

168 FERC ¶ 61,034
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur, Richard Glick,
and Bernard L. McNamee.

Gulf South Pipeline Company, LP

Docket No. CP19-3-000

ORDER ISSUING CERTIFICATE

(Issued July 18, 2019)

1. On October 9, 2018, Gulf South Pipeline Company, LP (Gulf South) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA)¹ and Part 157 of the Commission's regulations² for authority to construct and operate two electric-driven 5,000 horsepower (hp) compressor units within the existing Petal III Compressor Station (Petal III Station) building, and a dehydration unit, thermal oxidizer and other appurtenant facilities adjacent to the Petal III Station, in Forrest County, Mississippi (Petal III Compression Project). The stated purpose of the project is to: (1) increase the certificated injection capability of the Petal Gas Storage Complex (Petal Complex) to 1.738 billion cubic feet per day (Bcf per day); and (2) restate the certificated withdrawal capability of the Petal Complex from 3.430 Bcf per day to 2.495 Bcf per day to reflect the withdrawal capability of the above-ground facilities, rather than the aggregate withdrawal capability of the storage caverns.³ In addition, Gulf South requests authority to continue to charge market-based rates for its firm and interruptible storage services.

¹ 15 U.S.C. § 717f(c) (2012).

² 18 C.F.R. pt. 157 (2018).

³ As more fully described below, while the proposed restatement represents a decrease in the maximum "certificated withdrawal capability" as it is currently defined, Gulf South proposes to redefine "certificated withdrawal capability" to reflect the actual withdrawal capability of the above-ground facilities. Under Gulf South's proposal, the maximum effective withdrawal capability of the Petal Complex will actually increase from its current level of 1.945 Bcf per day to 2.495 Bcf per day.

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2. For the reasons discussed below, the Commission will grant the requested authorizations, subject to certain conditions.

I. Background and Proposal

3. Gulf South, a Delaware limited partnership authorized to do business in the states of Texas, Louisiana, Mississippi, Alabama, and Florida, is a natural gas company as defined by section 2(6) of the NGA,⁴ engaged in the transportation and storage of natural gas in interstate commerce. Gulf South is a wholly-owned subsidiary of Boardwalk Pipelines, LP (Boardwalk). Gulf South operates approximately 7,200 miles of interstate pipeline extending from south and east Texas through Louisiana, Mississippi, southern Alabama and western Florida. Gulf South states that it has numerous interconnections with other interstate and intrastate pipelines and storage facilities that allow it to serve various on-system and off-system markets.

4. In 2014, the Commission authorized Gulf South to acquire the Petal Complex from its predecessor, Petal Gas Storage, L.L.C. (Petal Gas), through an inter-corporate merger.⁵ Gulf South states that the Petal Complex is located on the Petal Salt Dome in Forrest County, Mississippi, and consists of eight storage caverns,⁶ including the Hattiesburg Industrial Gas Sales, L.L.C. (Hattiesburg) facilities,⁷ and four compressor stations. The Petal Complex has a total certificated capacity of 46.008 Bcf and a working gas capacity of 29.629 Bcf. According to Gulf South, the four compressor stations provide a combined 59,640 hp of compression (Petal I - 10,400 hp; Petal II - 25,000 hp; Petal III - 15,000 hp; and Hattiesburg - 9,240 hp).⁸

⁴ 15 U.S.C. § 717a (6) (2012).

⁵ *Gulf South Pipeline Co., LP and Petal Gas Storage, L.L.C.*, 149 FERC ¶ 61,174 (2014).

⁶ Cavern Nos. 1, 3, 3-A, 6, 7, 8, 10, and 12A.

⁷ Petal Gas acquired Hattiesburg Industrial Gas Sales, LLC through a merger. *Petal Gas Storage, L.L.C.*, 142 FERC ¶ 61,119 (2013).

⁸ See *Petal Gas Storage Co.*, 64 FERC ¶ 61,190 (1993); *Petal Gas Storage Co.*, 86 FERC ¶ 61,224 (1999), *modified by*, 96 FERC ¶ 61,177 (2001); *Petal Gas Storage, L.L.C.*, 90 FERC ¶ 61,243 (2000), *modified by*, 96 FERC ¶ 61,177 (2001); *Petal Gas Storage, L.L.C.*, 92 FERC ¶ 61,220 (2000); *Petal Gas Storage, L.L.C.*, 97 FERC ¶ 61,097 (2001), *amended by*, 100 FERC ¶ 61,100 (2002); *Petal Gas Storage, L.L.C.*, 102 FERC ¶ 61,243 (2003); *Petal Gas Storage, L.L.C.*, 110 FERC ¶ 61,260 (2005); *Petal Gas Storage, L.L.C.*, 118 FERC ¶ 61,253, *reh'g granted in part and denied in part*, (continued ...)

