

133 FERC ¶ 61,201
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Perryville Gas Storage LLC

Docket No. CP11-23-000

ORDER GRANTING EXEMPTION
FOR TEMPORARY ACTS AND OPERATIONS

(Issued December 7, 2010)

1. On November 5, 2010, Perryville Gas Storage LLC (Perryville) filed a petition under section 7(c)(1)(B) of the Natural Gas Act (NGA)¹ and Rule 207(a)(5) of the Commission's Rules of Practice and Procedure² for an exemption from certificate requirements to perform temporary drilling activities to obtain data to support Perryville's request for a permit from the State of Louisiana's Department of Natural Resources (LADNR) in connection with Perryville's gas storage construction project in Franklin Parish, Louisiana. Subject to the conditions discussed below, we find it is in the public interest to grant the requested exemption.

I. Background and Proposal

2. Perryville is a limited liability company organized under the laws of Delaware. Perryville is a natural gas company within the meaning of NGA Section 2(6)³ and holds a certificate of public convenience and necessity granted by the Commission in Docket No. CP09-418-000 on January 26, 2010, authorizing Perryville's construction and operation of a gas storage project in Franklin Parish, Louisiana.⁴ Perryville is currently constructing the facilities approved by the January 26, 2010 certificate order.

¹ 15 U.S.C. § 717f(c)(1)(b) (2006). This section authorizes the Commission to exempt by regulation from the requirements of NGA section 7(c) "temporary acts or operations for which the issuance of a certificate will not be required in the public interest."

² 18 C.F.R. § 385.207(a)(5) (2010).

³ 15 U.S.C. § 717(a)(6) (2006).

⁴ *Perryville Gas Storage LLC*, 130 FERC ¶ 61,065 (2010) (*Perryville*).

3. In order to comply with certain LADNR requirements, Perryville will need to undertake certain additional drilling and testing activities that were not authorized by the certificate granted by the Commission's January 26 order. Perryville requests an exemption from NGA section 7(c) certificate requirements for the temporary and limited purpose of undertaking these test well drilling activities, for which Perryville also has submitted an application for approval by the LADNR. The proposed location of the test well is within Perryville's 40-acre compression station site that was included in the original environmental assessment by the Commission.

4. Specifically, Perryville proposes to drill one stratigraphic test well to a total depth of 5,400 feet in the Crowville salt feature. This test well will enable Perryville to obtain direct subsurface data to support the geological and geophysical interpretations for the location of the edge of the salt dome relative to the approved natural gas storage Cavern Well 1.

5. Perryville states that it will comply with all applicable federal, state, and local permitting and environmental requirements, and that the proposed activity will not adversely impact the public. Perryville asserts that drilling the test well would be in the public interest because the testing is a necessary step in the timely development and construction of an approved natural gas storage project. Perryville further states that it will bear the full costs of the subject activities, and that the construction and testing will be temporary in nature.⁵ Perryville asserts that it will not perform any jurisdictional service using the proposed test well.

6. Once the test well has been drilled and the necessary data collected, Perryville asserts that the well will not be used for storage services and that it also will conform to all applicable federal, state, and local requirements to permanently plug the test well. Perryville states that it will restore the areas disturbed by well drilling activities to their pre-existing condition.

II. Notice and Interventions

7. Notice of Perryville's petition was published in the *Federal Register* on November 10, 2010 (75 Fed. Reg. 70,727). No motions to intervene, protests, or comments were filed.

⁵ The January 26, 2010 certificate order granted Perryville's request for market-based rate authority. *Perryville*, 130 FERC ¶ 61,065 at P 37. Thus, Perryville has assumed the economic risks associated with all project costs to the extent that any capacity is unsubscribed or that revenues are not sufficient to recover costs. *Id.* at P 23.

III. Discussion

8. We find Perryville's proposed activities are a necessary step in the continued timely development and construction of a jurisdictional natural gas storage facility. Therefore, the proposed activities are subject to the certificate requirements of NGA section 7(c). However, pursuant to NGA section 7(c)(1)(B), we may exempt certain temporary acts or operations from the certificate requirements that would otherwise apply, if we find that such an exemption is in the public interest. Previously, we have granted such exemptions to allow operations of a temporary nature that have no effects on ratepayers, on the quality of service provided by a natural gas company, or on the public as a whole.⁶

9. Perryville's proposed exploratory activities are temporary and must be conducted in order for Perryville to obtain authorizations necessary to continue the timely development and construction of an approved natural gas storage facility in Franklin Parish, Louisiana. The certificate authorization exemption will be used solely for discrete exploratory activities to obtain stratigraphic data. No jurisdictional service will be rendered from the wells without Commission authorization. There will be no effects on ratepayers, quality of service, or the public.

10. Under the circumstances described in Perryville's petition, we find that the proposed activities constitute temporary acts or operations within the meaning of NGA section 7(c)(1)(B), and we find it in the public interest to exempt the proposed activities from the certificate requirements of NGA section 7(c). The certificate exemption granted here is for the temporary activities described in Perryville's petition. If Perryville ultimately determines that the test well could be of utility in its ongoing storage operations, it will need to apply for certificate authorization for any construction activities not authorized under its Part 157 blanket certificate. This order's exemption from certificate requirements is without prejudice to any decision the Commission may make regarding an application Perryville may file for authorization for additional storage related facilities at the site of the temporary drilling and testing activities.

11. Perryville's proposed testing activities are similar to activities permitted under a Part 157 blanket certificate and sections 157.213 – 157.215 of the regulations for the development of gas storage facilities. Therefore, as proposed by Perryville in its petition

⁶ See, e.g., *Tallulah Gas Storage, LLC*, 132 FERC ¶ 61,063 (2010) (*Tallulah*); *Henry Gas Storage, LLC*, 131 FERC ¶ 61,233 (2010) (*Henry*); *Perryville*, 129 FERC ¶ 61,108 (2009); *BCR Holdings, Inc.*, 129 FERC ¶ 61,030 (2009).

and consistent with Commission practice,⁷ our authorization will be conditioned upon Perryville's performing all activities in compliance with the standard conditions of section 157.206(b) of the regulations that apply to ensure protection of the environment when activities are undertaken by natural gas companies under their Part 157 blanket certificates.⁸

12. The Commission on its own motion received and made a part of the record all evidence, including the application (s), as supplemented, and exhibits thereto, submitted in this proceeding and upon consideration of the record,

The Commission orders:

(A) Upon the terms and conditions of this order pursuant to NGA section 7(c)(1)(B), Perryville is granted an exemption from the certificate and abandonment requirements of section 7 of the NGA to undertake the activities specified in this order and in Perryville's petition. This exemption is effective upon issuance of this order. The authorized drilling and testing activities shall be completed within one year of the date of this order.

(B) Perryville shall notify the Commission within 10 days after commencing activities under the exemption in Ordering Paragraph (A). It shall allow inspection by Commission staff at any time.

(C) Perryville shall comply with the environmental requirements of section 157.206(b) of the Commission's regulations in implementing the drilling and testing activities.

(D) The exemption granted in Ordering Paragraph (A) may be revoked if the actions by Perryville are determined to be inconsistent with this order or with state or

⁷ See, e.g., *Tallulah*, 132 FERC ¶ 61,063 at Ordering Paragraph (C); *Henry*, 131 FERC ¶ 61,233 at Ordering Paragraph (C); *Perryville*, 129 FERC ¶ 61,108 at Ordering Paragraph (C).

⁸ 18 C.F.R. § 157.206(b) (2010).

federal law and regulations. The Commission may halt work authorized under this exemption until any required consistency determination is completed.

By the Commission

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.