

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Port Barre Investments, L.L.C.  
d/b/a Bobcat Gas Storage

Docket Nos. CP06-66-000  
CP06-67-000  
CP06-68-000

ORDER ISSUING CERTIFICATES

(Issued July 20, 2006)

1. On February 15, 2006, Bobcat Gas Storage (Bobcat) filed an application in Docket No. CP06-66-000 under section 7(c) of the Natural Gas Act (NGA). Bobcat requested a certificate of public convenience and necessity under Part 157, Subpart A of the Commission's regulations authorizing the construction and operation of a salt dome natural gas storage facility and associated pipeline facilities (Bobcat Gas Storage Project) in St. Landry Parish, Louisiana. In addition, in Docket Nos. CP06-67-000 and CP06-68-000, Bobcat seeks a blanket certificate under Part 157, Subpart F, of the Commission's regulations and a blanket certificate under Part 284, Subpart G, of the Commission's regulations. As discussed below, the Commission finds that Bobcat's proposed construction and operations are required by the public convenience and necessity, and issues Bobcat its requested certificate authorizations, subject to conditions. The Commission also grants Bobcat's request to charge market-based rates for its storage and hub services.

**Background and Proposal**

2. Bobcat is a limited liability corporation organized and existing under the laws of Delaware. It is a wholly-owned subsidiary of Port Barre Holdings, LLC, a Delaware corporation, which in turn is a wholly-owned by Haddington Energy Partners III LP. The general partner of Haddington Energy Partners is Haddington Ventures III, LLC, whose principals are developers and operators of natural gas storage projects. Bobcat is a new company with no existing jurisdictional or non-jurisdictional operations in the natural gas pipeline or storage industry. Upon receipt of its requested certificate authorizations, Bobcat will become a natural gas company within the meaning of NGA section 2(6).

### A. New Facilities

3. Bobcat proposes to construct and operate a new, high-deliverability salt cavern natural gas storage facility consisting of subsurface facilities, a compressor station, pipelines, metering and regulating stations, and leaching plant facilities. The project will be developed in four phases over a five-year period on an approximately 84-acre parcel leased by Bobcat in St. Landry Parish, Louisiana by developing two caverns in the Port Barre salt dome about 2.2 miles east of the Town of Port Barre, Louisiana. The existing salt caverns will be converted from brine production service to gas storage service by drilling a new well into each of the existing caverns and reworking each of the existing brine wells. The brine that remains in the salt caverns will be displaced with natural gas during the early operation of the facility, and the displaced brine will then be pumped via an existing brine pipeline to an existing commercial brine operation located close to the Bobcat storage caverns.

4. Bobcat states that after it completes the conversion, the storage will include nearly 5.8 billion cubic feet (Bcf) of base gas and 12 Bcf of working gas storage capacity from the two fully-developed salt caverns. Each cavern will have a working gas capacity of 6 Bcf. Bobcat asserts that upon completion, the storage facility will be capable of delivering natural gas at the rate of approximately 1.2 Bcf per day, and receiving injection gas at a rate of approximately 0.9 Bcf per day.

5. Bobcat proposes to construct three pipeline segments totaling 16.1 miles of 24-inch diameter, bi-directional pipeline, extending north, south and west of the compressor station to interconnect with five interstate and one intrastate natural gas pipeline system.<sup>1</sup> Bobcat proposes to construct bi-directional metering and regulation sites at each pipeline interconnect. The compressor station will include eight, natural gas fueled, engine-driven compressor units providing a total of 37,880 horsepower (hp), as well as dehydration, separation, and other appurtenant facilities.

6. Additionally, a 0.5-mile 7.2/12.5 kV, non-jurisdictional electric distribution line will be constructed to connect the leaching plant to available electric service in the area. Entergy Corporation will own, design, construct, operate, and maintain the electric distribution line.

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<sup>1</sup> ANR Pipeline Company (ANR), Florida Gas Transmission Company (FGT), Texas Eastern Transmission, LP (Texas Eastern), Transcontinental Gas Pipe Line Corporation (Transco), Gulf South Pipeline Company and the intrastate Cypress Pipeline Company.

**B. Market and Services**

7. Bobcat states that the Energy Information Administration's "Annual Energy Outlook 2005" projects that total U.S. demand for natural gas will grow an average of 1.5 percent per year through 2025 (2.8 percent per year in the east-south-central region of the U.S., where the proposed project is located), primarily due to the growth in demand for gas-fired electric generation. Bobcat further states that the National Petroleum Council has projected that 550 Bcf of additional gas storage working capacity will be needed over the 2005-2025 period, including 80 Bcf of additional, high-deliverability salt-cavern storage capacity, to meet the growth in gas-fired electric generation, which has large hourly, daily, and monthly gas supply variations. Moreover, Bobcat asserts that additional storage capacity is also needed to meet projected growth in liquefied natural gas (LNG) imports, particularly into the Gulf Coast region. Bobcat states that due to expansions at existing LNG terminals and new terminals projected to be constructed, net LNG imports are projected to be 2.2 Tcf in 2010 and 4.8 Tcf in 2025. Bobcat explains that because LNG arrives in batches year round, and because of the seasonal nature of demand, additional storage facilities for regasified LNG will be needed to accommodate timing differences between off-load and delivery to market.

8. Bobcat held an initial, non-binding 30-day open season in March 2006 to gauge the level of market interest in the proposed project. The bids from natural gas traders, local distribution companies, an industrial end user, and natural gas marketers exceeded the project's proposed 12 Bcf of storage capacity by four times. Bobcat states that because it is a newly formed entity, it has no existing customers who might be adversely affected by the costs or risks of recovery of the costs of the project. The economic risks of the project will be borne by the project owners.

9. In its pro forma tariff, Bobcat proposes to provide Part 284 firm and interruptible storage services. Bobcat states that it will offer firm storage service under proposed Rate Schedules FSS. Bobcat submits that Rate Schedules FSS will enable customers to contract separately for firm inventory, injection, and withdrawal rights, each of which can be tailored in terms of timing and quantity to match the customer's needs. Additionally, Bobcat proposes to provide interruptible storage service under Rate Schedule ISS. Bobcat proposes to offer a variety of interruptible hub services, including park and loan, imbalance trading, balancing, title transfer, and wheeling services. Finally, Bobcat proposes to provide an unbundled sales service under proposed Rate Schedule GSS.

### **C. Market-Based Rates**

10. Bobcat requests authorization to charge market-based rates for its proposed storage and hub services. To support its market-based rate proposal under the Commission's 1996 Alternative Rate Policy Statement,<sup>2</sup> Bobcat has included in its application a market power study based on the criteria set forth in the policy statement.<sup>3</sup> The Market Power Study defines the relevant geographic market to include Alabama, Mississippi, Louisiana, and East Texas (the "Gulf Coast Production Area") and to exclude the rest of Texas and Oklahoma, and includes only the storage facilities that are available to the relevant market, and not other services. Bobcat states that the market power analysis demonstrates that good alternatives to the proposed services exist, given the number and size of existing storage facilities and hubs in the relevant market, and that no barriers to entry in the market exist. Bobcat's Market Power Study concludes that it will not possess market power over storage and hub services to sustain significant price increases and, therefore, granting market-based rate authority is justified.

### **D. Waivers**

11. Bobcat requests waivers of certain filing and other requirements, as described below, which Bobcat considers inapplicable to its market-based rate proposal. In addition, Bobcat seeks a waiver of the Commission's shipper must have title policy for any off-system capacity that Bobcat may obtain in the future in order to provide storage or hub services. Bobcat proposes tariff language stipulating that any service Bobcat provides by using a third-party pipeline system will be pursuant to Bobcat's open-access tariff, under the rate authority approved by the Commission for Bobcat. Bobcat also requests approval of its proposed pro forma gas tariff.

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<sup>2</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; *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *petitions denied and dismissed*, *Burlington Resources Oil & Gas Co. v. FERC*, 172 F.3d 918 (D.C. Cir. 1998).

<sup>3</sup> Bobcat commissioned International Gas Consulting, Inc. (IGC) to prepare a market power study (Market Power Study). Bobcat's Market Power Study is attached to its application as Exhibit I and includes an analysis for market-based rates for storage service and hub service.

