

137 FERC ¶ 61,160
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
John R. Norris, and Cheryl A. LaFleur.

Perryville Gas Storage LLC

Docket No. CP11-159-000

ORDER AMENDING CERTIFICATE

(November 29, 2011)

1. On May 30, 2011, Perryville Gas Storage LLC (Perryville) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA)¹ to amend the order issued in *Perryville Gas Storage LLC*, 130 FERC ¶ 61,065 (2010) (2010 Order). That order authorized Perryville, among other things, to construct and operate natural gas storage facilities in Franklin and Richland Parishes, Louisiana (the Crowville Project).

2. In this proceeding, Perryville requests approval to expand the Crowville Project's certificated working gas storage capacity and to drill additional freshwater and brine disposal wells. Perryville also requests a continuation of its authority to charge market-based rates for services offered through the Crowville Project, as well as waiver of certain filing, accounting, and reporting requirements.

3. As discussed below, the Commission will grant the requested amendment to Perryville's certificate, subject to the conditions described below, and will grant Perryville's request for continued market-based rate authority. The Commission will also grant the requested waivers of certain filing, accounting, and reporting requirements.

I. Background

4. Perryville is a limited liability company organized under the laws of Delaware. Perryville is owned by Cardinal Gas Storage Partners LLC (Cardinal), which is a joint venture of Martin Resource Management Corporation and Energy Capital Partners.

¹ 15. U.S.C. § 717f(c) (2006).

Upon completion of the construction of the facilities authorized in the 2010 Order and commencement of operations, Perryville will be a natural gas company within the meaning of section 2(6) of the NGA and be subject to the jurisdiction of the Commission.

5. As relevant to this proceeding, the 2010 Order authorized Perryville, among other things, to construct and operate (1) two salt dome storage caverns, each cavern with approximately 7.5 billion cubic feet (Bcf) of working gas capacity and 3.5 Bcf of cushion gas capacity; (2) five brine disposal wells and well pads; and (3) four freshwater supply wells and well pads. The Crowville Project facilities are currently under construction.² In addition to these facilities, the Commission, among other things, authorized Perryville to charge market-based rates for firm and interruptible storage and hub services, approved Perryville's proposed pro forma tariff, and waived certain filing, accounting, and reporting requirements.

II. Proposals

6. Perryville proposes to increase the working gas capacity in each cavern of the Crowville Project by 2.5 Bcf, so that each cavern will have 10 Bcf of working gas capacity. Perryville states that it "has received expressions of interest for substantially all of the capacity in the two caverns," necessitating the request in this proceeding for additional working gas capacity. Further, Perryville believes that firm precedent agreements for substantially all of the proposed new capacity will be executed following Commission approval of the proposals herein.

7. Perryville also proposes to drill three additional freshwater supply wells (FW-5, FW-6, and FW-7) at the Leaching Facility.³ Further, Perryville proposes to drill six brine disposal wells (SWD-6, SWD-7, SWD-8, SWD-9, SWD-10, and SWD-11); three at the Leaching Facility, one in Brine Disposal Pipeline Corridor B1, and two in Brine Disposal Pipeline Corridor B2. (The brine disposal pipeline corridors connect the Leaching

² On February 4, 2010, Perryville accepted the certificates issued in the 2010 Order. On May 20, 2010 and April 8, 2011, Perryville received authorization to commence construction of the certificated facilities.

³ The Leaching Facility, which includes three brine settling ponds and related pumping equipment, is located on a separate parcel of land than the storage caverns. The Leaching Facility and the storage caverns are connected by a brine disposal pipeline and a freshwater pipeline.

Facility site to the brine disposal wells.)⁴ Perryville states that the proposed new wells will require minimal additional piping.⁵

8. Perryville also states that the additional freshwater supply and brine disposal wells are necessary to meet a January 2013 in-service date for the expanded facilities, based on the results of Perryville's brine disposal and freshwater supply well testing⁶ and the additional geologic data obtained from the construction of the previously-approved wells.

9. Perryville states that the proposals herein do not involve changes to the other facilities approved in the 2010 Order. In addition, Perryville's application does not propose any new firm or interruptible storage services or any changes to the authorized maximum deliverability of the storage caverns.

