

123 FERC ¶ 61,082
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Copiah Storage, LLC

Docket No. CP02-25-002

ORDER GRANTING REHEARING

(Issued April 25, 2008)

1. On December 20, 2007, the Commission issued an order that amended the certificate of public convenience and necessity issued to Copiah Storage, LLC (Copiah) in 2002 authorizing Copiah's storage project in Mississippi.¹ The December 20 Order also continued Copiah's market-based rate authority for storage services. On January 18, 2008, Copiah filed a request for rehearing of the December 20 Order. Copiah's request for rehearing is granted as discussed herein.

I. Background and the December 20 Order

2. The 2002 certificate order authorized Copiah to construct and operate: (1) one salt dome storage cavern with the total capacity of 4.3 Bcf, working gas capacity of 3.3 Bcf, 300,000 Dth/d of withdrawal capacity and 150,000 Dth/d of injection capacity; (2) four brine disposal and four freshwater supply wells; (3) a new 13,350 horsepower compressor station; and (4) associated ancillary facilities and roadways. The 2002 certificate order also authorized Copiah to charge market-based rates for its storage services.

3. The December 20 Order granted Copiah's request for a certificate amendment to enable it to increase the storage capacity of the certificated salt dome to approximately 10.5 Bcf and to construct and operate an additional storage cavern, also with 10.5 Bcf of capacity. The December 20 Order also authorized Copiah: (1) to increase the previously certificated compression to 32,000 hp; (2) to change the location of the authorized freshwater supply and brine disposal wells; and (3) to construct approximately 15 miles of 24-inch diameter header pipeline, including a 1.55-mile long header to connect the Copiah facilities to Texas Eastern Transmission, LP and a 13.43-mile long header to

¹ *Copiah Storage, LLC*, 121 FERC ¶ 61,272 (2007), *amending certificate*, 99 FERC ¶ 61,316 (2002) (December 20 Order).

connect with the consolidated Southern Natural Gas and Southeast Supply Header, LLC facilities as well as two meter and regulator stations and two tap valves and appurtenant facilities.

4. Cavern No. 1, authorized by the 2002 certificate order, is approximately 1,000 feet from Cavern No. 2, authorized by the December 20 Order amending Copiah's certificate. The two caverns will be developed using solution mining with freshwater. At full development, the proposed storage caverns will extend to depths of approximately 3,700 to 5,300 feet.

II. Copiah's Request for Rehearing

5. Copiah requests rehearing of the December 20 Order's Engineering Condition No. 5 in Appendix B which requires Copiah to perform a sonar survey of its caverns every five years.² Copiah proposes, instead, to rely on a monitoring program to test cavern and casing integrity. The proposed program will consist of: (1) a mechanical integrity test at least every five years; (2) monitoring the casing annulus pressure between the production casing and the first outer casing; (3) monitoring gas activity into and out of the caverns; (4) monitoring key wellhead parameters, including pressure and temperature; (5) conducting annual inventory verification studies; and (6) installing probing equipment on the caverns capable of providing electronic readouts of the down-hole cavern pressure and temperature in real time.

6. Copiah argues that sonar surveys are unnecessary because the caverns' gas pressure and domed roofs, as well as the location of the production casing at a depth of 300 to 900 feet into the salt and welding the casing at the collar, maintain cavern integrity. Copiah also argues that because of the size of its caverns and casing, sonar surveys raise safety and operational hazards from the refilling of caverns with water, which could erode pillar thickness or with natural gas, a procedure which necessitates the removal of hanging pipe strings. Copiah maintains that sonar surveys are slower in detecting leaks than its proposed use of pressure and temperature probes and that sonar surveys have a higher margin of error for monitoring current gas volumes in storage. Copiah also requests rehearing to extend the deadline for completion of construction set forth in the December 20 Order's Ordering Paragraph (F) and to waive the regulations' requirement for the filing of final costs incurred within six-months after construction.

² Engineering Condition No. 5 in the December 20 Order provides:

Each cavern's well will be periodically logged to check the status of each casing string. Additionally, every five years Copiah shall conduct sonar surveys of the caverns to monitor their dimensions and shape, including the cavern roof, and to estimate pillar thickness between openings throughout the storage operations and file the results with the Commission.