## **Notice And Interventions**

12. Public notice of Bobcat's application was published in the *Federal Register* on March 1, 2006.<sup>4</sup> Florida Gas Transmission Co., Port Barre Gas Storage, L.L.C., ANR, and Chevron USA, Inc. filed timely unopposed motions to intervene. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's regulations.<sup>5</sup>

13. Supporting comments were received from: the Louisiana State Treasurer; Tri-Parish Bank; Don Menard; St. Landry Parish Economic Industrial Development District; St. Landry Parish Government; Loren Scott & Associates, Inc.; State of Louisiana, Louisiana Economic Development; Town of Port Barre; and State of Louisiana, Office of the Lieutenant Governor.

## **Discussion**

### **A. Certificate Policy Statement**

14. Since the proposed facilities will be used to transport natural gas in interstate commerce, subject to the jurisdiction of the Commission, the construction, acquisition, and operation of the facilities are subject to the requirements of the NGA section 7, subsections (c) and (e).

15. The Commission's September 15, 1999 Certificate Policy Statement provides guidance as to how it will evaluate proposals for certifying new construction.<sup>6</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 explains that in deciding whether to authorize the construction of major new pipeline facilities, the Commission balances the public benefits against the potential adverse consequences. Our goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's

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<sup>4</sup> 71 Fed. Reg. 10,486.

<sup>5</sup> 18 C.F.R. § 385.214(a)(3) (2006).

<sup>6</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).

responsibility for unsubscribed capacity, and the avoidance of the unnecessary exercise of eminent domain or other disruptions of the environment.

16. 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, we 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.

17. As stated, the threshold requirement is that the applicant must be prepared to financially support the project without relying on subsidization from its existing customers. Bobcat is a new entrant in the natural gas storage market and has no existing customers. Therefore, there will be no subsidization. Moreover, under its market-based rate proposal, Bobcat assumes the economic risks associated with the costs of the project's facilities to the extent that any capacity is unsubscribed or revenues are not sufficient to recover costs. Thus, the Commission finds that Bobcat has satisfied the threshold requirement of the Certificate Policy Statement.

18. The Bobcat project will be located on an 83.6-acre parcel leased by Bobcat. The property is currently farmed by tenants and is part of an active oil and gas producing field. Of the 250.61 acres affected during construction only 46.25 acres<sup>7</sup> will be maintained for storage field operation.<sup>8</sup> With the exception of two landowners, Bobcat has secured survey permission for all other affected landowners. Further, no landowners have submitted protests of Bobcat's project. Ninety-five percent of the pipeline ROW has been surveyed for wetland and cultural resources.

19. The proposed Bobcat Gas Storage Project will have no adverse impact on existing customers or services since Bobcat has no current customers or services. The

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<sup>7</sup> Includes 22.1 acres associated with gas storage site facilities.

<sup>8</sup> Excludes portions of ROW in active croplands that would return to pre-construction land use.

Commission is also satisfied that there will be no negative impact on existing storage providers or their captive customers. As discussed below, the proposed project will be located in a competitive market and will serve new demand in a region that is experiencing rapid 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 in Bobcat's market area has protested Bobcat's application. Accordingly, consistent with the Certificate Policy Statement and NGA section 7, we find approval of Bobcat's proposal to be in the public convenience and necessity, subject to the conditions discussed below.

## **B. Storage and Hub Services and Rates**

20. Bobcat proposes to provide firm storage services under its proposed Rate Schedule FSS and interruptible storage service under its proposed Rate Schedule ISS. Under Rate Schedule ISS, Bobcat proposes to offer a variety of common hub services including park and loan and wheeling. Bobcat states that the proposed rate schedules will allow its customers to customize their individual injection rates, withdrawal rates, and total inventory capacity based on their commercial and operational needs.

### **1. Market-Based Rates**

21. Generally, the Commission evaluates requests to charge market-based rates for storage under the analytical framework of its 1996 Alternative Rate Policy Statement.<sup>9</sup> Under the Alternative Rate Policy Statement, the Commission will approve market-based rates for storage providers where the applicant has demonstrated it lacks market power or has adopted conditions that significantly mitigate market power. The Commission has 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 small size, anticipated share of the market, and numerous competitors.<sup>10</sup> It has also distinguished

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<sup>9</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; *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *petitions denied and dismissed*, *Burlington Resources Oil & Gas Co. v. FERC*, 172 F.3d 918 (D.C. Cir. 1998).

<sup>10</sup> *Egan Hub Partners, L.P.*, 99 FERC ¶ 61,269 (2002); *Egan Hub Partners, L.P.*, 95 FERC ¶ 61,395 (2001); *Moss Bluff Hub Partners, L.P.*, 80 FERC ¶ 61,181 (1997); *Egan Hub Partners, L.P.*, 77 FERC ¶ 61,016 (1996).

between production-area storage facilities and market-area storage.<sup>11</sup> In general, alternative storage facilities make market power in a production area less of a concern. Similarly, Bobcat's location in the Gulf Coast region on the boundary of a production zone, with access to many different supplies, and a market zone with access to multiple market regions via five interstate and one intrastate pipeline, is within a highly competitive market.<sup>12</sup>

## 2. Storage Services

22. Bobcat's market power analysis for storage service defines the relevant product and geographic market, measures market share and concentration, and evaluates other factors.<sup>13</sup> For the purpose of its analysis, Bobcat identifies the relevant product market as underground natural gas storage, for which the principal customer base is diversified and includes industrial electric generators, local distribution companies (through regional and interstate pipelines), gas marketers, LNG terminals, consumers of regasified LNG, and various large end users that will use the facility for cyclical, seasonal, and/or short-term storage. The relevant geographic markets for the storage facility are in the Gulf Coast region, which is readily accessible to the intrastate and interstate pipelines to be connected to the project.

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<sup>11</sup> *Moss Bluff White Partners, L.P.*, 80 FERC ¶ 61,181 (1997); *Steuben Gas Storage Company*, 72 FERC ¶ 61,102 (1995), *order on compliance filing and denying reh'g*, 74 FERC ¶ 61,024 (1996).

<sup>12</sup> We note that on June 19, 2006, the Commission issued Order No. 678, which modified its market power analysis to better reflect the competitive alternatives for storage. *Rate Regulation of Certain Natural Gas Storage Facilities*, Order No. 678, 71 Fed.Reg. 36612 (June 27, 2006). FERC Stats. and Regs. ¶ 6 (2006) (Order No. 678). Specifically, it adopted a more expansive definition of the relevant product market for storage. In Order No. 678, the Commission recognized that if an applicant has demonstrated a lack of market power under the traditional definition of product market, it would follow that the applicant would also qualify for market-based rates using the expanded definition of product market adopted in Order No. 678. *Id.* at P 38. As discussed, Bobcat's market-based rate proposal meets the criteria established in the Commission's Alternative Rate Policy Statement. Thus, any further inquiry under the modified analysis implemented in Order No. 678 is unnecessary.

<sup>13</sup> *See* Market Power Study.



23. The Commission uses 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>14</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. Bobcat’s Market Power Study shows an HHI calculation of 962 for working gas capacity and an HHI calculation of 631 for peak day deliverability. These measures of market concentration are well below the Commission’s threshold level of 1,800, indicating that Bobcat would be unable to exert market power in the relevant market area after the construction of its proposed storage facilities.

24. Bobcat is a new market entrant with no existing jurisdictional or non-jurisdictional operations in the natural gas pipeline or storage industry. Bobcat’s Market Power Study identifies over 50 storage facilities that currently exist or have been approved and are under construction in the Gulf Coast region, 15 of which have been authorized by the Commission to use market-based pricing.<sup>15</sup> The study finds that the current combined market working gas capacity of all the facilities identified in Attachment 1, Gas Storage in the Gulf Coast Region with Approved Expansions and New Facilities, including Bobcat, is 747.5 Bcf, with Bobcat controlling 12.0 Bcf, or 1.6 percent of the market. In addition, the study finds that Bobcat’s 1,200 MMcf per day of peak deliverability will be 4.1 percent of the total market peak deliverability of 29,014 MMcf per day. Thus, Bobcat’s aggregate share of the relevant storage market will be relatively small.