5. As relevant to the proposed project, on June 1, 2007, the Commission authorized Petal Gas to construct and operate the Petal III Station,⁹ comprising three compressor units totaling 15,000 hp and placed into service on December 7, 2009. Gulf South explains that while the Petal III Station was under construction, Petal Gas received Commission authorization (1) to expand the Petal III Station by adding three additional compressor units totaling another 15,000 hp of compression and (2) to construct Cavern Nos. 1 and 2.¹⁰ Thus, the Petal III Station was constructed with space for six compressor units. However, Petal Gas elected not to construct the three expansion compressor units at that time.¹¹

6. Gulf South contends that the Gulf Coast natural gas marketplace is evolving to place more value on facilities and services which enable more storage injection and withdrawal cycles per year. Gulf South notes that some storage customers of the Petal Complex have turned their capacity over to third-party asset managers, who require non-traditional injection and withdrawal capabilities. Therefore, Gulf South asserts that it is proposing the Petal III Compression Project to enhance operational flexibility, continue to provide reliable natural gas storage service, and potentially increase the number of injection and withdrawal cycles both to meet the needs of existing customers and to attract new customers desiring service from the Petal Complex.

7. Specifically, Gulf South proposes to construct and operate the following facilities within the Petal Complex in Forrest County, Mississippi:

- Two new electric-driven 5,000 hp compressor units with discharge gas coolers inside the existing Petal III Station building;

120 FERC ¶ 61,226 (2007); *Petal Gas Storage, L.L.C.*, 119 FERC ¶ 61,227 (2007); *Petal Gas Storage, L.L.C.*, 121 FERC ¶ 62,186 (2007); and *Petal Gas Storage, L.L.C.*, 132 FERC ¶ 61,168 (2010), *reh'g granted*, 133 FERC ¶ 61,148 (2010). Subsequently, through various prior notice proceedings and its blanket certificates, Petal increased the capacity of Cavern No. 8 and 12A. See Gulf South Application at 4, n.2.

⁹ *Petal Gas Storage, L.L.C.*, 119 FERC ¶ 61,227 (2007).

¹⁰ *Petal Gas Storage, L.L.C.*, 124 FERC ¶ 61,066 (2008).

¹¹ Petal Gas' authorization to construct the three expansion compressor units was conditioned on the facilities being constructed and placed into service within one year, or by July 18, 2009. Petal Gas requested and received two, two-year extensions of time within which to construct the facilities, but ultimately chose not to construct the facilities due to market factors, and the authorization lapsed. Hence, new certificate authority is required for Gulf South to construct additional compression units at the Petal III Station.

- A new dehydration unit and a new thermal oxidizer for both the proposed and existing dehydration units; and
- Other auxiliary and appurtenant facilities.

8. Gulf South states that its current certificated injection capability at the Petal Complex is 1.488 Bcf per day, which is limited by the existing level of compression at the facility. Gulf South asserts that the addition of the two new 5,000 hp compressor units will permit it to increase the certificated injection capability of the Petal Complex to 1.738 Bcf per day.

9. Gulf South states that its current certificated withdrawal capability at the Petal Complex is 3.430 Bcf per day, and that this is based on the aggregate of each of the individual below-ground cavern withdrawal capabilities. However, Gulf South maintains that the effective withdrawal capability of the above-ground facilities, which is limited by the existing dehydration units, is only 1.945 Bcf per day. With the addition of the proposed new dehydration unit, the effective withdrawal capability of the Petal Complex facilities will increase to a total withdrawal capability of 2.495 Bcf per day. Gulf South is requesting the Commission restate the certificated withdrawal capability of the Petal Complex from 3.430 Bcf per day to 2.495 Bcf per day in order to reflect the actual capabilities of the downstream facilities. In other words, explains Gulf South, it is requesting the upper limit of withdrawal capability be defined by the limiting capability of the existing and new above-ground facilities, instead of referencing the aggregate capability of the underground caverns.

10. Gulf South emphasizes that it is not requesting authorization to modify the total inventory, certificated base gas or working gas capacities, cavern pressures, or cavern and buffer boundaries, and that the project will not affect or modify the individual storage caverns. Gulf South states that it is proposing to change only the certificated injection and withdrawal capabilities of its Petal Complex in order to, as previously stated, increase operational flexibility, ensure continued reliable natural gas storage service, and potentially increase the number of injection and withdrawal cycles available to satisfy the needs of customers desiring service from the Petal Complex.

11. Finally, Gulf South requests authorization to continue providing firm and interruptible storage services from Gulf South's storage facilities at market-based rates. Gulf South notes that in its order approving the acquisition of the Petal Complex, the Commission granted Gulf South's request to continue to charge market-based rates for its storage services.¹²

¹² *Gulf South Pipeline Co., LP*, 149 FERC ¶ 61,174 (2014).

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II. Notice, Intervention, and Comments

12. Notice of Gulf South's application was published in the *Federal Register* on October 26, 2018.¹³ NJR Energy Services Company, PSEG Energy Resources & Trade LLC, Atmos Energy Corporation, Trans Louisiana Gas Pipeline, Inc., and United Municipal Distributors Group filed timely, unopposed motions to intervene.¹⁴ In addition, the U.S. Environmental Protection Agency (EPA) filed comments in response to the notice, raising environmental issues that are addressed in the Environmental Assessment (EA) prepared for the project.