10. Perryville requests continued authorization from the Commission to charge market-based rates for the firm and interruptible storage and hub services approved in the 2010 Order. When completed, the construction proposed in the amendment application will add five Bcf of working gas capacity beyond what has already been certificated by the Commission. Perryville contends that the additional capacity, included with the previously approved capacity, and the capacity of Perryville's affiliates, should not alter the Commission's conclusion in the 2010 Order that Perryville lacks market power.

⁴ Perryville will also construct eight non-jurisdictional monitor wells (MW-1 through MW-8); two at the Leaching Facility, two in Brine Disposal Pipeline Corridor B1 and four at Brine Disposal Pipeline Corridor B2. Perryville states that the Louisiana Department of Natural Resources (LDNR) required that the monitor wells be drilled. Perryville states that, with the exception of MW-6 and MW-7, it has obtained permits for the monitor wells,

⁵ The specific locations and components of the proposed expansion are shown in Figures 1-1 through 103 of Exhibit I to Perryville's Application.

⁶ In *Perryville Gas Storage, LLC*, 129 FERC ¶ 61,108 (2009), the Commission exempted Perryville from the certificate requirements of section 7(c) of the NGA so that it could conduct brine disposal testing. However, the testing was not completed until after the 2010 Order was issued.

III. Notice, Comments, and Interventions

11. Notice of Perryville's amended application was published in the *Federal Register* on April 20, 2011.⁷ Enstor Louisiana, LLC filed a timely, unopposed motion to intervene.⁸

IV. Discussion

12. Since the proposed facilities will be used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the construction and operation of the facilities are subject to the requirements of subsections (c) and (e) of section 7 of the NGA.

A. The Certificate Policy Statement

13. The 2010 Order analyzed Perryville's proposals in light of the Commission's Certificate Policy Statement⁹ and found that the proposals were in the public convenience and necessity.¹⁰ Specifically, the order found that the project could proceed without subsidization from existing customers since Perryville is a new company with no current customers or services.¹¹ In addition, the 2010 Order determined that there would not be any adverse effects on existing storage providers or their customers and that adverse impacts to landowners and communities affected by the project would be minimal.¹²

14. Perryville's amendment proposes no change in service authorized in the 2010 Order. There will be no subsidization because any customers of Perryville's original project will be receiving service at market-based rates. Since Perryville is still a new

⁷ 76 Fed. Reg. 22,092 (2011).

⁸ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedures. 18 C.F.R. § 385.214 (c) (2011).

⁹ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

¹⁰ 2010 Order, 130 FERC ¶ 61,097 at P 26.

¹¹ *Id.* P 23.

¹² *Id.* P 24-25.

company with no current customers or services, the proposed amendment will have no impact on existing customers or services. Further, the proposed amendment should have no adverse impact on existing storage providers or their customers since, as discussed below, the project will be located in a competitive market and will enhance storage options available to pipelines and their customers. Additionally, no storage company or customers in Perryville's market area has protested the application. Finally, the proposals will have minimal impact on landowners and surrounding communities, since Perryville owns or leases the cavern sites, as well as the sites for the proposed freshwater supply and brine disposal wells.

15. Based upon benefits that the project will provide and the minimal adverse effects on other storage providers and their customers and upon landowners and surrounding communities, the Commission finds, consistent with the Certificate Policy Statement and section 7 of the NGA, that the public convenience and necessity requires approval of Perryville's proposed certificate amendment, subject to the conditions discussed below.

B. Market-based Rates

16. Perryville requests continued authority to charge market-based rates for its proposed firm and interruptible storage services, and to offer interruptible hub services, including parking service (IPS), a loan service (ILS), wheeling (IWS), balancing (IBS), and imbalance trading (IBTS) at market-based rates.

17. Generally, the Commission evaluates requests to charge market-based rates for storage under the analytical framework of the Alternative Rate Policy Statement.¹³ Under the Alternative Rate Policy Statement, the Commission's framework for evaluating requests for market-based rates has two principal purposes: (1) to determine whether the applicant can withhold or restrict services and, as a result, increase prices by a significant amount for a significant period of time; and (2) to determine whether the applicant can discriminate unduly in price or terms and conditions of service.¹⁴ To find that an applicant cannot withhold or restrict services, significantly increase prices over an extended period, or discriminate unduly, the Commission must first find that there is a

¹³ *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076, *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *petitions for review denied sub nom. Burlington Resources Oil & Gas Co. v. FERC*, 172 F. 3d 918 (D.C. Cir. 1998) (Alternative Rate Policy Statement).