25. The storage market power analysis provides data demonstrating the ease of entry into the Gulf Coast market, as evidenced by over 20 new storage projects or expansions of existing storage facilities in the Gulf Coast region,<sup>16</sup> showing that Bobcat will have to compete against other potential storage facilities for customers within the relevant market area. These projects, if built, may incrementally expand the current working gas capacity in the Gulf Coast region by up to 295.6 Bcf (or 39.5 percent) and expand peak day

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<sup>14</sup> See, Order No. 678 at P 55 (noting that the 1,800 HHI threshold level is not changed by the Order).

<sup>15</sup> Market Power Study, pages 11 and 12.

<sup>16</sup> Market Power Study, Attachment 2, Planned/Announced/Approved Gas Storage Development Projects.

delivery by about 15,540 MMcf per day (or 53.6 percent). Additionally, the Market Power Study (Attachment 1 and 2) identifies ten projects that are approved and in construction, expanding current working gas capacity and peak day deliverability by 87.1 Bcf (or 11.7 percent) and 4,240 MMcf per day (or 14.6 percent), respectively. In light of this information, we conclude that the barriers to entry to the storage markets in the relevant market area are low.

### **3. Hub Services**

26. The market power analysis for hub service states that six pipelines (five interstate and one intrastate) will be connected to Bobcat's storage and header system.<sup>17</sup> This indicates that shippers can avoid the interconnections provided by Bobcat through the use of alternative routes. The analysis presents two matrices that illustrate the volume of these interconnects and demonstrates that every interstate pipeline with a proposed connection to Bobcat has a bi-directional interconnect to at least one competing interstate pipeline, thereby providing alternative paths to and from the hub. Receipt and delivery interconnects between these pipelines are available at multiple locations. Therefore, shippers can avoid Bobcat through the use of alternative routes.<sup>18</sup>

27. In addition, Bobcat's Market Power Study asserts that there are hundreds of incoming or outgoing connections between the interconnecting pipelines and other intrastate and interstate pipelines in the Gulf Coast region to facilitate the movement of gas to market. Specifically, there are 228 incoming and 182 outgoing interchange alternatives among the six interconnecting pipelines.<sup>19</sup> These pipelines have a total capacity of 37,465 MMcf/d of incoming capacity and 28,691 MMcf/d of outgoing capacity. The proposed incoming capacity at the Bobcat facilities is 900 MMcf/d and proposed outgoing capacity is 1,200 MMcf/d, or 2.4 percent and 4.2 percent of the pipeline totals in the Gulf Coast region respectively. Moreover, the analysis notes the availability of 25 direct paths from pipelines connected with Bobcat to hubs and market

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<sup>17</sup> Market Power Study, Attachments 6a and 6b.

<sup>18</sup> See *Pine Prairie Energy Center, LLC*, 109 FERC ¶ 61,215 (2004); *Katy Storage and Transportation, L.P.*, 106 FERC ¶ 61,145 (2004).

<sup>19</sup> Market Power Study, Attachments 7, 7a, 7b.

centers in the Texas and Louisiana Gulf Coast region which further indicates Bobcat's lack of significant market power as a provider of hub services.<sup>20</sup>

28. The hub study indicates that incoming capacity of the pipelines into Bobcat is 27.0 percent of the total incoming capacity to all hubs available to those pipelines, and the outgoing capacity from Bobcat is only 22.7 percent of the total outgoing capacity of all the hubs. The total HHIs of the combined Texas Gulf Coast and Louisiana Hubs/Market Centers including Bobcat are 1,854 for incoming capacity and 1,269 for outgoing capacity.<sup>21</sup> While Bobcat's outgoing hub capacity HHI falls well below the 1,800 threshold, its incoming capacity HHI of 1,854 slightly exceeds the 1,800 threshold established by the Commission.

29. When reviewing HHI figures, the Commission will consider other factors in determining market share. First, Bobcat's incoming hub capacity HHI of 1,854 is only three percent above the threshold level. Second, the number of pipelines to be connected to the facility and the interchange alternatives that exist on and between these pipelines, indicate that Bobcat lacks significant market power in the hub market. Third, as indicated earlier, the Market Power Study shows that Bobcat's market share is relatively small. Market shares indicate whether the applicant could hold the price above a competitive level, whereas the HHI indicates whether all providers acting in concert could collude to hold prices at a monopoly level. Bobcat's small market share would make it difficult for it to hold its price above a competitive level.<sup>22</sup> Moreover, each of the various hub services proposed to be offered by Bobcat is also offered by at least three nearby competing market hubs located on the Texas Gulf Coast and in Louisiana.

#### 4. Conclusion

30. In sum, we find that Bobcat's study demonstrates that its 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 Bobcat's prospective market shares are low and that market area HHIs are mitigated by

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<sup>20</sup> Market Power Study, Attachment 8.

<sup>21</sup> Market Power Study, Attachment 9.

<sup>22</sup> See *Central Oklahoma Oil and Gas Corporation*, 80 FERC ¶ 61,250, *Manchester Pipeline Corporation*, 76 FERC ¶ 61,007, *Transok Inc.*, 64 FERC ¶ 61,095 (1995).

Bobcat's small market share and the availability of competing services. Thus, we conclude that Bobcat will lack market power. Further, Bobcat's proposal for market-based rates is unopposed. For these reasons, we will approve Bobcat's request to charge market-based rates for firm storage and interruptible hub services.

31. Nevertheless, Bobcat must notify the Commission 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) Bobcat adds storage capacity beyond the capacity authorized in this order; (b) an affiliate increases storage capacity; (c) an affiliate links storage facilities to Bobcat; or (d) Bobcat, or an affiliate, acquires an interest in, or is acquired by, an interstate pipeline connected to Bobcat. Since these circumstances could affect its market power status, Bobcat shall notify the Commission within 10 days of acquiring knowledge of any such changes. The notification shall include a detailed description of the new facilities and their relationship to Bobcat.<sup>23</sup> The Commission also reserves the right to require an updated market power analysis at any time.<sup>24</sup>

### **C. Waivers of Filing Requirements**

32. In light of its request for authority to charge market-based rates and the fact that Bobcat has no pre-existing facilities, Bobcat requests that the Commission waive sections 157.6(b)(8) and 157.20(c)(3) requiring Bobcat to submit information otherwise necessary for the Commission to make an up-front determination of the rate treatment for Bobcat's storage project and updated cost data after new facilities are placed into service. Bobcat also requests that the Commission waive the filing requirements of section 157.14(a) (13), (14), (16), and (17) to submit Exhibits K (Cost of Facilities), Exhibit L (Financing), Exhibit N (Revenues, Expenses, and Income), and Exhibit O (Depreciation and Depletion), since these exhibits are for cost-based rate authority. For the same reasons, Bobcat requests waiver of the accounting and annual reporting requirements under Part 201 (accounting and reporting requirements of Uniform System of Accounts) and sections 260.1 and 260.2 (filing of annual reports in FERC Form Nos. 2 and 2-A) of the

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<sup>23</sup> See, e.g., *Copiah County Storage Company*, 99 FERC ¶ 61,316 (2002); *Egan Hub Partners, L.P.*, 99 FERC ¶ 61,269 (2002).

<sup>24</sup> See *Rendezvous Gas Services, L.L.C.*, 112 FERC ¶ 61,141 at P 40 (2005). We note that in Order No. 678 the Commission chose not to impose a requirement that storage providers granted market based rates file updated market power analysis every five years.

Commission's regulations. Similarly, Bobcat requests waiver of the requirement pertaining to straight fixed-variable rate design set forth in sections 284.7(e) and 284.10 also as being inapplicable to market-based rate design. Finally, Bobcat requests waiver of the filing requirement of section 157.14(a)(10) to submit total gas supply data (Exhibit H), as being inapplicable to natural gas storage services. Bobcat notes its customers will supply their own gas for storage.

33. The cost-related information required by the above-described regulations is not relevant in light of our approval of market-based rates for Bobcat's storage services. Thus, consistent with our findings in previous orders,<sup>25</sup> we will grant Bobcat's request for waiver of the regulations requiring cost-based related information. We will also grant a waiver of section 157.14(a)(10) requiring an applicant to submit gas supply data, which is inapplicable to storage operations.