III. Discussion

13. Because Gulf South's proposed facilities will be used to transport natural gas in interstate commerce, subject to the Commission's jurisdiction, the construction and operation of the facilities are subject to the requirements of subsections (c) and (e) of section 7 of the NGA.¹⁵

A. Application of Certificate Policy Statement

14. The Certificate Policy Statement provides guidance for evaluating proposals to certificate new construction.¹⁶ The Certificate Policy Statement establishes 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 natural gas facilities, the Commission balances the public benefits against the potential adverse consequences. The Commission's goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.

¹³ 83 Fed. Reg. 54,102 (2018).

¹⁴ Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.214(c) (2018).

¹⁵ 15 U.S.C. §§ 717f (c) and (e) (2012).

¹⁶ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *clarified*, 90 FERC ¶ 61,128, *further clarified*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

15. Under this policy, the threshold requirement for applicants proposing new projects is that the applicant 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 construction of the new natural gas facilities. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, the Commission will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will the Commission proceed to consider the environmental analysis where other interests are addressed.

16. The Commission finds that Gulf South has satisfied the threshold requirement of the Certificate Policy Statement that it not rely on subsidization from its existing customers. As discussed below, the Commission is reaffirming Gulf South's authorization to provide firm and interruptible storage services at market-based rates. By charging market-based rates, Gulf South assumes the economic risks associated with the costs of the project's facilities; therefore, there will be no subsidization from its existing customers.

17. The Commission also finds that the proposed project will not adversely affect service to Gulf South's existing customers, or other pipelines and their captive customers. In fact, Gulf South's proposal is intended to enhance service to its customers by increasing operational flexibility and potentially increase the number of injection and withdrawal cycles. Further, no pipelines or their captive customers have objected to Gulf South's proposal.

18. With respect to the project's effect on landowners and communities, the project facilities will be located entirely within the existing Petal Complex and on land solely owned by Gulf South. The new compressor units will be sited within the existing Petal III Station building, while the new dehydration unit will be located immediately adjacent to the Petal III Station facilities. Thus, the Commission finds that Gulf South has designed the proposed project to have minimal impact on landowners and communities.

19. The Commission grants Gulf South's request to redefine the withdrawal capability of the Petal Complex as the effective withdrawal capability of the above-ground facilities, rather than the aggregate withdrawal capability of the caverns. Defining the withdrawal capability of the Petal Complex based on the actual withdrawal capability of the above-ground facilities is a more accurate reflection of the Petal Complex withdrawal capability, given both the general operational limitations of the Petal Complex above-ground facilities and the specific additional withdrawal capability that will result from the

proposed new dehydration unit.¹⁷ Accordingly, the Commission authorizes the Petal Complex's effective maximum withdrawal capability of 2.495 Bcf per day as the facility's certificated withdrawal capability.

20. Based on the benefits of enhanced injection and withdrawal capabilities and operational flexibility the Petal III Compression Project will provide and the absence of adverse effects on existing customers, other pipelines and their captive customers, and landowners and surrounding communities, the Commission finds, consistent with the criteria discussed in the Certificate Policy Statement and NGA section 7(c), that the public convenience and necessity requires approval of Gulf South's proposal, as conditioned in this order.

B. Market-Based Rates

21. Gulf South is currently authorized to charge market-based rates for its storage services.¹⁸ Gulf South requests authorization to continue providing firm and interruptible storage services at market-based rates using its storage facilities, including the Petal Complex project facilities. Gulf South submitted an updated current and projected market power analysis as part of its application.¹⁹

22. Generally, the Commission evaluates requests to charge market-based rates for storage under the analytical framework of its *Alternative Rate Policy Statement*.²⁰ This framework has two principal purposes: (1) to determine whether the applicant can withhold or restrict services and, as a result, increase prices by a significant amount for a significant period of time; and (2) to determine whether the applicant can discriminate

¹⁷ As noted, *supra*, the project will not modify any aspect of the storage caverns, including cavern pressures, total inventory, buffer boundaries, or certificated total, base, or working gas capacities for the Petal Complex.

¹⁸ See *Gulf South Pipeline Co., LP*, 149 FERC ¶ 61,174 (2014).

¹⁹ Gulf South Application, Exhibit I.

²⁰ *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines and Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076 (1996), *reh'g and clarification denied*, 75 FERC ¶ 61,024 (1996), *petitions for review denied sub nom., Burlington Resources Oil & Gas Co. v. FERC*, 172 F.3d 918 (D.C. Cir. 1998) (*Alternative Rate Policy Statement*); *criteria modified, Rate Regulation of Certain Natural Gas Storage Facilities*, 115 FERC ¶ 61,343 (2006) (Order No. 678), *order on clarification and reh'g*, 117 FERC ¶ 61,190 (2006) (Order No. 678-A).

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unduly in price or terms and conditions of service.²¹ To find that an applicant cannot withhold or restrict services, significantly increase prices over an extended period, or discriminate unduly, the Commission must find either that there is a lack of market power²² because customers have good alternatives,²³ or that the applicant or the Commission can mitigate the market power with specified conditions.

