

154 FERC ¶ 61,105  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, Tony Clark,  
and Colette D. Honorable.

Tres Palacios Gas Storage LLC

Docket No. CP14-27-001

ORDER GRANTING CLARIFICATION AND DISMISSING ALTERNATIVE  
REQUEST FOR REHEARING AS MOOT

(Issued February 18, 2016)

1. On April 20, 2015, Tres Palacios Gas Storage LLC (Tres Palacios) filed a timely request for clarification or, alternatively, rehearing of the Commission's March 19, 2015 order,<sup>1</sup> which denied Tres Palacios' request for authorization pursuant to section 7(b) of the Natural Gas Act (NGA)<sup>2</sup> to abandon up to 22.9 billion cubic feet (Bcf) of certificated working gas storage capacity in its salt dome natural gas storage facility located in Matagorda, Colorado, and Wharton Counties, Texas. As discussed below, we grant Tres Palacios' request for clarification, and dismiss its alternative request for rehearing as moot.

**I. Background**

2. Tres Palacios proposed to abandon up to 22.9 Bcf of certificated working gas storage capacity in its three-cavern salt dome natural gas storage facility. Tres Palacios stated that its working gas capacity is significantly higher than market demand. Tres Palacios also indicated that its sublease agreement for the storage caverns provides for annual lease payments calculated in part based on certificated working gas capacity. Thus, Tres Palacios states that the proposed reduction in certificated working gas capacity would enable it to reduce payments under this lease, thereby decreasing its costs and enhancing its ability to compete in the Gulf Coast gas storage market. Tres Palacios' proposal did not specify how this reduction in working gas capacity would be

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<sup>1</sup> *Tres Palacios Gas Storage LLC*, 150 FERC ¶ 61,197 (2015) (March 19 Order).

<sup>2</sup> 15 U.S.C. § 717(b) (2012).

implemented across the three caverns in the storage facility. Instead, Tres Palacios stated that after the Commission approved the abandonment, it would decide how to implement the reduction based on the physical configuration of the caverns, engineering analysis, and market need. In addition, Tres Palacios stated that there would be no changes in the physical operation of its storage facility.

3. The March 19 Order denied Tres Palacios' requested abandonment authorization, finding it contrary to current Commission policy and to Tres Palacios' existing certificate authority. Specifically, the Commission explained that its policy is to ensure adequate protection and preservation of the integrity of storage facilities (be they caverns, reservoirs or other formations) and that Tres Palacios' proposal failed to provide enough information for the Commission to determine that the integrity of the salt caverns would be preserved and protected if the abandonment were authorized and implemented. The Commission also explained that Tres Palacios' current certificate authorizes specific parameters for each cavern, including working and cushion gas volume and operating pressures, and highlighted that Tres Palacios' proposal failed to specify how the reduction in working gas capacity would be applied to each cavern or how it would affect other facility parameters, contrary to current policy. The March 19 Order stated that the Commission's ruling was without prejudice to Tres Palacios filing a properly supported application for authorization to abandon storage.

4. On April 20, 2015, Tres Palacios filed a timely request for clarification or, alternatively, rehearing of the March 19 Order. On May 4, 2015, Underground Services Markham, LLC (Markham) and Riverway Storage Holdings, LLC (Riverway) jointly filed an answer to Tres Palacios' request for clarification,<sup>3</sup> urging the Commission to deny it.

## **II. Request for Clarification or, Alternatively, Rehearing**

5. Tres Palacios states that clarification of the March 19 Order or, alternatively, rehearing, is necessary for Tres Palacios to provide an acceptable proposal in a future application. Specifically, Tres Palacios requests clarification that it can propose in a future application to reduce the certificated working gas capacities of its storage caverns without otherwise altering its facilities;<sup>4</sup> i.e., that the March 19 Order does not require there be a change to the physical facilities used to provide storage services in conjunction

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<sup>3</sup> Markham and Riverway expressly limit their answer to the request for clarification, acknowledging that the Commission's regulations do not allow answers to requests for rehearing. 18 C.F.R. § 385.213(a)(2) (2015).

<sup>4</sup> Request at 1.

with any proposal to alter the certificated working gas capacity.<sup>5</sup> In response, Markham and Riverway assert that the March 19 Order correctly and unambiguously explains that, because the certificated capacity of storage facilities is based on their physical attributes, if there is no change in these physical attributes, there can be no change in certificated capacity.

6. Alternatively, Tres Palacios requests rehearing of the March 19 Order to the extent it suggests that physical modification to Tres Palacios' storage facility is necessary before the Commission can authorize any change in the facility's certificated capacity.<sup>6</sup> Tres Palacios asserts that such a requirement is contrary to Commission policy and precedent.<sup>7</sup>

### **III. Discussion**

7. The Commission's observations in the March 19 Order that the "[c]ertificated capacity of storage facilities is based on their physical attributes" and that Tres Palacios had indicated that there would "be no physical change to any cavern parameter" were not intended to imply, as Markham and Riverway assert, that physical, i.e., structural, changes must be made to a storage facility in order for the Commission to authorize a change in the certificated working gas capacity of the facility. While the March 19 Order describes "physical attributes" as including such parameters as size, shape, depth, volume, and temperature and pressure ranges, it is possible that a company can change certain of these parameters, temperature and pressure ranges, for example, without making any structural modifications to the storage caverns themselves.<sup>8</sup> Thus, the Commission clarifies that Tres Palacios is not required to present evidence of structural changes to its storage facility in order to request authorization to change the certificated working gas capacity.

8. We reiterate, however, that in any future application, consistent with Commission policy and precedent, Tres Palacios must specify the changes to the existing certificated parameters for each storage cavern that will be necessary to effectuate the proposed changes in certificated capacity and must submit evidence that will allow the

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<sup>5</sup> *Id.* at 4.

<sup>6</sup> *Id.* at 3.

<sup>7</sup> *Id.* at 1, 4-5.

<sup>8</sup> A company conceivably could also modify the working gas capacity of a storage facility by modifying the level of base gas.

Commission to determine that such changes in parameters will not adversely affect the integrity of the storage caverns.<sup>9</sup>

**IV. Conclusion**

9. For the reasons described above, we grant Tres Palacios' request for clarification and dismiss its alternative request for rehearing as moot.

The Commission orders:

(A) The request for clarification filed by Tres Palacios Gas Storage LLC, on April 20, 2015, is granted.

(B) The request for rehearing filed by Tres Palacios Gas Storage LLC, on April 20, 2015, is dismissed as moot.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>9</sup> See *D'Lo Gas Storage, LLC*, 140 FERC ¶ 61,182 (2012); *PetroLogistics Natural Gas Storage, LLC*, 139 FERC ¶ 61,225 (2012).