34. In addition, the Commission grants the requested waiver of the requirement to file an annual report (Form Nos. 2 and 2-A) in sections 260.1 and 260.2 of the regulations, except for the information necessary for the Commission's assessment of annual charges.<sup>26</sup> Bobcat is required to file pages 520 of Form No. 2-A, reporting the gas volume information which is the basis for imposing an Annual Charge Adjustment (ACA) charge.<sup>27</sup>

#### **D. Tariff Provisions**

35. Bobcat proposes to offer firm storage and interruptible hub services on an open-access basis under the terms and conditions set forth in the pro forma tariff attached as Exhibit P to the application. We find that Bobcat's proposed tariff generally complies with Part 284 of the regulations; however, certain provisions are discussed further below.

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<sup>25</sup> See, e.g., *SG Resources Mississippi, L.L.C.*, 101 FERC ¶ 61,029 at P 26 (2004); *Egan Hub Partners, L.P.*, 95 FERC ¶ 61,395 at p. 62,473 (2001) and 99 FERC ¶ 61,269 at p. 62,142 (2002).

<sup>26</sup> However, we will require Bobcat to maintain sufficient records of cost and revenue data consistent with the Uniform System of Accounts should the Commission require Bobcat to produce this report in the future.

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

## 1. Segmentation

36. Section 284.7(d) of the Commission's regulations provides that an interstate pipeline must permit a shipper to make use of the firm capacity for which the shipper has contracted by segmenting that capacity into separate parts for the shipper's own use, or for the purpose of releasing that capacity to replacement shippers to the extent that segmentation is operationally feasible. Bobcat requests a waiver of the Order No. 637 segmentation requirements in section 284.7(d), contending that it will not be offering stand-alone transportation services, but rather all transportation service will be provided as part of the storage services offered. Therefore, Bobcat states that segmentation is not feasible.

37. In *Clear Creek Gas Storage Company*,<sup>28</sup> we found that the requirements of section 284.7(d) did not apply to pipelines engaged solely in natural gas storage and which did not provide stand-alone transportation services. Bobcat meets the requirement in *Clear Creek*. Thus, we hold that the requirements of section 284.7(d) do not apply to Bobcat. Other tariff provisions related to segmentation, such as the allocation of primary point rights in segmented release and within-the-path scheduling, also do not apply to Bobcat.

## 2. Acquisition of Off-System Capacity and Waiver of Shipper Must Have Title Policy

38. Bobcat requests a generic waiver of the shipper must have title policy for any off-system capacity it may need to acquire in order to provide storage or hub services, to enable it to use that capacity to transport natural gas owned by other parties. Relying on *SG Resources Mississippi, L.L.C. (SG Resources)*,<sup>29</sup> Bobcat asks the Commission to accept its off-system capacity statement proposed in Section 24.6 of the General Terms and Conditions (GT&C) of its pro forma tariff.<sup>30</sup> It states that Bobcat will only provide transportation and storage services for others using off-system capacity acquired from third parties under its open-access tariff and subject to the rates approved by the Commission.

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<sup>28</sup> 96 FERC ¶ 61,071 (2001) (*Clear Creek*).

<sup>29</sup> See *SG Resources Mississippi, L.L.C.*, 101 FERC ¶ 61,029, P 30-33 (2002).

<sup>30</sup> Pro Forma Original Sheet No. 121.

39. Bobcat's off-system capacity statement implements the Commission's policy with respect to pipelines' acquisition of off-system capacity. In *Texas Eastern Transmission Corporation (TETCO)*,<sup>31</sup> the Commission found that pipelines no longer need to obtain prior approval to acquire capacity on another pipeline, provided the acquiring pipeline has filed tariff language specifying that it will only transport for others on off-system capacity pursuant to its tariff provisions and rates. Bobcat's proposed tariff language is consistent with the requirements set forth in *TETCO*. Therefore, we accept Bobcat's tariff language and grant waiver of the shipper must hold title policy, with the following clarification. Because Bobcat has proposed only to offer firm storage and interruptible hub services, and does not propose to offer any transportation services other than storage and hub services, Bobcat may only use capacity obtained on other pipelines in order to render the services set forth in its tariff. That is, Bobcat may not use capacity on other pipelines to transport gas which will not physically or contractually enter its storage facility unless and until it has received Commission authorization to provide such transportation services. Furthermore, Bobcat's authorized use of the *TETCO* waiver to provide storage service shall be limited to the geographic area covered by Bobcat's market study.<sup>32</sup>

40. In order to ensure that Bobcat uses acquired off-system capacity in a manner consistent with its market-based rate authority and tariff provisions, and in order to satisfy our responsibility to monitor and prevent the exercise of market power, Bobcat is directed to make, once it becomes operational, an annual information filing on its provision of service using off-system capacity, as detailed below.

41. Within 30 days after its first full year of operation, and every year thereafter, Bobcat is directed to file, for each acquisition of off-system capacity:

- a. the name of the off-system provider;
- b. the type, level, term and rate of service contracted for by Bobcat;
- c. a description of the geographic location-boundaries, receipt and delivery points, and segments comprising the capacity;
- d. the operational purpose(s) for which the capacity is utilized;
- e. a description of how the capacity is associated with specific transactions involving customers of Bobcat; and

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<sup>31</sup> 93 FERC ¶ 61,273 (2000), *reh'g denied*, 94 FERC ¶ 61,139 (2001).

<sup>32</sup> *See Starks Gas Storage, L.L.C.*, 111 FERC ¶ 61,105 at P 55 (2005).

- f. an identification of total volumes, by Bobcat's rate schedule and customer, that Bobcat has nominated on each off-system provider during the reporting period.

### **3. Unbundled Sales Services**

42. Bobcat requests a blanket certificate under Part 284, Subpart J of the Commission's regulations authorizing Bobcat to provide unbundled sales services on behalf of others with pre-granted authority to abandon such services.

43. Specifically, Bobcat proposes to offer a general unbundled sales service under a proposed Rate Schedule GSS pursuant to section 284.284(a)<sup>33</sup> of the Commission's regulations and Order No. 636.<sup>34</sup> Bobcat's proposed terms and conditions for unbundled sales are set forth in its pro forma FERC Gas Tariff included in Exhibit P.

44. By operation of section 284.284(a) of the regulations, the issuance of Bobcat's Part 284, subpart G blanket transportation certificate will automatically provide Bobcat with Part 284, Subpart J blanket authority for unbundled sales. However, in order to exercise this unbundled sales authority, Bobcat must have approved tariff provisions on file that comply with the standards of conduct for unbundled sales services set forth in sections 284.286 and 284.288. Bobcat's pro forma tariff does not address these

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<sup>33</sup> Section 284.284(a) reads as follows: "*Authorization.* An interstate pipeline that offers transportation service under subpart B or G of this part is granted a blanket certificate of public convenience and necessity pursuant to section 7 of the Natural Gas Act authorizing it to provide unbundled firm or interruptible sales in accordance with the provisions of this section."

<sup>34</sup> *Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation, and Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol*, 57 *Fed. Reg.* 13267 (April 16, 1992), *FERC Statutes and Regulations, Regulations Preambles January 1991-June 1996* ¶ 30,939, at pp. 30,425 - 427 (April 8, 1992), *order on reh'g*, Order No. 636-A., 57 *Fed. Reg.* 36128 (August 12, 1992), *FERC Statutes and Regulations, Regulations Preambles January 1991-June 1996* ¶ 30,950 (August 3, 1992), *order on reh'g*, Order No. 636-B, 57 *Fed. Reg.* 57911 (December 8, 1992), 61 *FERC* ¶ 61,272 (1992), *notice of denial of reh'g*, 62 *FERC* ¶ 61,007 (1993), *aff'd in part and vacated and remanded in part, United Dist. Companies v. FERC*, 88 F.3d 1105 (D.C. Cir. 1996), *order on remand*, Order No. 636-C, 78 *FERC* ¶ 61,186 (1997).



requirements. Therefore, we reject Bobcat's proposal to include a rate schedule for general unbundled sales services, without prejudice to Bobcat making a subsequent filing proposing an unbundled sales rate schedule and tariff provisions that comply with the standards of conduct in sections 284.286 and 284.288.<sup>35</sup>

#### **4. Implementation of NAESB Standards**

45. The Commission has adopted in Part 284 of its regulations various standards for conducting business practices and electronic communication with interstate pipelines as promulgated by the North American Energy Standards Board (NAESB).<sup>36</sup> These standards govern nominations, allocations, balancing measurement, invoicing, capacity release, and mechanisms for electronic communication between pipelines and those with whom they do business.