23. The Commission's analysis of whether an applicant has the ability to exercise market power consists of three major steps. First, the Commission reviews whether the applicant has fully and specifically defined the relevant markets in which specific products or services are provided, and identified the suppliers of these products and services who can provide good alternatives to the applicant's ability to exercise market power.²⁴ Additionally, as part of the first step, the applicant must also identify the relevant geographic market.²⁵ Second, the Commission measures an applicant's market share and market concentration.²⁶ Third, the Commission evaluates any other relevant factors, such as the ease of entering the market. The Commission evaluates requests for market-based rates on a case-by-case basis.²⁷

²¹ See *Blue Sky Gas Storage, LLC*, 129 FERC ¶ 61,210 (2009); *Orbit Gas Storage, Inc.*, 126 FERC ¶ 61,095 (2009) (*Orbit Gas*).

²² The Commission defines "market power" as "the ability of a pipeline to profitably maintain prices above competitive levels for a significant period of time." *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076 at 61,230.

²³ A good alternative is an alternative to the proposed project that is available soon enough, has a price that is low enough, and has a quality high enough to permit customers to substitute the alternative for an applicant's service. *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076 at 61,230.

²⁴ The relevant product market consists of the applicant's service and other services that are good alternatives to the applicant's services. *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076 at 61,231.

²⁵ *Id.* at 61,232-34.

²⁶ *Id.* at 61,234.

²⁷ Order No. 678, 115 FERC ¶ 61,343 at P 47.

Geographic and Product Market

24. Consistent with its previously submitted market power analyses, Gulf South identifies the relevant geographic market area as the Gulf Coast Production Area. The Gulf Coast Production Area includes Louisiana and Mississippi, as well as the state of Alabama and the eastern portion of Texas. Gulf South states that the Commission has previously accepted the Gulf Coast Production Area as a geographic market area, in numerous market-based storage orders.²⁸ This area includes 62 underground natural gas storage facilities, including those of Boardwalk, comprised of the Gulf South and Boardwalk Storage Company (BSC) storage facilities. Also consistent with its most recent market power study, Gulf South proposes to define its relevant product market to include all natural gas storage facilities, both interstate and intrastate, in the Gulf Coast Production Area.

Market Share and Market Concentration

25. The Commission uses the Herfindahl-Hirschman Index (HHI) to analyze whether a competitive market exists for a specific product, and to determine market concentration for natural gas pipeline and storage markets.²⁹ The *Alternative Rate Policy Statement* states that a low HHI (generally less than 1,800) indicates that sellers are less likely to be able to exert market power because customers have sufficiently diverse alternatives in the relevant market.³⁰ Conversely, a high HHI (generally greater than 1,800) requires additional scrutiny in order to make a determination about a seller's ability to exert market power.

26. Gulf South's updated market power analysis indicates that the current market share of Boardwalk Pipelines is 10.03 percent for working gas capacity and 11.43 percent for daily storage field deliverability.³¹ The current HHI calculations for the relevant market are 1,137 for working gas capacity and 802 for daily deliverability.³² However, Gulf South's projected market power analysis shows that after incorporating the

²⁸ Gulf South cites 13 prior cases utilizing this geographic market area definition. See Gulf South Application at 9, n.10.

²⁹ *Alternative Rate Policy Statement*, 74 FERC ¶ 61,076 (1996).

³⁰ See Order No. 678, 115 FERC ¶ 61,343 at P 55 (noting that the Commission is not changing the 1,800 HHI threshold level).

³¹ Gulf South Application, Exhibit I at Appendix A.

³² *Id.*

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reduction to the deliverability at the Petal Complex, Boardwalk will possess market shares of 10.03 percent and 9.63 percent for working gas and daily deliverability, respectively, resulting in projected HHI calculations for the relevant market of 1,137 for working gas capacity and 791 for daily deliverability.³³ Gulf South asserts that the proposed HHI's are significantly below the 1,800 level that the Commission has determined warrants additional scrutiny, and demonstrate that Boardwalk will continue to lack the ability to exercise market power at its storage facilities acting alone.

Ease of Entry and Other Factors

27. Gulf South's updated market analysis states that the Commission has found that ease of entry into the relevant market can limit the potential for natural gas storage companies operating in that market area to exercise market power.³⁴ Gulf South asserts that the analysis demonstrates that there is substantial ease of entry into the Gulf Coast Production Area that can help mitigate any potential market power concerns. Gulf South's market power analysis study shows that there are currently 62 separate facilities owned by 25 corporate entities in the Gulf Coast Production Area.³⁵ Gulf South states that out of the 25 corporate entities, 23 of them possess a working gas market share of less than 10 percent.³⁶ According to Gulf South, this demonstrates that no significant barriers to entry exists with respect to the size and scale of market participants. Gulf South also contends that this ease of entry is supported by the fact that there have been 59 certificated storage projects in the Gulf Coast Production Area since 2000, which amounts to approximately 793 Bcf of working gas capacity and 45 Bcf per day of daily deliverability.³⁷ Additionally, Gulf South notes that there are a number of certificated storage projects which are expected to be placed into service in the future.³⁸

³³ Gulf South Application, Exhibit I at Appendix B.

