

110 FERC ¶ 61,260  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Petal Gas Storage, L.L.C.

Docket No. CP04-424-000

ORDER ISSUING CERTIFICATE

(Issued March 7, 2005)

1. On September 30, 2004, Petal Gas Storage, L.L.C., (Petal) filed an application under section 7(c) of the Natural Gas Act (NGA) for a certificate of public convenience and necessity authorizing the increase in capacity of its mainline pipeline, Line 100, from 700 MMcf per day (MMcf/d) to 1.3 Bcf per day (Bcf/d) and the up-rating of compressor units at its Heidelberg Compressor Station, in Jasper County, Mississippi, from 9,000 horsepower (hp) to 9,442 hp. Petal proposes to increase the capacity of Line 100 without constructing any additional pipeline facilities and without increasing Line 100's maximum allowable operating pressure (MAOP). The proposed increase in capacity would be accomplished by increasing the MAOP of Petal's storage header pipeline which interconnects with Line 100 at its southern terminus, in Forrest County, Mississippi. The Commission finds that Petal's proposal will serve the public interest because it will enhance the interstate natural gas pipeline grid by providing additional capacity for its high deliverability natural gas storage without constructing new facilities. Accordingly, the proposal is authorized subject to conditions.

**Background**

2. In a series of orders beginning in 1993, the Commission authorized the construction and enlargement of Petal's two existing storage caverns, Cavern Nos. 6 and 7, various storage header facilities including compression, and interconnects with the interstate pipeline systems of Tennessee Gas Pipeline Company and Gulf South Pipeline Company (formerly Koch Gateway Pipeline Company) which are

located on and near the Petal Salt Dome in Forrest County, Mississippi.<sup>1</sup> In these orders the Commission also authorized Petal to charge market-based rates for storage services. On October 25, 2001, the Commission authorized Petal to construct and operate a new 59-mile long pipeline (Line 100) to provide natural gas transportation between its storage facilities and the interstate pipeline systems of Transcontinental Gas Pipe Line Corporation (Transco), Southern Natural Gas Company and Destin Pipeline Company, L.L.C.<sup>2</sup> The October 2001 Order also authorized Petal to provide cost-based open access transportation services and allowed Petal to continue to charge market-based rates for its storage services.

3. The purpose of Line 100 is to provide transportation of natural gas to and from Petal's storage caverns, and thus, it is by necessity a bi-directional pipeline. The design capacity of the pipeline during storage withdrawal operations was established at 700 MMcf/d and the design capacity of the pipeline during storage injection operations was established at 350 MMcf/d. The mainline pipeline is designed for a MAOP of 1250 psig; however, the operating pressure is limited as described below.

4. In an order issued on February 28, 2003, the Commission authorized Petal to convert Cavern No. 3 from brine storage to natural gas storage, to construct a new cavern, Cavern No. 8, and install a 5,000 hp compressor unit at its existing storage facility in Forrest County, Mississippi.<sup>3</sup> As of the date of the instant order, the construction of Cavern No. 8 has not yet begun, and the conversion of Cavern No. 3 is nearing completion. Once Cavern No. 8 is complete, Petal's storage facility will have a total working gas capacity of 17.5 Bcf /d with a withdrawal capacity of 1,665 MMcf/d.

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<sup>1</sup>*Petal Gas Storage Company*, 64 FERC ¶ 61,190 (1993) (authorizing construction and operation of Cavern No. 6); 86 FERC ¶ 61,224 (1999) (authorizing construction and operation of Cavern No. 7); 90 FERC ¶ 61,243 (2000) (authorizing enlargement of Cavern Nos. 6 and 7); 92 FERC ¶ 61,220 (2000) (authorizing additional compression and looping of storage header); 96 FERC ¶ 61,177 (2001) (authorizing modifications to the design of Cavern Nos. 6 and 7).

<sup>2</sup> *Petal Gas Storage, L.L.C.*, 97 FERC ¶ 61,097 (2001).

<sup>3</sup> *Petal Gas Storage, L.L.C.*, 102 FERC ¶ 61,243 (2003).