¹⁴ *Orbit Gas Storage, Inc.*, 126 FERC ¶ 61,095 (2009).

lack of market power¹⁵ because customers have good alternatives¹⁶ or that the applicant or Commission can mitigate the market power with specified conditions.¹⁷

18. The Commission's analysis of whether an applicant has the ability to exercise market power comprises three major steps. First, the Commission reviews whether the applicant has specifically and fully defined the relevant markets¹⁸ to determine which specific products or services are identified and the suppliers of those products and services that provide good alternatives to the applicant's ability to exercise market power.¹⁹ Additionally, as part of the first step, the applicant must identify the relevant geographic market.²⁰ Second, the Commission measures an applicant's market share and market concentration.²¹ Third, the Commission evaluates other factors, such as ease of entering the market. The Commission has found that barriers to entry in the Gulf Coast Supply Region, where the Crowville Project is located, are not significant.²² The 2010

¹⁵ The Commission defines "market power" as "the ability of a pipeline to profitably maintain prices above competitive levels for a significant period of time." *See* Alternative Rate Policy Statement, 74 FERC at 61,230.

¹⁶ A good alternative is an alternative to the proposed project that is available soon enough, has a price low enough, and has a quality high enough to permit customers to substitute the alternative for an applicant's service. *See* Alternative Rate Policy Statement, 74 FERC at 61,230.

¹⁷ Generally, an applicant includes in its certificate application a market power study in support of its request, as Perryville has done in this case. *See* Application, Exhibit I. A market power study usually defines the relevant products and geographic markets, measures market shares and concentrations, and evaluates other factors such as replacement capacity, ease of entry, and non-storage alternatives.

¹⁸ Relevant product market consists of the applicant's service and other services that are good alternatives to the applicant's services. *See* Alternative Rate Policy Statement, 74 FERC at 61,231.

¹⁹ Alternative Rate Policy Statement, 74 FERC at 61,231.

²⁰ *Id.* at 61,232-34.

²¹ *Id.* at 61,234.

²² *See, e.g., Tarpon Whitetail Gas Storage, LLC*, 123 FERC ¶ 61,274, at P 28 (2008); *Enstor Houston Hub Storage and Transportation, LP*, 123 FERC 61,019, at P 32 (2008); *Port Barre Investments, L.L.C.*, 116 FERC ¶ 61,052, at P 25 (2006).

Order determined that Perryville would not have market power and thus would be allowed to charge market-based rates for its services.

19. In the 2010 Order, the Commission reviewed Perryville's market power study, which used two measures of natural gas storage capacity to analyze market concentration: working gas capacity and peak day deliverability. The market power study showed that in the Gulf Coast Supply Region, Perryville and its affiliates would control approximately 3.6 percent of the total working gas capacity and 9.8 percent of total peak day deliverability. The study showed a Herfindahl Hirschman Index (HHI) of 568 for working gas capacity and 547 for peak day deliverability. The 2010 Order concluded that Perryville would not have market power.

20. On June 9, 2011, Perryville notified the Commission by letter that its parent, Cardinal, had acquired ownership of Monroe Gas Storage Company (Monroe). Monroe is currently authorized to charge market-based rates at its gas storage facility in Mississippi, with a working gas capacity of approximately 12 Bcf. The market share associated with Cardinal's storage facilities in the Gulf Coast Supply Region (i.e., Perryville with the proposed 5 Bcf of additional capacity, Monroe, Arcadia Gas Storage, LLC, and Cadeville Gas Storage LLC) is only 4.7 percent for working gas capacity and 6.8 percent for total peak day deliverability, and the HHIs are 559 and 628, respectively.

