

122 FERC ¶ 61,151  
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.

Saltville Gas Storage Company, LLC

Docket No. CP04-13-004

ORDER AMENDING CERTIFICATE

(Issued February 21, 2008)

1. On September 28, 2007, Saltville Gas Storage Company, LLC (Saltville) filed an application in Docket No. CP04-13-004 seeking authority under section 7(c) of the Natural Gas Act (NGA)<sup>1</sup> to amend its certificate of public convenience and necessity issued by the Commission on June 14, 2004 (June 14 Order)<sup>2</sup> and amended on November 22, 2004.<sup>3</sup> Saltville requests authority to decrease the certificated total storage capacity of the Saltville storage facility from 6.75 billion cubic feet (Bcf) to 4.7 Bcf; decrease the facility's certificated working gas capacity from 4.79 Bcf to 3.0 Bcf; reduce the maximum daily injection rate from 220 million cubic feet per day (MMcf/d) to 180 MMcf/d; reduce the maximum daily withdrawal rate from 550 MMcf/d to 275 MMcf/d; and remove the requirement for Saltville to conduct sonar surveys every five years. Saltville also seeks to clarify its approach to mechanical integrity testing of the facility.<sup>4</sup>

2. As discussed below, the Commission finds that approval of Saltville's proposal is required by the public convenience and necessity. Therefore, the Commission grants Saltville's requested authorizations, subject to the conditions set forth below.

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<sup>1</sup> 15 U.S.C § 717f(c) (2000).

<sup>2</sup> *Saltville Gas Storage Co., LLC*, 107 FERC ¶ 61,267 (2004).

<sup>3</sup> *Saltville Gas Storage Co., LLC*, 109 FERC ¶ 61,200 (2004).

<sup>4</sup> Saltville also requests waiver of certain requirements in Part 157 of the Commission's regulations regarding information and exhibits an applicant must include in certificate applications. Section 157.7 states that an applicant may omit information and exhibits if the applicant states that it is filing an abbreviated application, specifies the omissions, and separately justifies each omission. 18 C.F.R. § 157.7 (2007). Saltville has met these conditions with respect to information it omitted from its application and no waiver is required.

## **I. Background and Proposal**

3. Saltville, a limited liability company, is a natural gas company as defined by section 2(6) of the NGA<sup>5</sup> primarily engaged in the underground storage of natural gas in interstate commerce. Saltville currently operates an underground natural gas storage facility in Saltville, Virginia. Saltville's storage facility includes three salt cavern galleries (Cavern Nos. 1, 2, and 3), compression facilities, and a 6.7-mile, 24-inch pipeline.

4. Saltville proposes to decrease the certificated total storage capacity of its facility from 6.75 Bcf to 4.7 Bcf and decrease the facility's certificated working gas capacity from 4.79 Bcf to 3.0 Bcf. Saltville states that the primary reason for this decrease is that it could remove only approximately 3.7 million barrels of brine from Cavern No. 3, although its original estimate predicted that 6 million barrels could be removed. Saltville states that the shortfall could be due to an overestimate of brine left in place, an overestimate of the effectiveness of the de-brining process, or a combination of both.

5. Additionally, Saltville states, due to the lower-than-expected storage capacity, it did not install all of the certificated facilities anticipated to achieve the certificated maximum injection and withdrawal rates. Specifically, Saltville installed only one of the two certificated compressors for injection of natural gas into storage. Therefore, Saltville proposes to reduce the maximum daily injection rate from 220 MMcf/d to 180 MMcf/d. Similarly, Saltville installed withdrawal equipment, including dehydration facilities, sufficient to provide only 275 MMcf/d of maximum daily withdrawal capacity rather than the certificated capacity of 550 MMcf/d. As a result, Saltville requests authority to amend its certificate to reflect the actual maximum daily withdrawal rate of the facility of 275 MMcf/d.

6. Further, Saltville requests elimination of the requirement to conduct sonar surveys of all three caverns every five years. Saltville initially believed that sonar surveys would be the best method to periodically monitor the caverns. However, according to Saltville, since its caverns are in bedded salt, and are estimated to be 70 percent full of insolubles, i.e., the "rubble zone," only limited information can be obtained using sonar surveys. As an alternative, Saltville proposes to conduct annual gallery sizing surveys to determine the size and storage capacity of each cavern and wireline logging to monitor the cavern roofs.

7. Saltville states that it originally tested the mechanical integrity of its storage caverns with a nitrogen/brine interface test, which it states is typical for caverns that are completing solution mining and are full of brine. Saltville further states that once solution mining is complete and the caverns are placed into storage service, mechanical

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<sup>5</sup> 15 U.S.C. § 717a(6) (2000).

integrity testing is normally performed utilizing a shut-in pressure test with the caverns filled with natural gas. Saltville asserts that the shut-in pressure test is a viable method to demonstrate the mechanical integrity of the casing seat, cavern/gallery, wellbore casing, and wellhead. Because two of the three cavern galleries have a high pressure connection and are operated together with common pressure, Saltville proposes to test those two caverns together. Therefore, Saltville requests that the Commission amend the required testing procedure from the nitrogen/brine interface methodology to the shut-in pressure test methodology.

8. Finally, Saltville asserts that it intends to continue to charge its existing rates and will propose to apply its actual design capacity, as amended in this order, in a rate review filing it states it is required to make by September 2008.

## **II. Notice and Interventions**

9. Notice of Saltville's application was published in the *Federal Register* on October 11, 2007 (72 Fed. Reg. 57,922). East Tennessee Group (ETG)<sup>6</sup> filed timely comments on Saltville's application.<sup>7</sup> No interventions or protests were filed.

