

139 FERC ¶ 61,232  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
Cheryl A. LaFleur, and Tony T. Clark.

Caledonia Energy Partners, L.L.C.

Docket No. CP12-33-000

ORDER ISSUING CERTIFICATE AND VACATING CERTIFICATE  
AUTHORIZATIONS

(Issued June 21, 2012)

1. On December 16, 2011, Caledonia Energy Partners, L.L.C. (Caledonia) filed an application under section 7(c) of the Natural Gas Act (NGA) for a certificate of public convenience and necessity for the Delta Pressure-DP33 Project (DP33 Project) authorizing it to modify its existing natural gas storage facility in Lowndes County, Mississippi. In addition, Caledonia requests that the Commission vacate authorizations associated with its County Line Expansion Project.<sup>1</sup>

2. For the reasons discussed below, we will issue a certificate granting the requested authorizations and vacate the certificate authorizations for the County Line Expansion Project, subject to the conditions herein.

**I. Background**

3. Caledonia is a limited liability company organized and existing under the laws of the State of Delaware. Caledonia is a natural gas company within the meaning of the NGA that operates the Caledonia Field, in Lowndes and Monroe counties, Mississippi. Caledonia is an affiliate of Enstor Operating Company, LLC (Enstor), an indirect, wholly owned subsidiary of Iberdola Renewables, Inc. Enstor is an independent natural gas storage company, and through its affiliates acquires, develops, and operates intrastate and interstate high deliverability, multi-cycle natural gas storage projects.

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<sup>1</sup> *Caledonia Energy Partners, L.L.C.*, 124 FERC ¶ 61,041 (2008) (2008 County Line Expansion Order).

**Caledonia Storage Project, Docket No. CP05-15-000**

4. In 2005, the Commission authorized Caledonia to construct and operate the Caledonia Storage Facility.<sup>2</sup> This project involved the conversion of the Caledonia Field, a depleted natural gas reservoir, into a high-deliverability, multi-cycle gas reservoir capable of storing 11.7 billion cubic feet (Bcf) of working gas, with a maximum withdrawal capacity of 330 million cubic feet (MMcf) per day and a maximum injection capability of 260 MMcf per day at a maximum bottom-hole pressure of 2,110 pounds per square inch gauge (psig). The Commission also found that Caledonia lacked market power and could charge market-based rates for its services.

**County Line Expansion Project, Docket No. CP08-52-000**

5. In July 2008, the Commission authorized Phase I and Phase II of Caledonia's County Line Expansion Project.<sup>3</sup> Phase I involved the development of the County Line Field – a depleted production reservoir approximately two miles northeast of the Caledonia Storage Facility – and linking this new storage facility with the Caledonia Field.<sup>4</sup> Phase II involved the installation of two 5,000 horsepower (hp) electric motor compression units, a heater, separators, and associated piping. The additional compressors would allow Caledonia to increase the maximum pressure of the Caledonia and the County Line Fields from 2,110 to 2,518 psig. In all, the 2008 County Line Expansion Order authorized Caledonia to increase: (i) the total capacity of the Caledonia Field from 17.5 to 22.7 Bcf; (ii) the working gas capacity to 16.9 Bcf;<sup>5</sup> (iii) the maximum withdrawal capacity to 477 MMcf per day; (iv) the maximum injection rate to 375 MMcf per day; and (v) the maximum bottom-hole pressure from 2,110 to 2,518 psig. The 2008 County Line Expansion Order also found that Caledonia would continue to lack market power and thus could charge market-based rates for its services. Caledonia was authorized to construct and make the County Line Expansion Project available for service by July 17, 2009.

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<sup>2</sup> *Caledonia Energy Partners, L.L.C.*, 111 FERC ¶ 61,095 (2005) (2005 Certificate Order). On several occasions, we amended the 2005 Certificate Order to modify the facilities authorized. *See Caledonia Energy Partners, L.L.C.*, 115 FERC ¶ 62,060 (2006); 119 FERC ¶ 62,012 (2007) (increasing working gas from 11.7 to 12.0 Bcf by converting 0.3 Bcf of cushion gas to working gas); and 121 FERC ¶ 61,234 (2007).

