

UNITED STATES OF AMERICA 131 FERC ¶ 62,226
FEDERAL ENERGY REGULATORY COMMISSION

Pine Prairie Energy Center, LLC

Docket No. CP04-379-003

ORDER AMENDING CERTIFICATE

(Issued June 12, 2010)

On January 26, 2010, Pine Prairie Energy Center, LLC (Pine Prairie) filed an application under section 7(c) of the Natural Gas Act (NGA) to amend its certificate of public convenience and necessity originally issued in Docket No. CP04-379-000, et. al.¹, and subsequently amended in Docket Nos. CP04-379-001² and CP04-379-002³, to permit Pine Prairie to install at the Pine Prairie Energy Center six electric-drive compressor units in place of four previously authorized gas-fueled compressor units, a non-jurisdictional electric line and substation and additional non-jurisdictional facilities. In addition, Pine Prairie requests that its certificate be amended to increase the authorized daily delivery capacity at the existing delivery point to Columbia Gulf Transmission Company (Columbia Gulf). As discussed below, the requested authorization is required by the public convenience and necessity and is granted subject to certain conditions.

Background and Proposal

As currently certificated, the Pine Prairie Energy Center, a high deliverability storage facility, includes five storage caverns having total working gas capacity of 48 Bcf, supported by 12.8 Bcf of cushion gas, for a total facility capacity of 60.8 Bcf and 12 gas driven compressor units consisting of 82,800 horsepower (hp). The Energy Center will be capable of withdrawing and delivering gas at a rate of up to 3.2 Bcf per day and of receiving and injecting gas at a rate of up to 2.4 Bcf per day.⁴

As currently configured, Pine Prairie will house the six 8,000 hp units certificated in the 2004 Order and two 8,000 hp units certificated in the 2009 Order in the same

¹ 109 FERC ¶ 61,215 (2004) (2004 Order)

² 116 FERC ¶ 61,316 (2006) (2006 Order)

³ 128 FERC ¶ 61,136 (2009) (2009 Order)

⁴ As of the date of this Order, Pine Prairie has completed and placed into service Caverns Nos. 1 and 2. Authorization to place Cavern No. 3 into service was granted on April 5, 2010 and leaching-to-storage piping modifications are underway. Development of Cavern Nos. 4 and 5 are ongoing and Pine Prairie anticipates that it will place them into service in the spring of 2011 and 2012, respectively.

building (Unit Nos. 1-8). The remaining four 4,700 hp units (Unit Nos. 9-12) will be housed in a separate building on the same site. Pine Prairie proposes that it be granted authority to install six 5,750 hp electric drive⁵ compressor units (to be designated as Unit Nos. 9-14) in place of the four 4,700 hp gas units currently authorized, a net increase of 15,700 hp over the level of compression currently authorized for the facility. Pine Prairie states that the electric compressors would be housed in a new building on the site already authorized for Unit Nos. 9-12.

Pine Prairie states that the additional compression will afford it greater flexibility to switch between electric and natural gas-fueled compression and would not be used to increase the storage capacity of the facility or total deliverability. Rather, Pine Prairie explains that the additional compression would give it the option to idle two gas compressors or to operate entirely on electric compression at times when full compression is not required.

Pine Prairie would construct the six electric compressors in two phases. Construction of Phase I would begin in 2010 and would comprise four of the compressors and the compressor building. Later, as additional storage capacity comes into service, Pine Prairie would expand the compressor building to the east and install the two remaining electric compressors.

The proposed electric compressors would be supported by various non-jurisdictional electric power facilities to be constructed by Pine Prairie and CLECO Power LLC (CLECO), the local electric utility.⁶ The non-jurisdictional facilities to be constructed by Pine Prairie include a 138/34.5 kilovolt (kV) electric substation and approximately 1,200 feet of 34.5 kV electric distribution line on poles. Non-jurisdictional facilities to be constructed by CLECO include approximately 2.1 miles of 138 kV radial electric transmission line and a tie-in to the existing CLECO 138 kV electric transmission line.

Delivery point

Pine Prairie also requests authority to increase the authorized daily delivery capacity at its Columbia Gulf interconnection from 600 MMcf/d to 900 MMcf/d. The meters and related facilities currently installed at the interconnection between Pine Prairie's header pipeline and Columbia Gulf's pipeline system are capable of daily flow

⁵ Toshiba electric motors with Ariel JGZ-6 compressors.

⁶ The related non-jurisdictional facilities are discussed in greater detail and analyzed in the EA issued for this project on June 9, 2010.

rates that exceed the certificated 600 MMcf per day, without further modification.⁷ Pine Prairie states that it would not operate the delivery point at the higher flow rate on a regular or sustained basis but that it would allow Pine Prairie to deliver more gas to Columbia Gulf, as needed, to meet peak day needs or respond to extraordinary circumstances, such as the disruption of Gulf of Mexico gas production following a hurricane.