³⁴ See *Sawgrass Storage, L.L.C.*, 138 FERC ¶ 61,180, at P 43 (2012); *Golden Triangle Storage, Inc.*, 138 FERC ¶ 61,036, at P 19 (2012); and *Perryville Gas Storage LLC*, 137 FERC ¶ 61,160, at P 18 (2011).

³⁵ See Gulf South Application, Exhibit I, at 4 and Appendices A and B.

³⁶ *Id.* at 4.

³⁷ *Id.* at 4 and Appendix C.

³⁸ *Id.* at 4 and Appendix D.

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28. Finally, Gulf South maintains that its market power analysis is conservative because it excludes potential competition from non-storage alternatives. Specifically, Gulf South asserts that it excluded non-storage competitors such as local natural gas production, liquefied natural gas peaking and import facilities, pipeline capacity and park and loan services, and financial market instruments, all of which, it states, could have been included in its market power analysis.³⁹

Commission Determination

29. Gulf South's use of the Gulf Coast Production Area as its relevant geographic market and all natural gas storage facilities, both interstate and intrastate, as its product market is consistent with the Commission's analysis and findings in prior orders granting Gulf South market-based rate authority.⁴⁰ The Commission has found in previous orders that the Gulf Coast Production Area is a highly competitive market where numerous storage facilities and service alternatives exist for potential customers.⁴¹

30. The HHI values provided by Gulf South are well below the Commission's threshold number of 1,800, indicating that Gulf South will not be able to exert market power in the relevant market. Gulf South's market power analysis also shows that there are no significant barriers to entry in the Gulf Coast Production Area. In these circumstances, the Commission concludes that Gulf South lacks significant market power in the Gulf Coast Production Area. Accordingly, the Commission finds that Gulf South may continue to charge market-based rates for its firm and interruptible storage services, subject to the condition regarding notification of changed circumstances described below.

31. The Commission requires any pipeline with market-based rates to notify the Commission if future changes in circumstances may significantly affect its present market power status.⁴² Thus, the Commission's approval of continued market-based rate authority for Gulf South's storage services is subject to mandatory reexamination if: (a) Gulf South seeks to add storage capacity beyond the capacity authorized in this proceeding; (b) an affiliate increases storage capacity; (c) an affiliate links storage facilities to Gulf South; (d) Gulf South, or an affiliate, acquires an interest in, or is

³⁹*Id.* at 4.

⁴⁰ See, e.g., *Gulf South Pipeline Co., LP*, 149 FERC ¶ 61,174, at P 40 (2014).

⁴¹ See, e.g., *D'lo Gas Storage, LLC*, 140 FERC ¶ 61,182 (2012); *Sawgrass Storage, LLC*, 138 FERC ¶ 61,180 (2012); *Golden Triangle Storage, Inc.*, 138 FERC ¶ 61,036 (2012); and *Cadeville Gas Storage, LLC*, 132 FERC ¶ 61,115 (2010).

⁴² 18 C.F.R. § 284.504(b) (2018).

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acquired by, a pipeline connected to Gulf South; (e) there is an expansion of capacity; (f) there is acquisition of additional transportation facilities; or (g) there is an affiliate providing transportation services in the same market area. Because these circumstances could affect its market power status, Gulf South is directed to notify the Commission within 10 days of acquiring knowledge of any such changes.⁴³ The notification must include a detailed description of the new facilities and their relationship to Gulf South.⁴⁴ The Commission also reserves the right to require an updated market power analysis at any time.⁴⁵

C. Waiver of Filing Requirements

32. Gulf South requests that the Commission waive the filing requirements of 18 C.F.R. §§ 157.14(a)(14), (15), (17), and (18) of the Commission's regulations, which require pipelines to submit, respectively, Exhibit K (Cost of Facilities), Exhibit L (Financing), Exhibit N (Revenues – Expenses – Income), and Exhibit O (Depreciation and Depletion), since these exhibits are required for cost-based rate authority.

33. In light of the Commission's continued approval of market-based rates for Gulf South's storage services, the cost-related information required by the aforementioned regulations is not relevant. Thus, consistent with the Commission's findings in previous orders,⁴⁶ we will grant Gulf South's request for waiver of the regulations requiring the filing of cost-based and depreciation information. The waivers granted herein are subject

⁴³ A notification of a change in circumstances should be submitted as a filing in compliance with 18 C.F.R. § 284.504(b) (2018) and should be filed through the eTariff portal in the manner recommended in the Commission's eTariff guidelines, <http://www.ferc.gov/docs-filing/etariff.asp>. Gulf South should make its compliance filing using the Type of Filing Code 580. Gulf South should include as part of the eFiling description, a reference to the most recent docket number in which the Commission either approved or re-certified the pipeline's market-based rate authority. Any additional supporting documentation, including an updated market power study, should be filed using the same procedures.