III. Discussion

A. Engineering Condition No. 5

7. Copiah asks the Commission to grant rehearing to remove the requirement in Engineering Condition No. 5 that it conduct a sonar survey every five years. Specifically, Copiah asserts that the requirement is unnecessary in light of its proposed alternative measures. Copiah also asserts that its caverns are smaller with less capacity, than those at issue in *Petal Gas Storage L.L.C. (Petal Gas)*³ wherein the Commission imposed the five year sonar survey requirement.

8. Cavern integrity is integral to the safe and reliable operation of the facilities with minimal loss of gas and reduction in storage capacity. The Commission generally requires sonar surveys to monitor cavern integrity and to minimize salt creep because sonar surveys, as opposed to other technologies, are widely used, effective, and do not require special instrumentation to be permanently installed in the storage caverns. In *Petal Gas*, the Commission allowed for continued adjustments to its monitoring requirements to reflect technological advancements in measures to ensure the integrity of natural gas storage facilities.⁴ In *Egan Hub Storage, LLC*⁵ and *Saltville Gas Storage Company*,⁶ the Commission accepted the companies' proposed alternative methods for testing the integrity of their storage caverns.

9. We find that Copiah's proposed monitoring program is an acceptable alternative means to maintain cavern integrity. Copiah's proposed mechanical integrity testing methodology is consistent with the intent of the sonar testing requirement and will effectively monitor the caverns' integrity to ensure the safe and reliable operation of the facilities. Accordingly, Copiah's request for rehearing is granted.

10. We will require Copiah, within 30 days after the issuance of this order, to file, subject to Commission review and acceptance, a detailed monitoring plan as described in its request for rehearing and Ordering Paragraph (B) of this order. Should Copiah discover any integrity issues through its real-time monitoring, Copiah must file those results with the Commission, with its proposal for addressing them. Copiah must comply with all other engineering conditions in the December 20 Order.

³ 120 FERC ¶ 61,226 (2007) (Petal Gas did not propose an alternative method).

⁴ *Petal Gas*, 120 FERC ¶ 61,226, at P 26 (2007).

⁵ 122 FERC ¶ 61,209 (2008).

⁶ 122 FERC ¶ 61,151 (2008).

B. Construction Deadline

11. Copiah argues that the Commission erred in Ordering Paragraph (F) in requiring the completion of construction of the authorized facilities within three years from the date of the December 20 Order. Copiah asks the Commission to clarify or grant rehearing that, consistent with Commission precedent in other storage proceedings,⁷ Copiah should be allowed more than three years to complete construction. Copiah asserts that the December 20 Order disregards its proposed phased construction schedule stated in Table 9 of the EA providing for completion at full capacity in March 2015.⁸

12. The Commission will grant rehearing to extend the time for completion of the project until March 31, 2015.

C. Waiver of Final Costs Report

13. Copiah also alleges that while the December 20 Order waived certain cost-based regulations, the Commission erred in failing to provide for waiver of section 157.20 (c)(3) of the Commission's regulations which requires a filing of final costs incurred within six-months after construction. Copiah requests a waiver of this requirement because it is inapplicable in situations where a company will be charging market-based rates for storage services.⁹

14. The Commission will grant rehearing to waive the final cost report required by section 157.20(c)(3) of the regulations.

The Commission orders:

(A) Copiah's request for rehearing is granted as discussed in the body of this order, and the December 20 Order's Engineering Condition No. 5 requiring sonar surveys is vacated.

(B) Within 30 days following issuance of this order, Copiah must file a detailed monitoring plan to maintain cavern integrity that includes: (1) conducting a mechanical integrity test at least every five years; (2) monitoring the casing annulus pressure between the production casing and the first outer casing; (3) monitoring gas activity into and out of the caverns; (4) monitoring key wellhead parameters, including pressure and

⁷ See, e.g., *Golden Triangle Storage, Inc.*, 121 FERC ¶ 61,313 (2007) (six-year deadline for construction) and *Port Barre Investments, L.L.C.*, 119 FERC ¶ 61,057 (2006) (four-year deadline for construction).

⁸ The EA was issued on November 19, 2007.

⁹ 18 C.F.R § 157.20(c)(3) (2007).

temperature; (5) conducting annual inventory verification studies; and (6) installing probing equipment on its caverns capable of providing electronic readouts of the down-hole cavern pressure and temperature in real time.

(C) Ordering Paragraph (F) of the December 20 Order is amended to extend the time for completion and in-service operation of the project until March 31, 2015.

(D) Ordering Paragraph (H) of the December 20 Order, is amended to waive the application of 18 C.F.R. § 157.20(c)(3) and its requirement of a final costs report.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.