46. In section 23 of the GT&C of its pro forma tariff sheets,<sup>37</sup> Bobcat states that its tariff proposal is consistent with Version 1.6 of the NAESB Standards. On May 9, 2005, the Commission issued Order No. 587-S, in which the Commission incorporated by reference the most recent version, Version 1.7, of the consensus standards promulgated by the Wholesale Gas Quadrant (WGQ) of NAESB.<sup>38</sup> Version 1.7, which had been adopted by the Commission at the time Bobcat filed its certificate application, includes standards regarding implementation of Order No. 2004 and gas quality reporting standards.<sup>39</sup> Therefore, when Bobcat files actual tariff sheets in this proceeding, it must

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<sup>35</sup> We note that section 284.286(c) provides that a pipeline making unbundled sales under Part 284, Subpart J also must comply with the standards of conduct set forth in Part 358, as discussed further below.

<sup>36</sup> NAESB was formerly called the Gas Industry Standards Board (GISB).

<sup>37</sup> Pro Forma Original Sheet Nos. 115 and 116.

<sup>38</sup> See *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-S, 70 Fed. Reg. 28204 (May 17, 2005), *FERC Statutes and Regulations* ¶ 31,179 (May 9, 2005).

<sup>39</sup> *Standards of Conduct for Transmission Providers*, Order No. 2004, FERC Stats. & Regs. Vol. III Regs. Preambles ¶ 31,155 (2003), 68 Fed. Reg. 69134 (Dec. 11, 2003); Order No. 2004-A, FERC Stats & Regs., Regs. Preambles ¶ 31,161 (2004), 69 Fed. Reg. 23562 (Apr. 29, 2004); Order No. 2004-B, FERC Stats. & Regs., Regs. Preambles ¶ 31,166 (2004), 69 Fed. Reg. 48371 (Aug. 10, 2004); Order No. 2004-C, FERC Stats. &

(continued)

revise its tariff to conform to the Version 1.7 standards adopted in Order No. 587-S, as modified by any future NAESB requirements in effect at the time of filing. The Commission will require Bobcat to file actual tariff sheets consistent with this order at least 30 days and no more than 60 days prior to the commencement of service.

47. In section 23 of the GT&C, Nominations Related Standards (sheet number 115), NAESB Standard 1.3.2 (v) incorporated by reference should be deleted, since such standard is required to be stated verbatim in the tariff rather than incorporated by reference. Furthermore, NAESB Standard 1.3.78 incorporated by reference should be deleted.

48. In section 23 of the GT&C, Electronic Delivery Mechanism Related Standards (sheet number 116), Bobcat should file revised tariff sheets reflecting the appropriate reference to Recommendation R03035A, 2004 Annual Plan Item 2 and 2005 Annual Plan Item 8 (May 3, 2005) (Affiliate Order Standards).

49. In section 23 of the GT&C, Capacity Release Related Standards (sheet number 116), the reference to “5.5.3.34” should be changed to “5.3.34.”

50. Bobcat should file revised tariff sheets which delete Recommendations R02002 and R02002-2. At the time Order No. 587-R was issued, the partial day recall standards were referred to by their number and Recommendation R02002 and/or Recommendation R02002-2. Any reference to these recommendation numbers should be replaced with a reference to Version 1.7.

51. Bobcat should include the following paragraph at the bottom of the sheet on all the sheets containing NAESB standards: “Filed to comply with Order No. 587-S of the Federal Energy Regulatory Commission, Docket No. RM96-1-026, issued on May 9, 2005, 111 FERC ¶ 61,203.”

## **5. Creditworthiness**

52. Section 24.7 of Bobcat’s proposed GT&C outlines the type of information that customers must supply to Bobcat in order to establish creditworthiness.<sup>40</sup> Section 24.7 provides that upon notification by Bobcat to the customer that it has failed to satisfy or no longer satisfies the credit criteria, the customer may still obtain credit approval if it elects

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Regs., Regs. Preambles ¶ 31,172 (2005), 70 Fed. Reg. 284 (Jan. 4, 2005); Order No. 2004-D, 110 FERC ¶ 61,320 (2005).

<sup>40</sup> Pro Forma Original Sheet Nos. 121-124.

to provide additional financial assurances in the form of an advanced deposit, a standby irrevocable letter of credit, a security interest in collateral, or a guarantee, as detailed in the tariff provision.

53. Pursuant to Part 284 of its regulations, the Commission issued a Policy Statement setting forth its approach to credit issues relating to transportation on natural gas pipelines.<sup>41</sup> In the Policy Statement, we stated that pipelines must establish and use objective criteria for determining creditworthiness.<sup>42</sup> Bobcat appears to have outlined the information that needs to be supplied and the criteria for creditworthiness, as discussed above. However, other requirements set out by the Policy Statement have not been met.

54. In accordance with the Commission's Policy Statement and consistent with Order No. 587-S, Bobcat is directed to revise its tariff provisions to incorporate creditworthiness standards 0.3.3 through 0.3.10, and standards 5.3.59 and 5.3.60 for capacity release. In so doing, Bobcat may either incorporate the aforementioned standards by reference or verbatim, but not both, in its tariff.

55. Furthermore, it is not clear how or when Bobcat intends to communicate its initial determinations on creditworthiness to shippers under section 24.7, and whether it will specify the reasons for any denial of creditworthiness in such communication. In the Policy Statement, we held that if a service provider finds a shipper to be uncreditworthy, it should promptly inform the shipper in writing of the reasons for that determination, so that the shipper can evaluate and challenge the determination.<sup>43</sup> In *Natural Gas Pipeline Company of America*, we also required that the written communication be made within 10 days of the determination, and that the shipper be provided recourse to challenge the finding.<sup>44</sup> Bobcat is directed to revise section 24.7 to clarify how and when it intends to communicate its initial creditworthiness determinations, and that it will include the reasons for denial in such communications.

56. Moreover, section 24.7 provides that if a customer obtains credit approval by providing an advanced deposit and subsequently satisfies the credit criteria, Bobcat will

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<sup>41</sup> See *Creditworthiness Standards for Interstate Natural Gas Pipelines*, 111 FERC ¶ 61,412 (2005).

<sup>42</sup> *Id.* at P 10.

<sup>43</sup> See 111 FERC ¶ 61,412 at P 10 (2005).

<sup>44</sup> 106 FERC ¶ 61,175 at P 89 (2004).

return to the customer an advance deposit plus interest. In accordance with our holding in the Policy Statement,<sup>45</sup> Bobcat's shippers that opt to pay collateral as financial assurance under section 24.7 must have an opportunity to earn interest on such prepayments either by Bobcat paying the interest itself at the Commission's interest rate, or by the shipper designating an interest-bearing escrow account to which Bobcat may have access for payments for services provided if needed. Under either option, Bobcat could retrieve any interest that accrued on the principal amount. If Bobcat holds the collateral, the applicable interest rate will be at least the same rate that Bobcat earns.<sup>46</sup> Moreover, in such situations, the Commission will require that Bobcat be responsible for any expenses related to the maintenance of this escrow account. Therefore, we direct Bobcat to clarify its tariff accordingly. We also direct Bobcat to clarify in its tariff that such advance payments are considered collateral held for security and not prepayments for services.<sup>47</sup>

57. Finally, section 24.7 provides that if a customer's credit standing ceases to meet Bobcat's credit requirements during the period of service, Bobcat has the right to require security or deposit. The section further provides that if security or a deposit is not tendered "in a timely period as reasonably determined by Bobcat," then Bobcat is not required to continue the service and the service agreement will terminate "as of the first day of the month following written notice to Customer." Bobcat must clarify how long a shipper has to provide collateral assurances, consistent with our ruling in *Gulf South Pipeline Company, LP*.<sup>48</sup> In addition, this section must be revised to be consistent with section 24.5 (Default and Termination) of the GT&C, which conforms to the requirement in section 154.602 of the Commission's regulations that pipelines must give at least 30 days' notice to the customer and the Commission before terminating a service agreement.

## **6. Transmission Provider Standards of Conduct**

58. Bobcat requests waiver of the requirements set forth in Part 358 of the Commission's regulations. In Part 358 of its regulations, the Commission adopted new

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<sup>45</sup> See *Creditworthiness Standards for Interstate Natural Gas Pipelines*, 111 FERC ¶ 61,412 at P 22 (2005).