⁴⁴ See *Port Barre Investments, L.L.C.*, 116 FERC ¶ 61,052 (2006) (*Port Barre*) and 18 C.F.R. § 284.504 (2018).

⁴⁵ See *Golden Triangle Storage, Inc.*, 152 FERC ¶ 61,158, at P 27 (2015) and *Floridian Natural Gas Storage Co., LLC*, 124 FERC ¶ 61,214, at P 33 (2008).

⁴⁶ See, e.g., *Rager Mountain Storage Co. LLC*, 136 FERC ¶ 61,151, at P 15 (2011); *Orbit Gas*, 126 FERC ¶ 61,095 (2009); *Port Barre*, 116 FERC ¶ 61,052 at PP 33-34; and *Liberty Gas Storage, LLC*, 113 FERC ¶ 61,247, at PP 54-55 (2005).

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to revision in the event the Commission finds cause to review Gulf South's market power or market-based rates. In addition, Gulf South is required to maintain records to separately identify the original cost and related depreciation on its facilities, and to maintain accounts and financial information of its facilities consistent with generally accepted accounting principles, should the Commission require Gulf South to produce such information or cost-based reports in the future.

D. Environmental Analysis

34. On November 20, 2018, the Commission issued a *Notice of Intent to Prepare an Environmental Assessment for the Proposed Petal III Compression Project and Request for Comments on Environmental Issues* (NOI). The NOI was published in the *Federal Register*⁴⁷ and mailed to interested parties, including federal, state, and local officials; agency representatives; environmental and public interest groups; Native American tribes; local libraries; and affected landowners. In response to the NOI, the Commission received comments from the Mississippi Department of Wildlife, Fisheries, and Parks, the Alabama-Coushatta Tribe of Texas (Alabama-Coushatta Tribe), the Choctaw Nation of Oklahoma Historic Preservation Department (Choctaw Nation), and TransTitle Properties, Inc. (TransTitle), a residential developer. In addition, as noted above, the Commission received comments from the EPA in response to the notice of Gulf South's application. On February 1, 2019, Gulf South filed an answer to TransTitle's comments.

35. The primary issues raised during the scoping process concerned gopher tortoise avoidance and management, safe groundwater dewatering practices, inspections and repairs of erosion control and stabilization structures after heavy rains, the proper discharge of hydrostatic test water, impacts on air quality, and the safety from additional compression facilities of a nearby new home community, as well as potential encroachment of the Petal Salt Domes on that community. In addition, Choctaw Nation requested all cultural resource reports and the Geographic Information Systems shapefiles for the project area, while the Alabama-Coushatta Tribe stated the project would not impact its cultural assets.

36. To satisfy the requirements of the National Environmental Policy Act of 1969 (NEPA),⁴⁸ the Commission's staff prepared an EA for Gulf South's proposal. The analysis in the EA addresses geology, soils, water resources, wetlands, vegetation, wildlife, threatened and endangered species, land use, visual resources, cultural resources, air quality, noise, safety, cumulative impacts, and alternatives. All substantive comments received by the EPA and in response to the NOI were addressed in the EA.

⁴⁷ 83 Fed. Reg. 60,842 (Nov. 27, 2018).

⁴⁸ 42 U.S.C. § 4321, *et seq.* (2012).

37. On April 3, 2019, the Commission issued the EA and placed it into the public record, providing for a 30-day comment period. The EPA filed comments on the EA concerning the discharge of construction water and the impact of the project on air quality and noise, and the Muscogee Creek Nation commented that the project is outside of its historic area of interest. In addition, on June 10, 2019, TransTitle filed a letter attaching its previously filed comments to the NOI and reiterating its request that the Commission deny the project on the basis of the safety of the residents of its newly developed residential subdivision adjacent to the Petal III Compressor Station.⁴⁹ The Commission discusses the EPA's and TransTitle's comments below.

Discharge of Construction Water

38. The EA states that Gulf South will use approximately 45,000 gallons of water for fugitive dust control and to hydrostatically test the newly installed above- and below-ground pipeline sections.⁵⁰ The EA further states that water would be drawn from a municipal source and discharged into a well-vegetated upland area using hay bales for energy dissipation, or into an existing stormwater system within the Petal Complex.⁵¹

39. In its comments, the EPA asserts that the EA does not include in its discussion the details related to Gulf South's proposed hydrostatic testing, including the potential use of chemicals during testing. The EPA maintains that the EA should include such information, and that the use of any chemicals would require additional management when discharging hydrostatic test waters. In addition, the EPA recommends that Gulf South use filters and screens at the end of pipelines before discharge and comply with any additional requirements from the Mississippi Department of Environmental Quality (Mississippi DEQ).

40. The EA addresses the use of chemicals during hydrostatic testing. The EA states that during testing, a chloride reducer may be used for water obtained from municipal sources.⁵² The EA further states that the treated water would only be in contact with the new pipe, and the use of any chemical additives would be in accordance with applicable

⁴⁹ Although TransTitle's letter does not appear to have been filed in response to the EA, as it is neither styled as comments on the EA, nor does it reference the discussion in the EA of its safety concerns, the Commission will address TransTitle's concerns.