Pine Prairie emphasizes that it is not proposing to increase the total certificated withdrawal capacity of the Pine Prairie Energy Center above the currently authorized level of 3,200 MMcf/day. Flow rates in excess of the currently authorized 600 MMcf/day through the Columbia Gulf interconnection would require Pine Prairie to reduce the amount of gas available for delivery at Pine Prairie's other delivery points. Pine Prairie states that, given its current obligations to firm customers and limited take-away capacity on Columbia Gulf's system, deliveries at the higher flow rates into Columbia Gulf would be the exception rather than the rule.

Notice and Interventions

After notice by publication in the *Federal Register* on February 19, 2010 (75 Fed. Reg. 7,470), no motions to intervene or protests or were filed.

Discussion

At a hearing held on the date of issuance noted above, 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.

Certificate Policy Statement

On September 15, 1999, the Commission issued a statement of policy on the certification of new interstate natural gas pipeline facilities (Policy Statement) to provide guidance as to how the Commission will evaluate proposals for certificating new construction.⁸ It provides that a pipeline must financially support a project without

⁷ Although not expressly stated in the 2006 Order, Pine Prairie's Miller's Lake Lateral certificate application states that the Columbia Gulf interconnect will be capable of delivering up to 600 MMcf/day. The Miller's Lake Lateral is also capable of the requested increase in flow rate without modification, using the compression at Pine Prairie's Gas Handling Facility.

⁸ *Certification of New Interstate Natural Gas Pipeline Facilities (Policy Statement)* 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128 (2000), *order on clarification*, 92 FERC ¶ 61,094 (2000).

relying on subsidization from its existing customers. In this Policy Statement, criteria were established for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Policy Statement explains that in deciding whether to authorize the construction of new pipeline facilities, the Commission balances the public benefits against the potential adverse consequences.

The 2004 Order analyzed Pine Prairie's proposal in light of the Certificate Policy Statement and found that the proposal was required by the public convenience and necessity.⁹ Specifically, the Commission found that, as conditioned in the 2004 Order, existing customers will not subsidize the project, the project will have no adverse impact on existing customers or services (as Pine Prairie had no current customers or services), that the project will have no adverse impact on existing storage providers or their captive customers, and that there will also be no negative impact on landowners. The order found that the Pine Prairie's storage facility will benefit the public because it will enhance storage options available to pipelines and their customers, thus increasing competitive alternatives. In addition, the 2006 and 2009 Orders concluded that the modifications proposed in each case would enhance the benefits expected from the project, that they were, in each case, consistent with the Certificate Policy Statement and that there would be minimal impact on landowners and surrounding communities and that no landowners filed protests.

Pine Prairie's instant proposal, which does not effect their certificated storage capacity or total deliverability, would not change the finding in the 2004 Order (and subsequent 2006 and 2009 Orders) that Pine Prairie would lack market power.¹⁰ Pine Prairie is merely proposing to replace previously authorized gas-fired compressor units with electric compressor units. The increase in compressor horsepower over the level that is currently authorized would not be used to increase total storage capacity or deliverability but instead would be use to increase operational flexibility. Likewise, the proposed increase in delivery capacity of the Columbia Gulf interconnection would increase flexibility and reliability, not total delivery capacity. Thus, Pine Prairie has demonstrated that it continues to lack market power.

Based on the above considerations, Pine Prairie is authorize to make the modifications it has proposed and its market-based rate authority is reaffirmed.

⁹ 2004 Order at P. 10.

¹⁰ 2009 Order at P. 6.

Waiver Request

As in the 2009 Order, because Pine Prairie is authorized to charge market based rates, Pine Prairie is granted continued waiver of the requirements of sections 157.6(b)(8)7; 284.7(e)8; 157.14 to submit Exhibits K (Cost of Facilities), L (Financing), N (Revenues, Expenses, and Income), and O (Depreciation and Depletion); Part 201's accounting and annual reporting requirements; and sections 260.1 and 260.2 (Form Nos. 2 and 2-A). As stated in the 2009 Order, these waivers do not extend to the information on pages 520 and 520a of Form No. 2-A, relating to gas volumes, because this data is necessary for the Commission's assessment of annual charges. Pine Prairie is also granted a continued waiver of section 157.14(a)(10) requiring the submission of gas supply data, since such information does not apply to storage operations.

As stated in the 2009 Order, the above waivers are subject to review in the event that Pine Prairie's market power or market-based rates require reexamination and conditioned upon Pine Prairie maintaining sufficient records of cost and revenue data consistent with the Uniform System of Accounts so that it will be available if the Commission requires Pine Prairie to produce this information in the future.