## **Proposal**

### **Up-rate Operating Pressure**

5. Petal states that its system is basically comprised of the storage caverns, the storage header and the mainline pipeline. The storage header consists of two pipelines, the original storage header, which consists of 5.5 miles of 36-inch pipeline (Storage Header) and a newer storage loop (Header Loop) which consists of approximately 5.5 miles of 20-inch pipeline. Petal states that, although Line 100 and the Header Loop are rated at an MAOP of 1250, the MAOP of the Storage Header is only 1100 psig. Thus, the Storage Header is the limiting factor with regard to the operating pressure of the entire system. Petal proposes to increase the capacity of its mainline pipeline, Line 100, from 700 MMcf/d to 1.3 Bcf/d by increasing the operating pressure of the Storage Header from 1100 psig to 1250 psig. Petal proposes to hydrostatically test and re-rate the Storage Header in accordance with United States Department of Transportation (DOT) requirements for uprating pipelines,<sup>4</sup> so as to increase its MAOP up to that of Line 100 and the Header Loop.

6. According to Petal, the cost of the hydrostatic test will be approximately \$150,000. Since the Storage Header is part of Petal's storage facilities for which it has market-based rate authority,<sup>5</sup> the cost to up-rate the Storage Header is not part of Petal's cost-based transportation facilities and will not be included in Petal's pipeline rate base. Thus, Petal states, it is not proposing to modify its approved tariff transportation rates.

7. Petal states that the up-rate of the Storage Header requires only the testing of an existing pipeline segment which can be accomplished without any ground disturbance. The beginning and end points of this pipeline segment are above ground. Petal proposes to transport fresh water by truck to the injection point and to dispose of the water in an existing storage cavern. Petal believes that the testing process can be accomplished within one day.

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<sup>4</sup> 49 CFR § 192.555 (2004).

<sup>5</sup> See *Petal Gas Storage Company*, 64 FERC ¶ 61,190 (1993), 86 FERC ¶ 61,224 (1999) and 92 FERC ¶ 61,220 (2000).

### **Up-rate Compressor Horsepower**

8. Petal seeks authority to operate the two 4500 hp units at its Heidelberg Compressor Station at their full 4721 name-plate hp. Petal states that it expects no significant change to its injection cycle capacity. For this reason, Petal does not propose in the instant filing to change its injection cycle capacity. Petal contends that authorizing this increase in horsepower may provide Petal with some minor operational flexibility such as negating the need to run both engines at certain times, allowing a higher flow through each unit when conditions permit, and negating the need to monitor and limit use of the units to a level below the name-plate horsepower. Petal states that since these units are not used during the withdrawal cycle, the proposed up-rate has no impact on the proposed increase in pipeline capacity.

### **Rates**

9. Petal currently provides open access firm and interruptible storage and transportation services under Part 284 of the Commission's regulations.<sup>6</sup> For its Rate Schedules FSS and ISS storage services which utilize the Storage Header and Header Loop, the Commission has authorized Petal to charge market-based rates. Petal's tariff also contains cost-based rates for its Rate Schedules FTS and ITS transportation services relating to its Line 100 pipeline.

10. On October 1, 2004, Petal initiated an open season for 60,000 Mcf/d of firm transportation capacity.<sup>7</sup> Petal has signed a precedent agreement with one shipper for 10,000 Mcf/d for a three-year term, and is finalizing a precedent agreement with another shipper for 50,000 Mcf/d for a five-year term. Thereafter, Petal plans to hold separate open seasons for up to 5 Bcf of firm storage capacity, associated with Cavern No. 8, for which it received authorization in Docket No. CP02-387-000, and up to 500,000 Mcf/d of firm transportation capacity. Petal states that marketing plans on the remaining 40,000 Mcf/d of transportation capacity have not been determined.

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<sup>6</sup> See Petal's FERC Gas Tariff, Original Volume No. 1.

<sup>7</sup> Petal's November 30, 2004 response to Request No. 9 of FERC Data Request No. 1 dated November 5, 2004.

### **Intervention**

11. After due notice by publication in the *Federal Register* on October 18, 2004 (69 Fed. Reg. 61365), Transco filed an untimely motion to intervene. The Commission finds that granting this late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Therefore, for good cause shown, we will grant the late filed motion to intervene. (18 CFR § 385.214(d)(2004)). No protests or comments in opposition to the application were filed.

### **Discussion**

12. Petal proposes to modify pipeline facilities used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, thus the modifications are subject to the requirements of subsections (c) and (e) of section 7 of the NGA.