<sup>3</sup> 2008 County Line Expansion Order, 124 FERC ¶ 61,041.

<sup>4</sup> The fields would be linked by approximately 1.82 miles of eight-inch diameter pipeline.

<sup>5</sup> The 16.9 Bcf was comprised of 1.6 Bcf from the County Line Field and 15.3 Bcf from the Caledonia Field.

6. On September 4, 2008, Caledonia submitted an informational filing in Docket No. CP08-52-000 stating that it could achieve the deliverability, injection capability, and increased reservoir pressure authorized in the 2008 County Line Expansion Order without the Phase II compression. Thus, Caledonia stated that it would not install the authorized Phase II compression.

7. On May 22, 2009, Caledonia filed a request for an extension of the in-service date of the County Line Expansion Project. Caledonia stated that it was seeking more time “due to a series of factors, including [an] increase in the cost of inputs (such as labor, steel, and equipment), overall macroeconomic conditions, as well as the need for additional technical evaluation of the County Line Field . . . .”<sup>6</sup> By letter dated May 27, 2009, Caledonia was granted an extension of time until December 31, 2011, to construct and place into service the County Line Expansion.

8. In the instant application, Caledonia states that it has not commenced construction of either Phase I or Phase II of the County Line Expansion Project, and that it no longer intends to pursue Phase I of this project (i.e., developing and integrating the County Line Field). Caledonia thus requests the Commission vacate the authorizations associated with Phase I.

### **Prior Notice, Docket No. CP10-132-000**

9. On April 12, 2010, Caledonia submitted a prior notice request to increase: (i) the maximum certificated storage capacity of the facility from 22.7 to 28.1 Bcf;<sup>7</sup> (ii) the working gas capacity from 16.9 to 22.0 Bcf;<sup>8</sup> (iii) the maximum withdrawal capacity from 477 to 550 MMcf per day; (iv) the maximum injection rate to 558 MMcf per day; and (v) the maximum bottom hole pressure from 2,518 to 3,300 psig.

## **II. Proposal**

### **A. Facilities**

10. Caledonia seeks to increase the Maximum Allowable Operating Pressure (MAOP) of the Caledonia Field, and add compression and other proposed upgrades to increase the injection and withdrawal capacity of the Caledonia Storage Facility. Specifically,

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<sup>6</sup> Letter to Honorable Kimberly D. Bose, Office of the Secretary, Request for Extension of In-Service Date, Docket No. CP08-52-000 (filed May 22, 2009).

<sup>7</sup> The Caledonia Field accounted for 23.2 Bcf and the County Line Field accounted for 4.9 Bcf.

<sup>8</sup> The Caledonia Field accounted for 18.5 Bcf and the County Line Field accounted 3.5 Bcf.

Caledonia proposes to increase the MAOP of the surface facilities of the Caledonia Storage Field from 2,700 to 3,300 psig. In addition, Caledonia proposes to modify the existing compressor station at the Caledonia Storage Facility by adding two new 4,735 hp natural gas-fired compressor units, designed to operate in parallel with the three existing compressor units. The five compressor units (two new and three existing) will be connected to a new discharge header. To meet the discharge MAOP of 3,300 psig, Caledonia proposes to replace the existing discharge separators, a gas cooler, piping, and upgrade existing well-head valves and fittings.

11. Caledonia also proposes to construct a 16-inch diameter, 0.84-mile long high-pressure-injection pipeline that will run from the new compressor discharge header to existing lateral piping and well pads. This pipeline will be located within the same permanent right-of-way as an existing 24-inch diameter pipeline. The new 16-inch pipeline will be dedicated to injection, which will avoid disruption to the existing infield piping and equipment that is required only for withdrawal. Further, Caledonia intends to install ten well-head modifications or replacement well heads within the previously certificated well-pad areas. Well heads and fittings rated to sustain an injection or withdrawal MAOP of 3,300 psig will be installed to accommodate the higher operating pressure. Lastly, Caledonia proposes to install three pressure reduction stations. With these changes, Caledonia states that the DP33-Project will enable it to increase the maximum daily withdrawal rate of the Caledonia Storage Facility to 765,000 Mcf per day and the maximum injection rate to 717,000 Mcf per day.