21. The Alternative Rate Policy Statement holds that a low HHI (generally less than 1,800), as Perryville has demonstrated here, suggests that a seller is less likely to be able to exert market power because customers have sufficiently diverse alternatives in the relevant market. Even though Perryville proposes to increase the working gas capacity of the caverns and Perryville's parent has acquired Monroe, Perryville's market shares will remain small, as described above. Thus, Perryville's ability to exercise market power will be negligible. Accordingly, the Commission will approve Perryville's request for continued authority to charge market-based rates for firm and interruptible storage, hub, and wheeling services using the additional capacity approved in this order. Nevertheless, Perryville must notify the Commission if future circumstances significantly affect its current market power status. Approval of market-based rates for the indicated services is subject to re-examination in the event that: (i) Perryville adds storage capacity beyond the capacity authorized in this order; (ii) an affiliate increases storage capacity; (iii) an affiliate links storage facilities to Perryville; or (iv) Perryville or an affiliate acquires an interest in, or is acquired by, an interstate pipeline connected to Perryville. Since these circumstances could affect its market power status, Perryville shall notify the Commission within 10 days of acquiring knowledge of any such changes. Notification shall include a detailed description of the new facilities and their relationship to

Perryville.²³ The Commission reserves the right to require Perryville to provide an updated market power analysis at any time.

C. Open Season

22. In *Pine Prairie Energy Center, LLC*,²⁴ the Commission authorized an expansion of a previously certificated natural gas storage facility in Louisiana. In that order, the Commission clarified its policy with regard to open seasons for natural gas pipeline projects and required Pine Prairie Energy Center to hold a new open season for the expansion capacity and to solicit permanent capacity release offers. On July 22, 2011, Perryville responded to a data request from the Commission's staff and stated that it has not held an open season for the additional capacity that is the subject of the proceeding herein. To comply with the Commission's open-season policy, the Commission will direct Perryville to hold an open season for the additional capacity, solicit permanent capacity release offers, and submit the results of its efforts to the Commission within 30 days of the close of the open season.

D. Waivers of Filing, Reporting, and Accounting Requirements

23. Since Perryville was authorized to charge market-based rates, the 2010 Order waived certain regulations that are ordinarily only applicable to projects charging cost-based rates. In its request for an amendment to its certificate, Perryville requests continuation of these waivers for the new facilities and capacity to be developed. Specifically, Perryville requests that the Commission continue to waive (1) section 157.6(b)(8) (cost and revenue information); (2) section 157.14(a)(13), (14), (16), and (17) and 157.20(c)(3) (cost-based exhibits); (3) section 157.14(a)(10) (accessible gas supplies);²⁵ and (4) sections 260.1, 260.2, and 260.300 and Part 201 (accounting and reporting requirements for cost-of-service structure, including Forms 2A and 3-Q).

24. In light of the Commission's continued approval of market-based rates for Perryville's storage and hub services, the cost-related information required by the above-

²³ See, e.g., *Port Barre Investments, L.L.C.*, 116 FERC ¶ 61,052 (2006); *Copiah County Storage Co.*, 99 FERC ¶ 61,316 (2002); *Egan Hub Partners, L.P.*, 99 FERC ¶ 61,269 (2002).

²⁴ 135 FERC ¶ 61,168 (2011), *order on reh'g and compliance*, 137 FERC ¶ 61,060 (2011).

²⁵ Perryville notes that its customers will supply their own gas for its storage operations.

described regulations is not relevant. Consistent with previous Commission orders,²⁶ the Commission will grant Perryville's request for continued waiver of the Commission's regulations requiring cost-based information for these services, except for the information necessary for the Commission's assessment of annual charges.²⁷ The Commission will also require Perryville to maintain records to separately identify original cost and related depreciation on its storage facilities should the Commission require Perryville to produce those reports in the future.

E. Engineering Analysis

25. The Commission's staff has evaluated Perryville's proposal to expand the diameters of the two existing caverns to 300 feet each. The LDNR regulations require such caverns to be at least 100 feet from property lines, 300 feet from the salt edge, and 200 feet from the nearest cavern. Perryville's proposal to expand the caverns' capacity by increasing their diameters will result in a decrease of the distance between the caverns from 450 to 400 feet, but the distance will still be within the design criteria prescribed by the LDNR for confinement of the salt domes and depth and distances from the edge of the salt needed to avoid pressure influences between the caverns when operated at full design storage pressure and capacity. The new design dimensions for each cavern were converted to an equivalent gas volume at the maximum and minimum pressure gradients. Material balance estimates of the maximum volume were estimated to be within +/-5 percent of Perryville's proposed cavern capacities. Based upon this analysis, staff concluded that the expanded salt caverns, if constructed as described, are well defined and technically sound.