<sup>46</sup> Bobcat will have the option, but is not required to, pay a higher interest rate if it chooses.

<sup>47</sup> See *Tennessee Natural Gas Pipeline Co.*, 105 FERC ¶ 61,120 at PP 17-24.

<sup>48</sup> 103 FERC ¶ 61,129 at P 49, *reh'g denied*, 107 FERC ¶ 61,273 at P 63 (2003).

standards of conduct to ensure that transmission providers cannot extend their market power over transmission by giving energy affiliates unduly preferential treatment.<sup>49</sup> In Order No. 2004-A, the Commission granted a request “to generically exempt from the definition of “Transmission Provider” natural gas storage providers authorized to charge market-based rates that are not interconnected with the jurisdictional facilities of any affiliated interstate natural gas pipeline, have no exclusive franchise area, no captive ratepayers and no market power.” Bobcat states that it does not plan to interconnect with affiliated “Transmission Providers.” As a result, Bobcat states that it qualifies for the exemption granted to natural gas storage providers.

59. The definition of Transmission Provider in section 358.3(a)(3) of the Commission’s regulations, 18 C.F.R. § 358.3(a)(3), would, on its face, exempt Bobcat from Part 358.<sup>50</sup> However, Bobcat proposes to provide a general unbundled sales service. If approved, Bobcat has to make such sales under Part 284, Subpart J of the Commission’s regulations. The requirements under Subpart J include standards of conduct for unbundled sales services under section 284.286. In particular, section 284.286(c) states that, if a pipeline makes sales of gas, its unbundled sales operating employees shall be deemed to be a marketing affiliate for purposes of Part 358’s standard of conduct requirements. Thus, section 284.286(c) makes Bobcat subject to Part 358 of the regulations. Bobcat has failed to explain why an exemption from Part 358 is justified. Therefore, Bobcat’s request for waiver of the requirements set forth in Part 358 of the Commission’s regulations is denied. If Bobcat desires to further pursue its exemption request, it may initiate a separate proceeding in a TS docket.<sup>51</sup>

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<sup>49</sup> *Standards of Conduct for Transmission Providers*, Order No. 2004, 68 Fed. Reg. 69,134 (December 11, 2003), III FERC Stats. & Regs. ¶ 31, 155 (2003), *order on reh’g*, Order No. 2004-A, 69 Fed. Reg. 23,562 (April 29, 2004), III Stats. & Regs. ¶ 31,161 (2004).

<sup>50</sup> Section 358.3(a)(3) reads as follows: “*Transmission Provider* means: A Transmission Provider does not include a natural gas storage provider authorized to charge market-based rates that is not interconnected with the jurisdictional facilities of any affiliated interstate natural gas pipeline, has no exclusive franchise area, no captive rate payers and no market power.”

<sup>51</sup> *See Pine Prairie Energy Center, LLC*, 114 FERC ¶ 61,033 at P 6-7 (2006), (addressing request for waiver or clarification of the Standards of Conduct).

60. In section 21.4 of the GT&C of its pro forma tariff, governing complaints regarding Bobcat's compliance with Bobcat's Standards of Conduct compliance procedures, Bobcat does not establish a uniform protocol to which it must adhere in responding to complaints.<sup>52</sup> The absence of such a uniform protocol provides the potential for unduly discriminatory treatment when responding to complaints. Therefore, Bobcat is directed to revise section 21.4 such that a uniform protocol for responding to complaints is established.

### **E. Engineering Analysis**

61. The Commission reviews the design capacity of proposed natural gas facilities to ensure that the design is appropriate and efficient. Commission staff completed an engineering analysis of both the proposed 16.12 miles of 24-inch interconnecting pipeline facilities and the two caverns proposed for natural gas storage. Based on this analysis, we find that the facilities are appropriately designed to withdraw up to 1.2 Bcf of natural gas per day from storage and to inject up to 0.9 Bcf of natural gas per day into storage.

62. Bobcat proposes to limit the maximum operating pressure for the each salt cavern to 3,960 psig or maximum pressure gradient not to exceed 0.9 psi per foot applied to the casing seats depth of 4,400 feet of the wells penetrating the caverns. The minimum operating pressures required for each cavern is 1,950 psig, or minimum gradient of 0.244 psi per foot applied to the casing seats of 4,400 feet of the wells penetrating the caverns. The maximum pressure gradient of 0.90 psi per foot of depth is the pressure gradient limit set by the Louisiana Department of Natural Resources (LDNR).

63. Based on Commission staff's review, we conclude that the geological and engineering parameters for the underground natural gas salt cavern storage facilities proposed by Bobcat are well defined. The analysis shows that Bobcat's proposed cavern locations are well within the design criteria and confinement of the salt formation. Further, Bobcat's salt caverns development plans are within the Interstate Oil and Gas

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<sup>52</sup> See *e.g.* Liberty Standard's of Conduct tariff language regarding Complaints at section 22.4, which reads as follows: "...Within forty eight (48) hours of receipt of such information, an officer of Liberty shall orally respond to the complaint, and within thirty (30) days of the receipt of the complaint, an officer of Liberty shall provide a written response to the complaint. In the event the required date of Liberty's response falls on a Saturday, Sunday or a holiday that affects Liberty, Liberty shall respond by the next business day."

Compact Commission's (IOGCC)<sup>53</sup> guidelines and the LDNR guidelines. Therefore, we find that the caverns' existing arrangement would avoid pressure influence between caverns when the caverns are operated at full capacity and pressure. Finally, the maximum and minimum operating cavern pressures throughout the storage cycle have been chosen to preserve the structural integrity of the proposed caverns.

64. Bobcat has retained Sandia National Laboratories (Sandia) to conduct mechanical testing on the Port Barre salt dome. These data will be used in geomechanical finite element modeling to optimize cavern design and operation. Also, a stratigraphic test well, SCT-I, is currently underway to recover cores for testing. Bobcat indicated that the results will be filed as they become available. Sandia will prepare a 3-D finite element geomechanical model to better understand the creep characteristics of the Port Barre salt dome. It is anticipated that the Port Barre salt dome will be similar to other Gulf Coast salts.

65. The Commission recommends that Bobcat: establish and maintain a subsidence monitoring network over the proposed caverns storage area; assemble, test and maintain an emergency shutdown system; and periodically log each cavern's well to check the cavern's roof and status of its casing. Every five years Bobcat shall conduct sonar surveys of the caverns to monitor their dimensions, shape and to estimate pillar thickness between openings throughout the storage operations. Annually, an inventory verification study should be conducted on each cavern.

66. Cumulatively, the maximum gas storage inventory stored in the two caverns shall not exceed 17.8 Bcf at 14.73 psia and 60°F (8.9 Bcf in each cavern). The final gas storage operating capacity of each cavern, working gas capacity, cushion gas capacity and the minimum pressure should be determined after cavern's operating parameters are determined. Data work papers supporting the actual operating capacity determination should be retained.

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<sup>53</sup> The Interstate Oil and Gas Compact Commission is a multi-state government agency which promotes and encourages conservation and efficient recovery of domestic oil and natural gas resources while protecting health, safety and environment. The organization is comprised of twenty nine oil and gas producing states and six associate member states. In November 1994, the IOGCC published the "I.O.G.C.C. Member State Regulation of Natural Gas Storage" which summarizes the various states and regulations for the storage of natural gas underground.

67. Before commencing gas storage operations in each of the two caverns, Bobcat shall file with the Commission the results of performing a mechanical integrity test for each well or cavern before conversion of that well or cavern to natural gas storage; and, copies of the latest interference, tracer surveys, or other testing or analysis on the caverns, to verify the lack of communication between the caverns.

68. Bobcat shall file semiannual reports for each cavern (to coincide with the termination of the injection or withdrawal cycles) containing the following information (volumes shall be stated at 14.73 psia and 60°F): the daily volume of natural gas injected and withdrawn; the inventory of natural gas and shut-in wellhead pressure for each cavern at the end of reporting period; the maximum daily injection and withdrawal rates experienced for the entire storage field during the reporting period, including the average working pressure on such maximum days taken at a central measuring point where the total volume injected or withdrawn is measured; and the results of any tests performed to determine the actual size, configuration, or dimensions of the storage caverns. Twice annually, Bobcat shall conduct a leak detection test during storage operations to determine the integrity of each cavern, well bore casing, and wellhead; and file the results with the Commission, along with a discussion of current operating problems and conclusions; and any other data or reports which may aid the Commission in the evaluation of the storage project.