12. Caledonia also proposes to upgrade its existing Tennessee Gas Pipeline Company Interconnect meter station to match the new capacity of the Caledonia Storage Facility. This work will include upgrading measurement equipment, installing replacement filter separators that will match the increased flow rates, and retrofitting the flow control valves.

13. As previously mentioned, Caledonia requests the Commission vacate authorization for Phase I of the County Line Expansion Project. Phase I included the development of the County Line Field as an additional storage field capable of storing approximately 1.6 Bcf of working gas.<sup>9</sup> Phase II of the County Line Expansion Project, authorization for which we are also vacating below, included installing 10,000 hp of compression and ancillary equipment in a new compressor building within the existing compressor station at the Caledonia Field.

14. Vacating the certificate authorization for the County Line Expansion Project would result in a net decrease in the Commission authorized maximum storage capacity of the Caledonia Storage Facility from 28.1 to 25.7 Bcf and the working gas capacity from 22.0 to

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<sup>9</sup> Caledonia asserts that the County Line Field has produced nearly 2.7 Bcf of gas from two wells since 1985. Currently, Caledonia states that all of the production wells in the field are plugged and abandoned and that the field is substantially depleted.

20.6 Bcf. Upon issuance of this order authorizing the DP33 Project, the Caledonia Facility will consist of only the Caledonia Field with a total capacity of 25.7 Bcf (comprising 20.6 Bcf working gas and 5.1 Bcf cushion gas), injection capacity of 717,000 Mcf per day, a withdrawal capacity of 765,000 Mcf per day, and a maximum bottom-hole pressure of 3,300 psig.

### **B. Rates**

15. Caledonia requests Commission authorization to continue charging market-based rates for its firm and interruptible storage services. In support of its request, Caledonia presented an updated market-power analysis demonstrating that it will not be able to exercise market power in the relevant geographic and product markets after the proposed expansion of the Caledonia Field is completed.<sup>10</sup>

### **C. Waivers**

16. Caledonia currently charges market-based rates and it requests continued waiver of the following cost-based regulations: (1) section 157.6(b)(8) (cost and revenue data); (2) sections 157.14(a)(13), (14), (16), and (17) and 157.20(c)(3) (cost-based exhibits); (3) the accounting and reporting requirements of Part 201, section 260.1, and 260.2 relating to cost-of-service rate structure (Form 2A); (4) section 284.7(e) (reservation charge); (5) section 284.10 (straight fixed-variable rate design methodology); and (6) section 157.14(a)(10) (requiring a demonstration of accessible gas supplies).

### **D. Need for the Project**

17. Caledonia contends that the DP33 Project is needed to serve a growing demand for flexible gas storage service in the Gulf Coast and Southeast regions. Further, Caledonia contends that its direct interconnection with Tennessee Gas Pipeline Company and the ability of its customers to indirectly ship gas to other pipeline companies will provide excellent access to these interstate natural gas markets.

## **III. Interventions**

18. Notice of Caledonia's application in Docket No. CP12-33-000 was published in the *Federal Register* on January 3, 2012 (77 Fed. Reg. 100). Golden Triangle Storage, Inc. filed a timely motion to intervene.<sup>11</sup>

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<sup>10</sup> Caledonia's application at Exhibit I, B&V Study at 1.

<sup>11</sup> Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.214 (2011).

#### IV. Discussion

19. 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. Certificate Policy Statement

20. The Certificate Policy Statement provides guidance as to how we will evaluate proposals for certificating new construction.<sup>12</sup> The Certificate Policy Statement established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explained that in deciding whether to authorize the construction of major new pipeline facilities, we balance 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 of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.

21. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. The next step is to determine whether the applicant has made efforts to eliminate or 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. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate 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 we proceed to complete the environmental analysis where other interests are considered.