### **Public Convenience and Necessity**

13. On September 15, 1999, the Commission issued a Policy Statement providing guidance as to how it will evaluate proposals for certificating new construction (Policy Statement).<sup>8</sup> The Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposal will serve the public interest. It explains that the Commission, in deciding whether to authorize the construction of major new pipeline facilities, balances the public benefits against the potential adverse consequences. The Commission's goal 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 to the environment, and the unneeded exercise of eminent domain, in evaluating new pipeline construction.

14. Under this policy, the threshold requirement for existing pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from existing customers. The next step is to determine whether the applicant has made efforts to minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline.

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<sup>8</sup> *Certification of New Interstate Natural Gas Pipeline Facilities, Statement of Policy*, 88 FERC ¶ 61,227 (1999); *Order Clarifying Statement of Policy*, 90 FERC ¶ 61,128 (2000); and *Order Further Clarifying Statement of Policy*, 92 FERC ¶ 61,094 (2000).

15. If residual adverse effects on these interest groups are identified, after efforts have been made to minimize them, the Commission evaluates 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 interests will the Commission then proceed to complete the environmental analysis where other interests are considered.

### **Subsidization**

16. Petal states that the cost of hydrostatically testing the Storage Header in order to expand the capacity of its pipeline, is approximately \$150,000. Because the Storage Header facilities are not part of Petal's transportation system and are not included in Petal's approved cost-based tariff transportation rates, there will be no subsidization by existing transportation customers. Petal will seek to recover these costs as part of its market-based storage rates. Thus, Petal, and not its existing customers, faces the risk of not recovering these costs. We find that Petal has satisfied the threshold requirement of the Certificate Policy Statement.

### **Adverse Impacts**

17. There will be no negative impact on existing customers since their rates will not increase and their services will not be diminished or degraded. In addition, Petal's facilities are located in a competitive market and will serve new demand in a region that is experiencing rapid growth in natural gas use. Petal's project will enhance storage options available to pipelines and their customers. Also, no storage or pipeline company or their customers have protested or objected to the applications here. Thus, we conclude that Petal's proposal will have no adverse impact on existing storage providers or their customers.

18. Petal states that no land disturbance will be required for the up-rating of the Storage Header or the Heidelberg Compressor station. The water to be used will be obtained from a trucking company or a municipal source and will be disposed of into an existing storage cavern already connected to Petal's facilities. The beginning and end points of the storage header are aboveground and located completely within existing rights-of-way. There has been no landowner opposition to the proposal. For these reasons, we find that any adverse impacts on landowners and communities will be minimal. In addition, no landowners intervened, filed comments, or objected to the proposal. Consequently, the proposal will have minimal effect on the environment.

19. Based on the above considerations, the Commission concludes that Petal's proposal can proceed without subsidies, will not adversely affect or degrade service to its existing customers, and will not harm existing pipelines or their captive customers.

20. The Energy Information Agency (EIA) projects that the demand for natural gas will increase by an average of 1.6 percent per year through 2020, primarily due to the growth in gas-fired electric generation facilities. The EIA also projects that the fastest growth will occur in the area where Petal's facilities will be located. In addition, numerous LNG facilities are proposed for the Gulf Coast region, which could lead to a significant increase in LNG imports. We find that Petal's proposals will enhance the natural gas infrastructure, since the proposal will serve a growing market for high-deliverability storage for gas-fired electric generation plants and LNG facilities. Based on the proposal's substantial benefit to the market, the lack of any identified adverse effect on existing customers, other pipelines, landowners, or communities, we find, consistent with the Certificate Policy Statement and section 7 of the NGA, that the public convenience and necessity requires approval of Petal's proposal.

### **Rates**

21. By expending \$150,000 of hydrostatic testing costs related to its storage function, Petal will be able to achieve an 86 percent increase in Line 100 mainline capacity with no costs related to its transmission function. Petal states that it is not proposing to modify its approved transportation rates because the Storage Header facilities are not included in the rate base of its Line 100 pipeline.

22. The significant expansion of Line 100 capacity resulting from the uprating of the Storage Header MAOP that is the subject of this application raises concerns regarding the appropriateness of Petal's existing transportation rates, which are designed using the existing 700 MMcf/d of capacity.<sup>9</sup> However, whether Petal will be able to overrecover

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<sup>9</sup> Petal's currently effective maximum reservation rate of \$2.0196 per MMBtu is derived by dividing the \$16,964,270 annual cost of service by 8,400,000 MMBtu (700,000 MMBtu times 12). See Appendix A, Page 1 of Petal's Docket No. CP01-69-007 compliance filing.

its cost of service is dependent, among other things, on its ability to market the increased capacity, and the contractual rates for new capacity as well as for the existing capacity.<sup>10</sup>

23. As stated earlier, Petal is marketing the additional Line 100 capacity and has executed some precedent agreements. However, Petal has not provided any indication when service agreements may be executed or when additional open seasons may be held. It appears the availability of the additional Line 100 pipeline capacity may be tied to the construction schedule for completion of the increased storage capacity related to Cavern Nos. 3 and 8.