⁵⁰ EA at 27.

⁵¹ *Id.*

⁵² EA at 15.

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federal, state, and local regulations.⁵³ Because a chloride reducer is the only chemical additive proposed, the Commission concludes that impacts from the introduction of chemicals to hydrostatic test water would be not significant and, thus, no further discussion is needed.

41. With respect to the EPA's suggestion regarding the use of filters and screens prior to discharge, as stated in the EA, Gulf South will implement the mitigation measures included in the Commission's *Wetland and Waterbody Construction and Mitigation Procedures* (Procedures). The Procedures specifically address best management practices for hydrostatic testing, including the appropriate permitting expectations and intake source and rate measures, as well as discharge measures to minimize potential erosion. However, the Procedures do not require the use of filters and screens for discharges of hydrostatic test water as this water would only come into contact with new pipe prior to discharge. Given that the Procedures require applicants to obtain all applicable discharge permits and Gulf South has committed to implementing the mitigation measures of the Procedures, the Commission concludes that impacts from hydrostatic test water discharge will be minimized to the extent practicable, and it is unnecessary to require the use of filters and screens. Furthermore, Gulf South will notify the Mississippi DEQ prior to discharge in accordance with its statewide General Permit.

Air Quality

42. In its comments on the EA, the EPA reiterates its prior recommendation that Gulf South be required to implement clean diesel initiatives and practices for on- and off-road construction equipment to help minimize air pollutant emissions. While Gulf South will use heavy equipment with diesel engines during construction of the project, the EA finds that any construction emissions from such equipment will be minor and temporary, lasting approximately 7 months, with each criteria pollutant totaling less than one ton of emissions over the duration of construction activities.⁵⁴ While the Commission encourages Gulf South to minimize diesel emissions, based on the minor scope and short-term duration of the project, the Commission is not requiring Gulf South to implement clean diesel initiatives. In addition, as the EA notes, Gulf South intends to minimize construction emissions by meeting federal design standards imposed at the time of the manufacture of equipment, operating equipment on an as-needed basis, and using commercial gasoline and diesel fuel products.⁵⁵ The Commission concurs with the EA's findings that construction emissions will be temporary and localized in the immediate

⁵³ *Id.*

⁵⁴ EA at 41-42.

⁵⁵ *Id.* at 42.

vicinity of the construction work areas, and will not result in a significant impact on air quality.

43. The EPA also contends that the nearby residential subdivision under construction (by TransTitle) could contribute cumulatively to air quality impacts in the project area. The EA examined the additional impact on air quality from this residential construction project in the cumulative impacts section of the EA. The EA finds that while the two projects have the potential to occur at the same time, should their construction overlap, Gulf South's proposed project would not result in significant cumulative impacts on air quality during construction, owing to Gulf South's stated, and TransTitle's likely, implementation of fugitive dust control measures, as well as the fact the impacts of construction of both projects will be temporary and localized.⁵⁶

44. With regard to operational emissions, the EPA recommends that the Commission require Gulf South to participate in its Natural Gas STAR Program to minimize air pollutants and greenhouse gas emissions. Gulf South's project includes the installation of two new electric compressor units that will not result in any new combustion emissions during operation of the compressor station, and would only result in minor fugitive emissions. The Commission encourages applicants to reduce greenhouse gas emissions and to participate in the EPA's voluntary program; however, based on the limited scope and impact of the project facilities, the Commission is not persuaded that it must require Gulf South to participate in this program.

Noise

45. Gulf South included in its application an ambient sound survey and acoustical analysis performed by its consultant in August 2018 in order to estimate the existing noise levels at the Petal Complex and the sound contribution of the proposed Petal III facilities at nearby noise sensitive areas (NSAs).⁵⁷ As described in the EA, the sound survey captured existing sound levels at four NSAs from the operation of the Petal I and III Stations,⁵⁸ running at approximately 29 percent of the Petal I, II, and III full

⁵⁶ *Id.* at 59.

⁵⁷ *See* Resource Report 9 at p. 9-33 and Appendix 9E (acoustical analysis).

⁵⁸ The Petal II Station was not in operation at the time of the sound survey due to limited available gas for the injection mode of operation. *See* Gulf South's January 10, 2019 Data Response to Question 9 of Commission Staff's December 21, 2018 Data Request. The Hattiesburg Station was also excluded as the compressor units at that station are not currently utilized at the Petal Complex. *See* Appendix 9E of Application at 2.