22. As noted above, the threshold requirement is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. Under its market-based rate proposal, Caledonia will assume the economic risks associated

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<sup>12</sup> *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

with the costs of the DP33 Project to the extent any capacity is unsubscribed.<sup>13</sup> Moreover, all of Caledonia's existing customers receive storage service under contracts at market-based rates, and these contracts will not change as a result of the proposal. Thus, we conclude that there will be no subsidization and find that Caledonia has satisfied the threshold requirement of the Certificate Policy Statement.

23. Caledonia's project will have no impact on its existing customers since the proposals will not result in any degradation of service. As discussed below, the DP33 Project will be located in a competitive market and will serve demand in a region that is experiencing growth in natural gas use. The proposal will also enhance storage options available to pipelines and their customers and thus will increase competitive alternatives. Additionally, no storage company or customer in Caledonia's market area has protested Caledonia's application.

24. Caledonia has minimized impacts on landowners and communities by siting the new facilities at existing facility locations and within existing rights-of-way. Further, Caledonia states that it will work with all affected landowners to address their concerns, and no landowner or community member has objected to the proposed facilities. Thus, we find that there will be minimal adverse impacts on landowners and communities affected by the proposed project.

25. We conclude that the increased injection and withdrawal capacities will allow Caledonia to offer high-deliverability storage services to the market. The proposal will not adversely impact its existing customers, other pipelines and their customers, or landowners and communities in the vicinity of the project. Based on the benefits Caledonia will provide to this market and the lack of any identified adverse impacts on existing customers, other pipelines, or landowners and communities, we find, consistent with the Certificate Policy Statement and section 7 of the NGA, that the public convenience and necessity requires approval of Caledonia's DP33 Project, as conditioned below.

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<sup>13</sup> In *Pine Prairie Energy Center LLC*, the Commission authorized an expansion of a previously certificated natural gas storage facility in Louisiana. 135 FERC ¶ 61,168, *denying reh'g*, 137 FERC ¶ 61,060 (2011). 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. Here, we are not requiring Caledonia to hold a new open season or solicit permanent capacity release offers because the concerns involved in Pine Prairie are inapplicable as Caledonia's application does not result in any new working gas capacity.

**B. Vacation of the County Line Expansion Project Authorization**

26. Caledonia also requests in its application that we vacate authorization for Phase I of the County Line Expansion Project issued in Docket No. CP08-52-000.<sup>14</sup> In addition, as indicated above, Caledonia informed the Commission in September 2008 that it no longer intended to install the compression authorized as Phase II of that project. Moreover, we note that the December 31, 2011 deadline for constructing and placing the County Line Expansion Project facilities into service has passed; thus, the authorization has expired. Accordingly, the Commission vacates all of the authorizations granted in the 2008 County Line Expansion Order.<sup>15</sup>

**C. Market-Based Rates**

27. Caledonia requests the Commission reaffirm its authority to provide firm and interruptible storage services at market-based rates. The 2005 Certificate Order authorized Caledonia to charge market-based rates for its firm and interruptible storage and interruptible loan services,<sup>16</sup> and the 2008 County Line Expansion Order reaffirmed this authority.<sup>17</sup> Both the 2005 Certificate Order and the 2008 County Line Expansion Order made such authority subject to re-examination if circumstances affecting Caledonia's capacity authorizations arose; therefore, they required Caledonia to notify the Commission of future circumstances that might affect its market-power status.

28. Under the Commission's Alternative Rate Policy Statement,<sup>18</sup> we have approved market-based rates for storage providers where they have demonstrated that they lack market power or have adopted conditions that significantly mitigate market power. We have approved requests to charge market-based rates for storage services based on a finding that the proposed projects would not be able to exercise market power due to their relatively

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<sup>14</sup> 2008 County Line Expansion Order, 124 FERC ¶ 61,041.

<sup>15</sup> The following information in this discussion represents the facilities without the addition of any of the County Line Expansion Project facilities.

<sup>16</sup> *Caledonia Energy Partners, L.L.C.*, 111 FERC ¶ 61,095, at P 16 (2005).

<sup>17</sup> 2008 County Line Expansion Order, 124 FERC ¶ 61,041 at P 28.