24. Petal is already required to make a cost and revenue study filing by July 1, 2005 (the end of its first three years of its actual operation) to justify its existing transportation rates.<sup>11</sup> Because there may be a potential impact on Petal's FTS and ITS transportation rates associated with increasing the capacity on Line 100 to 1.3 Bcf/d, the Commission will place an additional condition on Petal's cost and revenue study filing. The Commission will condition the authorizations granted herein upon the requirement that Petal fully explain and justify its currently effective FTS and ITS transportation rates in light of the additional 600 MMcf/d of capacity on Line 100. As part of this requirement, Petal is directed to file any executed service agreements related to the increased Line 100 capacity as part of its cost and revenue study. This additional information requirements will provide the existing shipper and any new shippers with the opportunity to raise concerns about any impact of the increased capacity on Petal's existing transportation rates in response to the cost and revenue study filing.

### **Engineering**

25. Our staff performed an analysis of Petal's proposed system and confirmed that the system is adequately designed to provide the proposed transportation services. We conclude that Petal has properly designed its project to provide up to 1.3 Bcf/day of

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<sup>10</sup> Southern Company has subscribed to 100 percent of Petal's existing firm transportation capacity (700,000 MMBtu/day) for a period of 20 years at a rate that is the lesser of a monthly reservation rate of \$1.20 per MMBtu or Petal's maximum FTS reservation rate. *See Petal Gas Storage, L.L.C.*, 97 FERC ¶ 61,097 at 61,515 (2001).

<sup>11</sup> *See* Ordering Paragraph(C)(2) of *Petal Gas Storage, L.L.C.*, 97 FERC ¶ 61,097 (2001).

transportation service along its Line 100 mainline. Our analysis also shows that the subject facilities will not adversely impact or degrade transportation services to existing shippers.

### **Environmental**

26. Our staff prepared an environmental assessment (EA) for Petal's proposal. The EA addresses land requirements, water use and quality, fish, vegetation, and wildlife, cultural resources, air quality, noise quality, land use, and alternatives.

27. Based on the discussion in the EA, we conclude that if the facility modifications are made in accordance with Petal's application filed September 30, 2004, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

28. 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 modification of facilities approved by this Commission.<sup>12</sup>

29. Petal shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Petal. Petal shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

30. At a hearing held on March 2, 2005, there was 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 in consideration thereof,

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<sup>12</sup>See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *Northern Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P., et al.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

The Commission orders:

(A) A certificate of public convenience and necessity is issued authorizing Petal to uprate its facilities as described more fully in Petal's application and in the body of this order.

(B) Petal shall comply with all applicable Commission regulations under the NGA, particularly the conditions set forth in Part 154 and section 157.20(a), (c), (e), and (g) of the Commission's regulations.

(C) The facilities uprate in this order shall be completed and placed into operation within one year of the date of issuance of this order in accordance with section 157.20(b) of the Commission's regulations.

(D) Petal's required cost and revenue study filing at the end of the first three years of actual operation to justify existing transportation rates, must also include: a full explanation and justification of Petal's currently effective transportation rates in light of the additional 600 MMcf/d of capacity on Line 100; and any executed service agreements related to the increased Line 100 capacity.

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

(I) Petal shall comply with the environmental conditions set forth in the Appendix.

(J) The motion to intervene out-of-time filed by Transco is granted.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

## APPENDIX

As recommended in the EA, this authorization includes the following conditions:

1. Petal shall follow the construction procedures and mitigation measures described in its application and as identified in the environmental assessment (EA), unless modified by this Order. Petal must:
  - a. request any modification 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 delegation 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. Petal shall file a noise survey with the Secretary no later than 60 days after placing the modified Heidelberg Compressor Station in service. If the noise attributable to the operation of the modified Heidelberg Compressor Station at full load exceeds an Ldn of 55 dBA at any nearby noise sensitive areas, Petal should install additional noise controls to meet that level within 1 year of the in-service date. Petal 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.