Engineering

The Commission's staff completed an engineering analysis of the project proposed by Pine Prairie. Based on this analysis, the project was found to be technically feasible and that it would provide some operational benefits as discussed above in this order. However, if all 98,500 hp is used, the maximum injection rate and peak withdrawal rate would be increased above certificated levels. Therefore, Pine Prairie is reminded that the peak withdrawal rate and maximum injection rate are 3,200 MMcf/d and 2,400 MMcf/d, respectively.

Environment

On March 2, 2010, the FERC issued a *Notice of Intent to Prepare an Environmental Assessment for the Proposed Pine Prairie Energy Center Electric Compressor Project and Request for Comments on Environmental Issues* (NOI). The NOI was mailed to interested parties including federal, state, and local officials; agency representatives; conservation organizations; Native American groups; local libraries and newspapers; and landowners in the vicinity of the proposed project.

Two comment letters were received from public agencies. A comment from the Louisiana Department of Wildlife and Fisheries (LDWF) was also received stating that the project would have no adverse impacts to species of conservation concern. The United States Fish and Wildlife Service (USFWS) had the following recommendations: co-location of the electric line, avoidance of wetland impacts for aboveground facilities

and for access roads. In these cases, Pine Prairie has proposed co-location of the electric line with Ambrose road which would result in no additional wetland impacts.

The Commission Staff prepared an environmental assessment (EA) for Pine Prairie's proposal which was placed in the public record on June 9, 2010. The EA included a summary of the project's stated purpose and need, and an analysis of potential impacts on geology, soils, water resources, wetlands, vegetation, fish and wildlife, threatened and endangered species, land use, recreation, cultural resources, air quality, noise impacts, and alternatives. No substantive issues were raised in the scoping comments.

Based on the discussion in the EA, it is concluded that if the described facilities are constructed in accordance with the application and supplements, and in compliance with the environmental conditions in the appendix to this order, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

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.¹¹

This action is taken under 18 CFR § 375.308 and it is ordered that:

(A) Pine Prairie's certificate of public convenience and necessity, issued November 23, 2004, as amended, is further amended to authorize the modified compressor facilities and delivery point capacity as more fully described in its application, subject to the environmental conditions stated in the body of this order and in the appendices.

(B) This authorization is conditioned on Pine Prairie's compliance with all applicable Commission regulations under the NGA, particularly the general terms and conditions in Parts 154, 157, and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations.

¹¹ See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *National Fuel 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).

(C) Pine Prairie's facilities authorized by this order must be constructed and made available for service within three years of the date of the order in this proceeding as required by section 157.20(b) of the Commission's regulations.

(D) Pine Prairie's request to charge market-based rates for firm storage and interruptible hub and wheeling services is reaffirmed, consistent with the discussion in the body of this order. This authorization is subject to reexamination in the event that: (a) Pine Prairie expands its storage capacity beyond the amount authorized in this proceeding; (b) an affiliate acquires an interest in another storage field in the relevant geographic market area; (c) an affiliate links storage facilities to Pine Prairie; or (d) Pine Prairie or an affiliate acquires an interest in or is acquired by an interstate pipeline in Pine Prairie's market. Pine Prairie or an affiliate shall notify the Commission if any of the above conditions occur within 10 days of acquiring such knowledge.

(E) Pine Prairie's request for continued waivers of the Commission's cost-based regulations is granted, as discussed herein. Pine Prairie is required to file page 520 and 520-A of Form No. 2-A to report gas volume information as the basis for imposition of ACA charges. These waivers are subject to re-examination in the event that Pine Prairie's market power or market-based rates need to be re-examined. Pine Prairie shall maintain records consistent with the Uniform System of Accounts.

(F) Pine Prairie 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 Pine Prairie. Pine Prairie shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

(G) This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order pursuant to 18 C.F.R. § 385.713.

Michael J. McGehee
Director
Division of Pipeline Certificates
Office of Energy Projects

Appendix A

Environmental Conditions

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

1. Pine Prairie 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 EA, unless modified by this Order. Pine Prairie 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 delegated 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. **Prior to receiving written authorization from the Director of OEP to commence construction of any project facilities**, Pine Prairie shall file documentation that it has received all authorizations required under federal law (or evidence of waiver thereof).
4. Pine Prairie must receive written authorization from the Director of OEP **before commencing service** from each phase of the project. Such authorization will 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.

5. Pine Prairie shall file a noise survey with the Secretary no later than 60 days after placing the newly authorized units at the Gas Handling Facility in service. If the noise attributable to the operation of the facility at full load exceeds an Ldn of 55 dBA at any nearby NSAs, Pine Prairie should install additional noise controls to meet that level **within 1 year** of the in-service date. Pine Prairie 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.

Document Content(s)

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