<sup>18</sup> *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 (1996); *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *petition denied and dismissed*, *Burlington Resources Oil & Gas Co. v. FERC*, 172 F.3d 918 (D.C. Cir. 1998), *criteria modified*, *Rate Regulation of Certain Natural Gas Storage Facilities*, Order No. 678, FERC Stats. & Regs. ¶ 31,220 (2006), *order on clarification and reh'g*, Order No. 678-A, 117 FERC ¶ 61,190 (2006) (Alternative Rate Policy Statement).

small size, their relatively low anticipated share of the market, the existence of numerous competitors in the relevant geographic market, and the ease of entry into the relevant market.<sup>19</sup> We have also distinguished between production-area storage facilities, such as Caledonia, and market-area storage.<sup>20</sup> In general, market power in a production area is less of a concern due to the numerous alternative storage facilities operating in competition with one another.

29. In support of its request for continuation of market-based rate authority, Caledonia submitted an updated market-power study.<sup>21</sup> Caledonia's market-power analysis defines the relevant geographic and product markets, measures market share and concentration, and evaluates other relevant factors. The relevant product market includes firm and interruptible storage services for natural gas and interruptible parking and loan services. The relevant geographic market is defined as the Gulf Coast region, which principally includes Texas, Louisiana, Mississippi, and Alabama.<sup>22</sup>

30. We use the Herfindahl Hirschman Index (HHI) test to determine market concentration for gas pipeline and storage markets. The Alternative Rate Policy Statement states that a low HHI – generally less than 1,800 – indicates that sellers cannot exert market power because customers have sufficiently diverse alternatives in the relevant market.<sup>23</sup> While a low HHI suggests a lack of market power, a high HHI – generally greater than 1,800 – requires a closer scrutiny in order to make a determination about a seller's ability to exert market power. Caledonia's updated market-power study at Section 2.9.9 (Exhibit SRS-3) shows HHI calculations of 948 for working gas capacity and 729 for daily

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<sup>19</sup> *Tres Palacios Gas Storage, LLC*, 120 FERC ¶ 61,253 (2007); *Port Barre Investments, L.L.C.*, 116 FERC ¶ 61,052 (2006); *Egan Hub Partners, L.P.*, 95 FERC ¶ 61,395 (2001).

<sup>20</sup> *Moss Bluff Hub Partners, L.P.*, 80 FERC ¶ 61,181 (1997); *Steuben Gas Storage Co.*, 72 FERC ¶ 61,102 (1995), *order on compliance filing, issuing certificates, and denying reh'g*, 74 FERC ¶ 61,060 (1996).

<sup>21</sup> Caledonia's updated market power study was prepared by Black & Veatch (B&V Market Power Study) and is contained in Exhibit I of the application.

<sup>22</sup> See B&V Market Power Study, Section 2.1. Statement A – Geographic Market.

<sup>23</sup> Alternative Rate Policy Statement, 74 FERC ¶ 61,076, at 61,235 (1996); Order No. 678, FERC Stats. & Regs. ¶ 31,220 at P 55.

deliverability.<sup>24</sup> These measures of market concentration are well below the Commission's threshold level of 1,800, indicating that Caledonia would be unable to exert market power in the relevant market area after the construction of its proposed storage facilities.

31. Caledonia's updated market-power study at Section 2.4, Table 4, Competitive Alternatives, identifies 62 alternative storage facilities, affiliated with 27 separate corporate entities, in the relevant market area. Section 2.9.8 (Exhibit SRS-2) shows that the current combined working gas capacity of the identified facilities, including Caledonia, is 1,011.9 Bcf, with Caledonia and its affiliates controlling 62.5 Bcf, or approximately 6.2 percent of the market. In addition, Section 2.9.8 (Exhibit SRS-2) of the study shows that Caledonia and its affiliates approximately 1,931 MMcf per day of peak deliverability will be 6.3 percent of the total market peak deliverability of 30,476 MMcf per day. Thus, we find that Caledonia's aggregate share of the relevant market will be relatively small.