26. The total capacity of the Crowville Project facility, with the expanded capacity, will be 27.6 Bcf, with a working gas capacity of 20 Bcf, and a cushion gas capacity of 7.6 Bcf. Each cavern is certificated for a total capacity of 13.8 Bcf at a maximum pressure as measured at the casing shoe of 0.9 psi/ft. Perryville will be required to file the final capacity of each cavern the depth of the casing shoe, and the maximum pressure before placing the cavern into service.

27. Regarding the additional wells, staff finds that Perryville's proposal is technically feasible and in the public convenience and necessity. In order to use the maximum 4,400

²⁶ See, e.g., *Port Barre Investments, L.L.C.*, 116 FERC ¶ 61,052 (2006); *Copiah County Storage Co.*, 99 FERC ¶ 61,316 (2002); *Egan Hub Partners, L.P.*, 99 FERC ¶ 61,269 (2002).

²⁷ See *BGS Kimball Gas Storage, LLC*, 117 FERC ¶ 61,112, at P 49 (2006).

gpm leaching capacity of the approved and installed leaching facilities, Perryville requires three new freshwater supply wells and six new brine disposal wells. Perryville states that it will be necessary to increase the brine disposal injection pressure to support the maximum leaching capability. Perryville tested the supply water zones and the disposal zones to confirm that the zones could handle the volume of water needed to leach at the 4,400 gpm capacity. However, in order to increase brine disposal pressure, LDNR required Perryville to have monitor wells to monitor the base of the United States Drinking Water (USDW) aquifers in the location of the disposal wells (the Upper Sparta formation) to identify any saltwater intrusion into the USDW.²⁸ Perryville states that no other changes are proposed for the certificated parameters of the project.

F. Environmental Analysis

28. On May 13, 2011, the Commission issued a *Notice of Intent to Prepare an Environmental Assessment* (NOI). The NOI was published in the *Federal Register* on May 19, 2011.²⁹ The NOI was mailed to federal, state, and local government representatives and agencies; elected officials; Native American tribes; potentially affected landowners and other interested individuals and groups; newspapers and libraries in the project area; and parties to this proceeding. The NOI comment period ended on June 13, 2011.

29. In response to the NOI, the Commission received comments from the Natural Resource Conservation Service (NRCS) and three adjacent property owners. The primary issues raised concerned the facilities approved in the 2010 Order; proposed well locations; and impacts on nearby residences, groundwater, soils, and farmland.

30. To satisfy the requirements of the National Environmental Policy Act of 1969,³⁰ the Commission's staff prepared an EA for Perryville's proposal. The analysis in the EA addresses soils, groundwater, vegetation, land use, noise, air quality, and alternatives. All substantive comments received in response to the NOI are addressed in the EA.

31. The NRCS submitted comments concerning potential impacts on soils and farmland. The EA discusses Perryville's construction and restoration methods, and concludes that the proposed facilities would not significantly impact soils.

²⁸ The Upper Sparta formation in this area is brackish in nature and is not currently used for drinking water, but is still classified as a USDW.

²⁹ 76 Fed. Reg. 28,968 (2011).

³⁰ 42 U.S.C. §§ 4321 *et seq.* (2006).

32. Three adjacent property owners submitted scoping comments prior to the issuance of the EA concerning the facilities approved in the 2010 Order, proposed well locations, potential impacts on nearby residences, and groundwater supply and quality. With the exception of potential cumulative impacts, impacts resulting from the construction and operation of the facilities authorized in the 2010 Order are outside the scope of the EA. The EA discusses potential cumulative impacts and concludes that they would not be significant.

33. Regarding the proposed well locations, the EA discusses alternatives and determines that no alternative well locations were necessary. The locations and depths of the proposed wells were developed in consultation with, and approved by, the Louisiana Department of Natural Resources (LDNR). Also, the EA did not identify any adverse impacts that would require evaluation of alternative well locations. Further, the EA discusses the construction methods and mitigation measures related to residential areas, including Perryville's commitment to train contractors to interact appropriately with the public and instruct them to obey all traffic laws and respect private property. In addition, Perryville would implement an environmental complaint resolution process to address public concerns and complaints during construction. Finally, in addressing the scoping comments, the EA evaluates project impacts on groundwater and concludes that there would be no significant impact on the supply or quality of groundwater.