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<sup>6</sup> The East Tennessee Group is an association of East Tennessee Natural Gas Company's LDC customers in Tennessee. The members are: the Utilities Boards of Athens, Knoxville, Lenoir City, and Sweetwater; the Utility Districts of Citizens Gas, Hawkins County Gas, Jefferson-Cocke County, Middle Tennessee Natural Gas, Oak Ridge, Powell Clinch, Sevier County, and Unicoi County Gas; the Gas Systems of Gainesboro, Gallatin Natural, Jamestown, Madisonville, Marion Natural, and Mt. Pleasant; the Gas Departments of Cookeville, Etowah Utilities, Lewisburg, Livingston and Loudon Utility; and the Appalachian Natural Gas Distribution Company, Elk River Public Utility District, Fayetteville Public Utilities, Harriman Utility Board and Rockwood Water & Gas.

<sup>7</sup> In its comments, ETG states that it is an intervenor in this proceeding because it intervened in 2004 in Saltville's original certificate proceeding in Docket Nos. CP07-13-000, CP07-14-000, and CP07-15-000. To the contrary, ETG is not a party to the proceeding herein because the party status of intervenors terminates when the certificate proceeding before the Commission has been completed, as happened when the June 14 Order was issued, and the time for judicial review has expired. However, we will accept ETG's comments and consider them in our deliberations. *See, e.g., Cameron LNG, LLC*, 111 FERC ¶ 61,018, at n.4 (2005) and *East Tennessee Natural Gas Co.*, 104 FERC ¶ 61,019, at P 4 (2003), *reh'g denied*, 105 FERC ¶ 61,139, n.4 (2003).

### **III. ETG Comments**

10. ETG states that the capacity levels approved in this proceeding will largely determine the rate levels Saltville seeks to place into effect in the rate filing the Commission has required it to file. Accordingly, ETG urges the Commission to scrutinize Saltville's cavern capacity and stresses that any reductions in capacity must be fully supported by the characteristics of the storage facility.

### **IV. Discussion**

11. Because Saltville's application pertains to facilities to be used to transport natural gas in interstate commerce, Saltville's proposal is subject to the Commission's jurisdiction and the requirements of section 7(c) of the NGA.

12. In its application and its response to a staff data request,<sup>8</sup> Saltville has provided a thorough explanation of certain test results and the operational issues encountered in the development of its storage facility. Based on our staff's analysis of the information provided by Saltville, we find that it has fully supported its proposal to decrease the certificated total capacity and the certificated working gas capacity of its storage facility and, as a result of these lower volumes, to reduce the maximum daily withdrawal and injection rates to reflect the actual operation of its storage facility. In view of these considerations, the Commission finds that it is in the public convenience and necessity to amend Saltville's certificate to accurately reflect the storage field's capabilities. The storage facility is limited to a total storage capacity of 4.7 Bcf, a working gas capacity of 3.0 Bcf, a maximum daily injection rate of 180 MMcf/d, and a maximum daily withdrawal rate of 275 MMcf/d.

13. We note that Saltville states that it did not install all of the facilities certificated in the June 14 Order due to the lower actual capacity of the Saltville facility. Specifically, it did not install one of the two certificated compressors and certain withdrawal facilities. We will therefore amend the certificate issued in Docket No. CP04-13-000, as previously amended in Docket No. CP04-13-002, to vacate that portion of the certificate authorizing the compressor and withdrawal facilities that Saltville did not construct.

14. Additionally, Saltville proposes an alternative testing regime in lieu of sonar surveys every five years. Specifically, Saltville proposes to maintain a cavern integrity program that includes: 1) cavern sizing procedures, 2) wireline logging to monitor roof integrity, 3) annual gas inventory monitoring, and 4) periodic cavern mechanical integrity

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<sup>8</sup> A staff data request was submitted to Saltville on November 15, 2007. Saltville's response was filed on December 5, 2007.

testing. We concur that sonar surveys will yield limited results due to the high level of insolubles in the caverns and Saltville's alternative methodology will yield much of the same information as sonar surveys; accordingly the Commission will no longer require Saltville to conduct sonar surveys every five years. Instead, Saltville shall conduct an annual inventory study based on downhole temperature and pressure readings and conduct annual gamma ray logging and file all results with the Commission. Saltville's proposed mechanical integrity testing methodology is consistent with the intent behind the testing requirement and will provide the Commission with all the necessary information to determine the integrity of the storage cavern. Saltville shall continue to comply with all other engineering conditions as previously required.

15. Because Saltville does not propose any construction, removal, or ground disturbing activities, any additional capacity, or any changes to land use activities, environmental review of the proposal is not necessary.

16. At hearing held on February 21, 2008, 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) Saltville's certificate of public convenience and necessity to construct and operate facilities issued in Docket No. CP04-13-000 and amended in Docket No. CP04-13-002 is further amended, as described more fully in the application and in the body of this order.

(B) Saltville's amended certificate authority is conditioned upon Saltville's compliance with all applicable Commission regulations under the NGA, particularly the general terms and conditions set forth in paragraphs (a), (c), (e), and (f) of section 157.20 of the Commission's regulations.

(C) Saltville shall not operate its facility above the following certificated levels: Working gas – 3.0 Bcf; Base Gas – 1.7 Bcf; Total Capacity – 4.7 Bcf; Maximum daily injection rate – 180 MMcf/d; Maximum daily withdrawal rate – 275 MMcf/d.

(D) Saltville is no longer required to conduct sonar surveys every five years. However, Saltville shall conduct an annual inventory verification study and annual gamma ray logging of each of its caverns, incorporating the alternative mechanical integrity testing methodology proposed.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.