32. We find that Caledonia's proposed storage facilities will be in a highly competitive production area where numerous storage and interruptible hub service alternatives exist for potential customers. We also find that Caledonia's prospective market shares are low and that the market area HHIs are below the threshold for further review. Further, Caledonia's proposal for market-based rates is unopposed. For these reasons, we conclude that Caledonia will lack market power. Thus, we reaffirm Caledonia's request to continue to charge market-based rates for firm and interruptible storage and interruptible parking and loan services.

33. Nevertheless, Caledonia must notify us if future circumstances significantly affect its present market-power status. Thus, our approval of market-based rates for the indicated services is subject to re-examination in the event that: (a) Caledonia adds storage capacity beyond the capacity authorized in this order; (b) an affiliate increases storage capacity; (c) an affiliate links storage facilities to Caledonia; or (d) Caledonia, or an affiliate, acquires an interest in, or is acquired by, an interstate pipeline connected to Caledonia. Since these circumstances could affect its market-power status, Caledonia shall notify the Commission within 10 days of acquiring knowledge of any such changes. The notification shall include

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<sup>24</sup> Caledonia is one of four natural gas storage facilities owned by Enstor, Inc. (Enstor Facilities), whose parent is Iberdrola Renewables, Inc. (Iberdrola). Iberdrola maintains commercial contract interests (Iberdrola Contracts) in Enstor operated facilities and other natural gas storage facilities in the same geographic market region. HHI calculations are based on the combined Enstor Facilities and Iberdrola Contracts.

a detailed description of the new facilities and their relationship to Caledonia.<sup>25</sup> We also reserve the right to require an updated market-power analysis at any time.<sup>26</sup>

#### **D. Waivers**

34. Because it proposes to continue to charge market-based rates, Caledonia requests that, consistent with its 2005 Certificate Order and the 2008 County Line Expansion Order, it be permitted to continue to waive the Commission's cost based regulations, including: (1) section 157.6(b)(8) (requiring certificate applicants to submit cost and revenue data); (2) sections 157.14(a)(13), (14), (16), and (17) and 157.20(c)(3) (cost-based exhibits); (3) the accounting and reporting requirements of Part 201, section 260.1, and 260.2 relating to cost-of-service rate structure (Form 2A); (4) section 284.7(e) (reservation charge); (5) section 284.10 (straight fixed-variable rate design methodology); and (6) section 157.14(a)(10) (requiring a demonstration of accessible gas supplies).

35. The cost-related information required by these regulations is not relevant in light of our continued approval of market-based rates for Caledonia's services. Thus, we confirm that the waivers granted in the 2005 Certificate Order and the 2008 County Line Expansion Order remain applicable. However, as discussed in the 2005 Certificate Order and the 2008 County Line Expansion Order, we require Caledonia to file pages 520 and 520a of Form No. 2-A, reporting the gas volume information that is the basis for imposing an annual charge adjustment charge.<sup>27</sup> We also require Caledonia to maintain sufficient records of cost and revenue data consistent with the Uniform System of Accounts should we require Caledonia to produce these reports in the future.

#### **E. Engineering Analysis**

36. Commission staff evaluated the data submitted by Caledonia in its application and responses to staff's data requests and concludes that the proposal is technically sound and feasible. The DP33 Project will result in a total certificated capacity of the Caledonia field to be 25.7 Bcf, with approximately 20.6 Bcf of working gas capacity and 5.1 Bcf of cushion gas capacity. However, the overall capacity of Caledonia's storage facility will decrease from 28.1 to 25.7 Bcf. The maximum injection rate of facility will increase to 717 MMcf per day and the maximum withdrawal rate will increase to 765 MMcf per day.

37. In order to ensure that the Caledonia Field facility continues to operate in a manner that will prevent gas loss, Caledonia shall file an annual inventory verification study.

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<sup>25</sup> See, e.g., *Copiah County Storage Co.*, 99 FERC ¶ 61,316, at 62,350; *Egan Hub Partners, L.P.*, 99 FERC ¶ 61,269 (2002).

<sup>26</sup> See *Rendezvous Gas Services, L.L.C.*, 112 FERC ¶ 61,141, at P 40 (2005).

<sup>27</sup> See *Wyckoff Gas Storage Co., LLC*, 105 FERC ¶ 61,027, at P 65 (2003).

