 - c. the number of environmental inspectors assigned per spread, and how the company will ensure that sufficient personnel are available to implement the environmental mitigation;
 - d. company personnel, including environmental inspectors and contractors, who will receive copies of the appropriate material;
 - e. the location of the environmental compliance training Pine Prairie will give to all personnel involved with construction and restoration (initial and refresher training as the project progresses and personnel change);
 - f. the company personnel (if known) and specific portion of Pine Prairie's organization having responsibility for compliance;
 - g. the procedures (including use of contract penalties) Pine Prairie will follow if noncompliance occurs; and
 - h. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - (1) the completion of all required surveys and reports;
 - (2) the mitigation training of onsite personnel;
 - (3) the start of construction; and
 - (4) the start and completion of restoration.
7. Beginning with the filing of its Implementation Plan, Pine Prairie shall file updated status reports with the Secretary on a bi-weekly basis until all construction and restoration activities are complete. On request, these status reports will also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
- a. an update on Pine Prairie's efforts to obtain the necessary federal authorizations;
 - b. the construction status of the project, work planned for the following reporting period, and any schedule changes for stream crossings or work in other environmentally sensitive areas;
 - c. a listing of all problems encountered and each instance of noncompliance observed by the environmental inspector(s) during the reporting period (both for the conditions imposed by the Commission and any environmental conditions/permit requirements imposed by other federal, state, or local agencies);

- d. a description of the corrective actions implemented in response to all instances of noncompliance, and their cost;
 - e. the effectiveness of all corrective actions implemented;
 - f. a description of any landowner/resident complaints which may relate to compliance with the requirements of this order, and the measures taken to satisfy their concerns; and
 - g. copies of any correspondence received by Pine Prairie from other federal, state, or local permitting agencies concerning instances of noncompliance, and Pine Prairie's response.
8. Pine Prairie must receive written authorization from the Director of OEP **before commencing service** from the project. Such authorization will only be granted following a determination that rehabilitation and restoration of the right-of-way is proceeding satisfactorily.
9. **Within 30 days of placing the authorized facilities in service**, Pine Prairie shall file an affirmative statement with the Secretary, certified by a senior company official:
 - a. that the facilities have been constructed in compliance with all applicable conditions, and that continuing activities will be consistent with all applicable conditions; or
 - b. identifying which of the certificate conditions Pine Prairie has complied with or will comply with. This statement shall also identify any areas affected by the project where compliance measures were not properly implemented, if not previously identified in filed status reports, and the reason for noncompliance.
10. Prior to construction, Pine Prairie shall submit a refined air quality modeling analysis demonstrating that the Gas Handling Facility does not contribute to a violation of the National Ambient Air Quality Standard for NO₂.
11. Pine Prairie shall file a noise survey with the Secretary **no later than 60 days** after placing the modified Gas Handling Facility in service. If the noise attributable to the operation of the facility at full load exceeds an Ldn of 55 dBA at any nearby NSAs, Pine Prairie should install additional noise controls to meet that level **within 1 year of the in-service date**. Pine Prairie should confirm compliance with the Ldn of 55 dBA requirement by filing a second noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.