34. The EA was issued for a 30-day comment period and placed into the public record on August 26, 2011. In response, the Commission received letters from the National Park Service (NPS), Louisiana Department of Wildlife and Fisheries (LDWF), the Louisiana Department of Environmental Quality (LDEQ), and one interested individual. The NPS letter stated that it had no comments at this time.

35. The LDWF submitted a letter stating that it had no objection to Perryville's proposals, provided that previous LDWF recommendations and mitigation obligations are incorporated as standard conditions into any authorization issued herein. Perryville has committed to continue implementing all previously required mitigation measures.

36. The LDEQ had no objections or comments on the EA, but provided general information concerning state approvals and permits, wetlands, groundwater, and hazardous wastes. The EA lists the necessary state permits, approvals, and licenses relating to the proposed facilities.³¹ The EA also adequately addressed potential impacts on wetlands, groundwater, and hazardous wastes.

³¹ Perryville has committed to acquiring all necessary permits from state and local authorities.

37. One commenter expressed concern with potential noise impacts on nearby residences. The EA describes existing noise levels and potential changes to noise levels and concludes that with the implementation of staff's recommendation regarding noise mitigation, construction and operation of the proposed wells would not significantly impact noise levels. To ensure that noise from drilling activity remains less than significant, the Commission is including staff's noise mitigation recommendation as environmental condition 11 in Appendix A to this order.

38. Based on the analysis in the EA, the Commission concludes that if constructed and operated in accordance with Perryville's application and supplement, and in compliance with the environmental conditions in Appendix A to this Order, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

39. 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/installation or operation of facilities approved by this Commission.³²

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

The Commission orders:

(A) Perryville's certificate of public convenience and necessity to construct and operate the Crowville Project is amended, as described in this order and more specifically in the application.

(B) The certificate authority granted in Ordering Paragraph (A) is conditioned upon:

- (1) Perryville's compliance with all applicable Commission regulations under the NGA, including, but not limited to, the general terms and

³²See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *National Fuel Gas Supply v. Public Service Comm'n*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P., et al.*, 52 FERC ¶ 61,091 (1990), *order on reh'g*, 59 FERC ¶ 61,094 (1992).

conditions set forth in Parts 154, 157, and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations;

- (2) Perryville's compliance with the environmental and engineering conditions set forth in Appendices A and B to this order; and
- (3) Perryville's constructing and making available for service the facilities authorized in this order within three years of the date of the order in this proceeding in accordance with section 157.20(b) of the Commission's regulations.

(C) Perryville's request for continued authority to charge market-based rates for firm and interruptible storage service and interruptible hub and wheeling service is approved, subject to the conditions in this order.

(D) Waiver is granted of the Commission's regulations deemed inapplicable to storage service providers charging market-based rates, as discussed in this order.

(E) Perryville shall notify the Commission within 10 days of acquiring knowledge of: (a) Perryville adding storage capacity beyond the capacity authorized in this order; (b) an affiliate's increasing storage capacity; (c) an affiliate's linking storage capacity to Perryville; (d) Perryville or an affiliate's acquisition of an interest in, or being acquired by, and interstate pipeline connected to Perryville. The notification shall include a detailed description of the new facilities and their relationship to Perryville. Perryville is also directed to file an updated market power analysis within five years of the date of this order and every five years thereafter. The Commission reserves the right to require such an analysis at any intervening time.

(F) Perryville shall hold a new open season, solicit permanent capacity release offers, and submit the results of its efforts to solicit offers to turn back capacity within 30 days after the close of the open season.

(G) The certificate issued in Ordering Paragraph (A) is conditioned upon Perryville's compliance with the environmental conditions set forth in Appendix A to this order.

(H) The certificate issued in Ordering Paragraph (A) is conditioned upon Perryville's compliance with the engineering conditions set forth in Appendix B to this order.