Additionally, Caledonia shall continue to comply with all other engineering conditions for the Caledonia Field facility.

#### **F. Environmental Analysis**

38. On January 13, 2012, the Commission issued a *Notice of Intent to Prepare an Environmental Assessment for the Proposed Caledonia Gas Storage Delta Pressure – DP33 Project and Request for Comments on Environmental Issues* (NOI). The NOI was mailed to interested parties including federal, state, and local officials; agency representatives; environmental and public interest groups; potentially interested Indian tribes; local libraries and newspapers; and affected property owners. We have received no environmental comments in response to the NOI.

39. To satisfy the requirements of the National Environmental Policy Act, staff prepared an environmental assessment (EA) for Caledonia's proposal, which was placed into the public record on May 1, 2012. The analysis in the EA addresses geology, soils, water resources, wetlands, vegetation, wildlife, fisheries, special status species, land use, visual resources, cultural resources, air quality, noise, safety, and alternatives.

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

41. Based on the analysis in the EA, we conclude that if constructed and operated in accordance with Caledonia's application and supplements, and in compliance with the environmental conditions in the appendix to this Order, our approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

#### **Conclusion**

42. At hearing held on June 21, 2012, 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,

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<sup>28</sup> See, 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 (2<sup>nd</sup> Cir. 1990); and *Iroquois Gas Transmission System, L.P.*, 52 FERC ¶ 61,091 (1990), *reh'g*, 59 FERC ¶ 61,094 (1992).

The Commission orders:

(A) A certificate of public convenience and necessity is issued to Caledonia authorizing it to construct and operate the proposed storage facilities, as more fully described in this order and in the application.

(B) The certificate issued herein is conditioned on Caledonia's compliance with all applicable Commission regulations under the NGA, particularly the terms and conditions in Parts 154 and 284 and paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations.

(C) Caledonia's request to continue to charge market-based rates for its storage services is approved, as described in this order.

(D) Caledonia's request for continued waiver of the Commission's cost-based regulations is granted, as discussed in the body of the order.

(E) The authorizations granted in the 2008 County Line Expansion Order are vacated, as discussed in the body of the order.

(F) Caledonia shall notify the Commission within 10 days of acquiring knowledge of: (a) Caledonia 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 Caledonia; (d) Caledonia or an affiliate's acquisition of an interest in, or being acquired by, and interstate pipeline connected to Caledonia. The notification shall include a detailed description of the new facilities and their relationship to Caledonia. Caledonia 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.

(G) The maximum inventory of natural gas stored in the Caledonia field shall not exceed the certificated levels of 25.7 Bcf, with 20.6 Bcf of working gas capacity and 5.1 Bcf of cushion gas capacity at 14.73 psia and 60 degrees Fahrenheit, surface pressure of 3,300 psig, injection capacity of 717,000 Mcf per day, withdrawal capacity of 765,000 Mcf per day, and the maximum bottom hole storage pressure shall not exceed 3,300 psig, without prior authorization by the Commission.

(H) Caledonia shall conduct an annual inventory verification study on the Caledonia field, file the results of that study once a year in an applicable semi-annual storage report, and continue to file the annual inventory verification study annually thereafter.

(I) Caledonia shall continue to comply with all other applicable engineering conditions from the Commission's previous orders.

(J) The certificate issued herein is conditioned on Caledonia's compliance with the environmental conditions set forth in the appendix to this order.

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

(L) The facilities authorized in this order shall be constructed and made available for service within one year of the date of the order in this proceeding.

By the Commission. Commissioner Clark voting present.

( S E A L )

Kimberly D. Bose,  
Secretary.

## Appendix A

### Environmental Conditions for Caledonia's Proposals

1. Caledonia Energy Partners, LLC (Caledonia) shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the environmental assessment (EA), unless modified by the Order. Caledonia 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 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 the 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 the project construction and operation.
3. **Prior to any construction**, Caledonia shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, Environmental Inspectors (EI's), and contractor personnel would be informed of the EI's authority and have been or would 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 supplemented by filed alignment sheets. **As soon as they are available, and before the start of construction**, Caledonia shall file with the Secretary any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 with station positions for the facilities approved by the Order. All requests for modifications of environmental conditions of the Order or site-specific clearances must be written and must reference locations designated on these alignment maps/sheets.