69. Bobcat shall file semiannual reports in accordance with section 157.214 (c) of the Commission's regulations. These reports shall continue to be filed until the operating capacity of Bobcat's storage facility has reached the maximum defined in the above paragraph for a period of one year following the date of the certificate.

70. In view of the required mechanical integrity test and the additional safeguards provided by the above-described conditions and the conditions imposed by Appendix A, as well as the safety, monitoring, and reporting conditions required by Louisiana state regulations with which Bobcat must comply, the Commission finds that the structural integrity of Bobcat's proposed caverns and wells will be adequately assessed and maintained. Furthermore, the Storage Project shall be operated in such a manner as to prevent and minimize gas loss or migration.

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

71. On February 28, 2006, we issued a Notice of Intent to Prepare an Environmental Assessment for the Proposed Bobcat Gas Storage Project and Request for Comments on Environmental Issues (NOI). The Louisiana Lieutenant Governor, six federal, state, and local government agencies, two Indian tribes, and three individuals and/or groups filed comments to the NOI. A number of comments to the NOI expressed general support for



the proposed project. The U.S. Department of the Interior, Fish and Wildlife Service stated that no federally-listed threatened or endangered species presently occur in the project area, but noted that the proposed project may impact wetlands. The State of Louisiana Department of Wildlife and Fisheries stated that the EA should address the short- and long-term impacts to wetlands, construction methods and secondary impacts of the proposed activity. Also, the U.S. Department of Agriculture, Natural Resources Conservation Service (NRCS) noted that the proposed project does not interfere or conflict with NRCS planning or design, but urged the Commission to consider whether the project would have a “prime” farmland conversion impact and to proceed in accordance with the Farmland Protection Policy Act of 1981.

72. The EA addresses geology, soils, water resources, fisheries, wetlands, vegetation, wildlife, endangered and threatened species, land use, cultural resources, air and noise quality, reliability and safety, and alternatives. With reference to the comments received in response to the NOI regarding potential wetland impacts, the EA notes that the primary impact of pipeline construction and right-of-way maintenance activities on wetlands would be the temporary alteration of wetland vegetation and the permanent conversion of forested wetland to scrub-shrub or emergent wetlands. Therefore, the EA recommends that prior to construction, Bobcat be required to develop a conceptual plan for a horizontal direction drill (HDD) crossing of the wetlands between MP3.15N and MP3.36N that minimizes impacts to residences, and present that plan to the U.S. Army Corps of Engineers and Louisiana Department of Wildlife and Fisheries for review and comment. The EA also recommends that Bobcat be required to file a report with the Commission detailing the results of such consultations and the feasibility of implementing the proposed HDD. The recommendations are adopted in Environmental Condition No. 14 in Appendix B to this order. Additionally, the EA recommends that Bobcat be required to file copies of its consultations with the NRCS regarding the control of Chinese tallow tree and file a report describing how these issues have been addressed. This recommendation is adopted in Environmental Condition No. 15 in Appendix B.

73. In response to the U.S. Department of Agriculture’s comments, the EA states that no federal funds are involved in Bobcat’s storage project. Thus, analysis under the Farmland Protection Policy Act of 1981 is unnecessary.

74. Based on the discussion in the EA, we conclude that if the Bobcat Gas Storage Project is constructed and operated in accordance with Bobcat's application and supplements and the conditions imposed in Appendix B, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

75. 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 or operation of facilities approved by this Commission.<sup>54</sup>

76. Bobcat 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 Bobcat. Bobcat shall file written confirmation of such notification with the Commission within 24 hours.

### **G. Blanket Certificates**

77. In Docket No. CP06-67-000, Bobcat has applied for a Part 157, Subpart F blanket certificate. The Subpart F blanket certificate gives a natural gas company section 7 authority to automatically, or after prior notice, perform certain activities related to the construction, acquisition, abandonment, and replacement and operation of pipeline facilities. Because Bobcat will become an interstate pipeline with the issuance of a certificate to construct and operate the proposed facilities, we will issue the requested Part 157, Subpart F blanket certificate. However, Bobcat's blanket certificate shall not include automatic authorization to increase storage capacity. This restriction on Bobcat's Part 157 blanket certificate is based on the fact that Bobcat's storage facility is a salt cavern in the initial stages of development for which future expansion will require reevaluation by the Commission of historical data and new engineering and geological data.<sup>55</sup>

78. In Docket No. CP06-68-000, Bobcat requests a Part 284, Subpart G blanket certificate in order to provide open-access storage services. Under a Part 284 blanket certificate, Bobcat will not require individual authorizations to provide storage services to particular customers. Bobcat filed a pro forma Part 284 tariff to provide open-access storage services. Since a Part 284 blanket certificate is required for Bobcat to offer these

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<sup>54</sup> 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.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

<sup>55</sup> See, *Unocal Windy Hill Gas Storage*, 115 FERC ¶ 61,218 (2006).

services, we will grant Bobcat a Part 284 blanket certificate, subject to the conditions imposed herein.

### **Conclusion**

79. For the reasons discussed above, the Commission finds that the Bobcat Gas Storage Project is required by the public convenience and necessity and that a certificate authorizing the construction and operation of the facilities described in this order and in the application should be issued, subject to the conditions discussed herein and listed in Appendices A and B.

80. The Commission, on its own motion, received and made part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

### **The Commission orders:**

(A) A certificate of public convenience and necessity is issued to Bobcat, in Docket No. CP06-66-000, authorizing the ownership, construction and operation of the described storage facilities.

(B) A blanket construction certificate is issued to Bobcat, in Docket No. CP06-67-000, under Subpart F of Part 157.

(C) A blanket transportation certificate is issued to Bobcat, in Docket No. CP06-68-000, under Subpart G of Part 284.

(D) The certificate issued in Ordering Paragraph (A) is conditioned on Bobcat's compliance with all applicable Commission regulations under the Natural Gas Act, particularly the general terms and conditions set forth in Parts 154, 157, and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the regulations.

(E) Bobcat's Phase 1 facilities should be completed and made available for service within eighteen months of the date of the order in this proceeding. Completion of all Bobcat facility construction should be accomplished within five years as required by section 157.20(b) of the Commission's regulations.

(F) Bobcat's request to charge market-based storage rates for firm and interruptible storage service and interruptible hub service is approved, as discussed in this order.

(G) Waiver is granted of the Commission's regulations that have been deemed inapplicable to storage providers with market-based rates, as discussed in this order.

(H) Bobcat shall file revised tariff sheets that comply with the requirements contained in the body of this order not more than 60 days or less than 30 days prior to commencement of service.

(I) Within 30 days after its first full year of operation, and every year thereafter, Bobcat is directed to file an annual informational filing on its provision of service using off-system capacity, as detailed in this order.

(J) The certificate issued in Ordering Paragraph (A) is conditioned upon Bobcat's compliance with the engineering and environmental conditions set forth in Appendices A and B to this order.