(I) Perryville shall notify the Commission's environmental staff by telephone, email, and/or facsimile of any environmental non-compliance identified by other federal, state, or local agencies on the same day that such agency notifies Perryville. Perryville

shall file written confirmation of such notification with the Office of the Secretary (Secretary) within 24 hours.

By the Commission. Commissioners Spitzer and Moeller are not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

APPENDIX A

Environmental Conditions

1. Perryville shall follow the construction procedures and mitigation measures described in its application and supplemental filings (including its response to the staff's environmental information request) and as identified in the EA, unless modified by this Order. Perryville must:
 - a. request any modification to these procedures, measures, or conditions in a filing with the 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 ensure 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**, Perryville shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors (EI), and contractor personnel will be informed of the EI'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 soon as they are available, and before the start of construction**, Perryville shall file with the Secretary any revised detailed survey alignment maps or 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. Perryville's exercise of eminent domain authority

granted under NGA section 7(h) in any condemnation proceedings related to this Order must be consistent with these authorized facilities and locations.

5. Perryville shall file with the Secretary detailed alignment maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all 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, or aerial photographs. Each area must be approved in writing by the Director of OEP before construction in or near that area.

6. Within 60 days of the acceptance of this certificate and before construction, Perryville shall file an Implementation Plan with the Secretary for review and written approval by the Director of OEP. Perryville must file revisions to the plan as schedules change. The plan shall identify:
 - a. how Perryville will implement the construction procedures and mitigation measures described in its application and supplements (including responses to the staff's environmental information request), identified in the EA, and required by this Order;
 - b. how Perryville 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. company personnel, including EIs and contractors, who will receive copies of the appropriate material;
 - d. the company personnel (if known) and specific portion of Perryville's organization having responsibility for compliance;
 - e. the procedures (including use of contract penalties) Perryville will follow if noncompliance occurs; and
 - f. for each discrete facility, a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - (i) the completion of all required surveys and reports;
 - (ii) the mitigation training of onsite personnel;
 - (iii) the start of construction; and
 - (iv) the start and completion of restoration.

7. Beginning with the filing of its Implementation Plan, Perryville shall file updated status reports with the Secretary on a monthly 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 Perryville's efforts to obtain the necessary federal authorizations;
 - b. the current construction status, work planned for the following reporting period;
 - c. a listing of all problems encountered and each instance of noncompliance observed by the EI(s) during the reporting period (both for the conditions imposed by the Commission and any environmental conditions or 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 Perryville from other federal, state or local permitting agencies concerning instances of noncompliance and Perryville's responses.
8. Prior to receiving written authorization for the Director of OEP to commence construction of any project facilities, Perryville shall file with the Secretary documentation that it has received all applicable authorizations required under federal law (or evidence of waiver thereof).
9. Perryville must receive written authorization from the Director of OEP before placing the project into service. Such authorization will only be granted following a determination that rehabilitation and restoration of impacted areas is proceeding satisfactorily.
10. Within 30 days of placing the certificated facilities in service, Perryville shall file an affirmative statement with the Secretary, certified by a senior company official:
 - a. that the facilities have been constructed or installed 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 Perryville 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.

11. Prior to the start of construction, Perryville shall incorporate into its project all of the noise mitigation measures identified in Appendix 1 of the EA. In addition, Perryville shall only operate one drilling rig at any given time within any 0.5 mile radius of a noise sensitive area.

APPENDIX B

Engineering Conditions

1. Perryville shall determine and report to the Secretary the final gas storage capacity of the cavern and the location of the casing shoe for each cavern (including data and work papers to support the actual operating capacity determination) upon placing each cavern in service.
2. The following conditions shall apply to the entire Crowville storage facility:
 - a. The maximum gas storage inventory stored in the facility shall not exceed 27.6 Bcf at 14.73 psia and 60 degrees Fahrenheit (Cavern No. 1 – 13.8 Bcf, and Cavern No. 2 – 13.8 Bcf) without prior Commission authorization.
 - b. The maximum gas storage shut-in stabilized pressure in each cavern shall not exceed 0.90 psi per foot as measured at the casing shoe and the minimum pressure in each cavern shall be limited to 0.25 psi per foot as measured at the casing shoe.
3. All other engineering conditions established in the 2010 Order will remain in effect.