Caledonia'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. Caledonia's right of eminent domain granted under NGA section 7(h) does not authorize it to increase the size of its natural gas pipeline to accommodate future needs or to acquire a right-of-way for a pipeline to transport a commodity other than natural gas.

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

This requirement does not apply to extra workspaces allowed by Caledonia's Environmental Construction Document and/or minor field realignments per landowner needs and requirements which do not affect other landowners or sensitive environmental areas such as wetlands.

Examples of alterations requiring approval include all route realignments and facility location changes resulting from:

- a. implementation of cultural resource mitigation measures;
  - b. implementation of endangered, threatened, or special concern species mitigation measures;
  - c. recommendations by state regulatory authorities; and
  - d. agreements with individual landowners that affect other landowners or could affect sensitive environmental areas.
6. **Within 60 days of the acceptance of this Certificate and before construction begins**, Caledonia shall file an Implementation Plan (IP) with the Secretary, for review and written approval by the Director of OEP. Caledonia must file revisions to the IP as schedules change. The plan shall identify:
    - a. how Caledonia would implement the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests), identified in the EA, and required by the Order;

- b. how Caledonia would 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. the number of EIs assigned per spread, and how the company would ensure that sufficient personnel are available to implement the environmental mitigation;
  - d. company personnel, including EIs and contractors, who would receive copies of the appropriate material;
  - e. the location and dates of the environmental compliance training and instruction Caledonia would give to all personnel involved with construction and restoration (initial and refresher training as the project progresses and personnel change with the opportunity for OEP staff to participate in the training sessions);
  - f. the company personnel (if known) and specific portion of Caledonia's organization having responsibility for compliance;
  - g. the procedures (including use of contract penalties) Caledonia would follow if noncompliance occurs; and
  - h. 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 environmental compliance training of onsite personnel;
    - (iii) the start of construction; and
    - (iv) the start and completion of restoration.
7. Beginning with the filing of its IP, Caledonia shall file updated status reports with the Secretary on a **biweekly** basis **until all construction and restoration activities are complete**. On request, these status reports would also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
- a. an update on Caledonia's efforts to obtain the necessary federal authorizations;
  - b. the construction status of the project, work planned for the following reporting period, and any schedule changes for stream crossings or work in other environmentally sensitive areas;
  - c. a listing of all problems encountered and each instance of noncompliance observed by the EI during the reporting period both for the conditions imposed by the Commission and any environmental conditions/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 the Order, and the measures taken to satisfy their concerns; and
  - g. copies of any correspondence received by Caledonia from other federal, state, or local permitting agencies concerning instances of noncompliance, and Caledonia's response.
8. **Prior to receiving written authorization from the Director of OEP to commence construction of any project facilities**, Caledonia shall file with the Secretary documentation that it has received all authorizations required under federal law (or evidence of waiver thereof).
9. Caledonia must receive written authorization from the Director of OEP **before placing the project into service**. Such authorization would only be granted following a determination that rehabilitation and restoration of the right-of-way and other areas affected by the project are proceeding satisfactorily.
10. **Within 30 days of placing the certificated facilities in service**, Caledonia shall file an affirmative statement with the Secretary, certified by a senior company official:
  - a. that the facilities have been constructed in compliance with all applicable conditions, and that continuing activities would be consistent with all applicable conditions; or
  - b. identifying which of the Certificate conditions Caledonia has complied with or would 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. Caledonia shall file noise surveys with the Secretary **no later than 60 days** after placing the authorized units at the Caledonia Compressor Station in service. If the noise attributable to the operation of the new and modified units at the station at full load exceeds a day-night sound level ( $L_{dn}$ ) of 55 decibel A-weighted scale (dBA) at any nearby NSAs, Caledonia shall install additional noise controls to meet the level **within 1 year** of the in-service date. Caledonia shall confirm compliance with the  $L_{dn}$  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.