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

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

**APPENDIX A****Engineering Conditions for the Bobcat Gas Storage Project**

1. The maximum inventory of natural gas stored in Bobcat's facilities shall not exceed the certificated levels of 17.8 Bcf at 14.73 psia and 60° F (8.9 Bcf per cavern); the maximum gas storage shut-in stabilized pressure gradient of each cavern will not exceed 0.9 psi/ft and the minimum pressure gradient in each cavern will be limited to 0.244 psi/ft applied to the casing seats of the wells penetrating the caverns.
2. The final gas storage operating capacity of each cavern, working gas capacity, cushion gas capacity and the minimum pressure should be determined after cavern's operating parameters are determined and filed with the Commission (include data work papers to support the actual operating capacity determination).
3. Before commencing gas storage operations in each of the two caverns, Bobcat shall:
  - (a) Conduct a Mechanical Integrity Test for each of the two caverns before initiation of each well/cavern to natural gas storage;
  - (b) Copies of the latest interference tracer surveys, or other testing or analysis on each cavern to verify the lack of communication between the caverns;
  - (c) Establish and maintain a subsidence monitoring network over the proposed caverns storage area; and,
  - (d) Assemble, test and maintain an emergency shutdown system.
4. Twice annually, Bobcat shall conduct a leak detection test during storage operations to determine the integrity of each cavern, well bore, casing and wellhead.
5. Each cavern's well will be periodically logged to check the cavern roof and status of each casing. Additionally, every five years Bobcat shall conduct sonar surveys of the caverns to monitor their dimensions and shape and to estimate pillar thickness between openings throughout the storage operations.
6. Bobcat shall conduct an annual inventory verification study on each cavern.
7. The Bobcat field shall be operated in such a manner as to prevent and minimize gas loss or migration.
8. Bobcat shall file with the Commission semi-annual reports (to coincide with the termination of the injection and withdrawal cycles) containing the following information in accordance with section 157.214 (c) of the Commission's regulations

(volumes shall be stated at 14.73 psia and 60 °F, and pressures shall be stated in psia):

- (a) The daily volume of natural gas injected into and withdrawn.
  - (b) The inventory of natural gas and shut-in wellhead pressure for each cavern at the end of reporting period.
  - (c) The maximum daily injection and withdrawal rates experienced for the entire storage field during the reporting period; and, the average working pressure on such maximum days taken at a central measuring point where the total volume injected or withdrawn is measured.
  - (d) The results of any tests performed to determine the actual size, configuration, or dimensions of the storage caverns.
  - (e) A discussion of current operating problems and conclusions.
  - (f) Other data or reports which may aid the Commission in the evaluation of the storage project.
9. Bobcat shall continue to file the above semi-annual reports in accordance with section 157.214 (c) of the Commission's regulations for a period of one year following the date facility operation at maximum level is initiated.

## APPENDIX B

### **Environmental Conditions for the Bobcat Gas Storage Project**

1. Bobcat 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. Bobcat must:
  - a. request any modification to these procedures, measures, or conditions in a filing with 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 any construction**, Bobcat shall file an affirmative statement with the Commission, certified by a senior company official, that all company personnel, environmental inspectors, and contractor personnel would be informed of the environmental inspector'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**, Bobcat shall file with the Commission any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 with station positions for all facilities approved by this Order. All requests for modifications of environmental conditions of this Order or site-specific clearances must be written and must reference locations designated on these alignment maps/sheets.

Bobcat's exercise of eminent domain authority granted under Natural Gas Act (NGA) section 7(h) in any condemnation proceedings related to this Order must be consistent with these authorized facilities and locations. Bobcat'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. Bobcat shall file with the Commission 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 Commission. 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 OEP **before construction in or near that area.**

This requirement does not apply to extra workspace allowed by the *Upland Erosion Control, Revegetation, and Maintenance Plan*, minor field realignments per landowner needs and requirements that 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 resources 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. Bobcat shall develop and implement an environmental complaint resolution procedure. The procedure shall provide landowners with clear and simple directions for identifying and resolving their environmental mitigation problems/concerns during construction of the project and restoration of the right-of-way. **Prior to**



**construction**, Bobcat shall mail the complaint procedures to each landowner whose property would be crossed by the project.

- a. In its letter to affected landowners, Bobcat shall:
    - (1) provide a local contact that the landowners should call first with their concerns; the letter should indicate how soon a landowner should expect a response;
    - (2) instruct the landowners that, if they are not satisfied with the response, they should call Bobcat's Hotline at (281) 242-2381 the letter should indicate how soon to expect a response; and
    - (3) instruct the landowners that, if they are still not satisfied with the response from Bobcat's Hotline, they should contact the Commission's Enforcement Hotline at (888) 889-8030.
  - b. In addition, Bobcat shall include in its weekly status report a copy of a table that contains the following information for each problem/concern:
    - (1) the date of the call;
    - (2) the identification number from the certificated alignment sheets of the affected property;
    - (3) the description of the problem/concern; and
    - (4) how it was resolved or why it has not been resolved.
7. Bobcat shall employ at least one environmental inspector for the project. The environmental inspector(s) shall be:
- a. responsible for monitoring and ensuring compliance with all mitigation measures required by this Order and other grants, permits, certificates, or other authorizing documents;
  - b. responsible for evaluating the construction contractor's implementation of the environmental mitigation measures required in the contract and any other authorizing document;
  - c. empowered to order correction of acts that violate the environmental conditions of this Order, and any other authorizing document;
  - d. responsible for documenting compliance with the environmental conditions of this Order, as well as any environmental conditions/permit requirements imposed by other federal, state, or local agencies; and
  - e. responsible for maintaining status reports.
8. Bobcat shall file updated status reports prepared by the environmental inspector with the Commission 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. the current 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;
  - b. a listing of all problems encountered and each instance of noncompliance observed by the environmental inspector(s) 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);
  - c. corrective actions implemented in response to all instances of noncompliance, and their cost;
  - d. the effectiveness of all corrective actions implemented;
  - e. a description of any landowner/resident complaints which may relate to compliance with the requirements of this Order, and the measures taken to satisfy their concerns; and
  - f. copies of any correspondence received by Bobcat from other federal, state or local permitting agencies concerning instances of noncompliance, and Bobcat's response.
9. Bobcat must receive written authorization from the Director of the OEP **before commencing service** from 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.
10. **Within 30 days of placing the certificated facilities in service**, Bobcat shall file an affirmative statement with the Commission, 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; and
  - b. identifying which of the certificate conditions Bobcat 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. Bobcat shall file a report with the Commission in the event that any complaints are received concerning well yield or water quality. The report should identify how Bobcat proposes to resolve the complaint, provide a temporary source of water

supply, and replace any water supply system that it damages during construction and cannot repair to its former capacity and quality.

12. **Prior to construction**, Bobcat shall prepare a Spill Prevention Control and Countermeasure (SPCC) plan and file its SPCC plan with the Commission, for review and written approval.
13. Bobcat shall not conduct any open-cut crossings of waterbodies proposed to be crossed using horizontal directional drills (HDD) (e.g. Bayou Courtableau, Little Darbonne Bayou, and Bayou Saquette) until it files an amended crossing plan with the Commission for review and written approval by the Director of OEP. The amended crossing plan should include site-specific, scaled drawings identifying all areas that would be disturbed using the proposed alternate crossing method. Bobcat should file the amended crossing plan concurrent with the appropriate state and federal applications required for implementation of the plan.
14. **Prior to construction**, Bobcat shall develop a conceptual plan for a HDD crossing of the wetland between MP3.15N and MP3.36N that minimizes impacts to residences, and present that plan to the U.S. Army Corps of Engineers and Louisiana Department of Wildlife and Fisheries for review and comment. Bobcat shall file a report with the Commission detailing the results of such consultations and feasibility of implementing the proposed HDD.
15. **Prior to construction**, Bobcat shall file copies of its consultations with the Natural Resources Conservation Service regarding the control of Chinese tallow tree. Bobcat shall include in its filing any issues that have been identified and a description of how these issues have been addressed.
16. If construction is not initiated before February 2007, Bobcat shall consult with the appropriate field offices of the U.S. Fish and Wildlife Service to verify that previous Endangered Species Act consultations and determinations of effect are still current.
17. Bobcat shall defer implementation of any treatment plans/measures (including archaeological data recovery), construction of facilities, and use of staging, storage, and temporary work areas, and new or to be improved access roads until:
  - a. Bobcat files with the Commission cultural resource survey and evaluation reports, any necessary treatment plans, and the Louisiana State Historic Preservation Office comments; and

- b. the Director of OEP reviews and approves all cultural resources survey reports and plans and notifies Bobcat in writing that treatment plans/measures may be implemented or construction may proceed.

All material filed with the Commission containing location, character, and ownership information about cultural resources must have the cover and any relevant pages therein clearly labeled in bold lettering: “CONTAINS PRIVILEGED INFORMATION--DO NOT RELEASE”.

18. Bobcat shall conduct a noise survey and file the survey results with the Commission no later than **60 days after placing the Bobcat Compressor Station in service**. If the noise attributable to the operation of the compressor station at full load exceeds 55 dBA  $L_{dn}$  at any nearby noise sensitive area (NSA), Bobcat should install additional noise controls to meet the level within one year of the in-service date. Bobcat should confirm compliance with this requirement by filing a second noise survey with the Commission no later than 60 days after it installs the additional noise controls.