(continued ...)

operational capacity, but in an operational mode which generates the greatest amount of noise at the facility.⁵⁹ Table 12 in the EA indicates that total existing ambient sound level from the operation of the maximum available gas injection units at Petal I and II is greater than the Commission's maximum day-night average sound level of 55 decibels on the A-weighted (dBA) scale day-night sound level (L_{dn}) at three of the four NSAs.⁶⁰ Table 12, however, reflects that the noise contribution from the Petal III project modifications would be well below the 55 dBA L_{dn} requirement, and the EA finds that total noise levels at the NSAs would remain the same following the project modifications and would not result in a perceptible increase in existing noise levels. In addition, the EA states that Gulf South has committed to implement five of the sound mitigation measures recommended by its noise consultant.⁶¹ The EA's Environmental Recommendation 14 requires Gulf South to file noise surveys for the Petal III Station after the modified station goes into service to verify that the total noise levels from Gulf South's existing and proposed new equipment operated at full power load condition do not exceed the preexisting noise levels for the three NSAs that are at or above 55 dBA L_{dn} (i.e., do not exceed 57, 56, and 56.1 dBA L_{dn} , respectively, for NSAs 1, 2, and 4). Environmental Recommendation 14 also provides that if the total noise from all equipment operated at full power load condition exceeds these previously existing noise levels at the NSAs that are at or above 55 dBA L_{dn} , or if the contribution from the Petal III Station is greater than 55 dBA L_{dn} , Gulf South must install additional noise controls to meet those levels within one year of the in-service date.

46. Because the operational noise analysis indicates that total noise at three of the four NSAs nearest the Petal III Station will be (and already is) greater than the Commission's sound level requirement of 55 dBA L_{dn} , the EPA requests that the Commission require Gulf South to implement the additional noise control measures that were recommended by Gulf South's noise consultant in Resource Report 9 and Appendix 9A to the application.

47. Based on the EPA's concerns, the Commission's staff undertook an evaluation of the historic sound level surveys associated with the three Petal compressor stations. Specifically, the Commission reviewed a 2010 post-construction sound level survey conducted in Docket No. CP07-81-000 for Petal Gas' Petal No. 3 Compressor Station

⁵⁹ EA at 47. See Gulf South February 7, 2019 Data Response to Question 3 of Commission Staff's January 31, 2019 Data Request.

⁶⁰ EA at 48. The noise levels were 57, 56, and 56.1 dBA L_{dn} at NSAs 1, 2, and 4, respectively.

⁶¹ *Id.* at 47.

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Project.⁶² This sound level survey shows that in 2010, the post-construction total sound levels at six NSAs from the combined noise of the Petal I, II, and III Compressor Stations were all less than 55 dBA L_{dn} during full-load operation of all three compressor stations. The Commission notes that the existing Petal Complex has the same number of compressor units in operation now as it had during the 2010 sound survey and the distances to the NSAs are comparable. In light of this, the Commission finds that the existing ambient noise levels submitted during the 2010 post-construction noise survey are more appropriate for use than the ambient noise levels that were submitted and summarized in table 12 of the EA.

48. Therefore, the Commission concludes that Gulf South should reasonably meet the 55 dBA L_{dn} requirement to ensure that the total combined noise from all equipment at the Petal I, II, and III Stations, including the equipment proposed as part of this project, be less than 55 dBA L_{dn} at the nearby NSAs. Accordingly, the Commission is modifying the EA's Environmental Recommendation 14 to require that Gulf South file a total combined noise survey for the Petal I, II, and III Stations no later than 60 days after placing the modified Petal III Station into service to verify that the noise from the existing and proposed new equipment operated at full power load condition does not exceed 55 dBA L_{dn} at nearby NSAs.⁶³ Moreover, if the required noise survey demonstrates that the noise levels are above the 55 dBA L_{dn} limit, Gulf South must install additional noise controls to meet that level, and confirm compliance with this requirement by filing a second full power load noise survey after it installs the additional noise controls. Although we are not requiring Gulf South to implement the noise control measures recommended by Gulf South's noise consultant at this time, our revised Environmental Condition 14 will ensure that total noise levels from the Petal I, II, and III Stations at nearby NSAs does not exceed 55 dBA L_{dn} . In light of the above, the Commission concludes that the proposed project will not result in significant noise impacts on residents or the surrounding communities.

Safety

49. TransTitle has developed a new residential subdivision comprising 67 lots within approximately 500 feet of the existing Petal III Station. In its comments, TransTitle raises two issues. First, TransTitle contends that the expansion of the Petal III Station will jeopardize the safety of the residents in the subdivision and requests that the Commission

⁶² See December 15, 2010 "Post-Construction Sound Level Survey for the Petal Gas Storage Facility Compressor Station Numbers 1, 2, and 3" prepared by HFP Acoustical Consultants, Inc. filed in Docket No. CP07-81-000, et al.

⁶³ The Commission notes, as discussed in the EA, that Gulf South must include newly constructed NSAs that are a part of the nearby new home subdivision under development in the post-construction noise level survey.

(continued ...)

deny Gulf South's application. TransTitle points to two prior incidents that it states occurred on or near the Petal Complex site – a 1974 explosion that “injured 24 people, damaged buildings for as far as seven miles away, and scorched a half-mile area,” and a 1986 explosion at a nearby propane gas storage site that “injured 16 people, ... forc[ed] a 12-hour evacuation of about 200 residents, and [left] a crater in the ground of 10 to 25 feet deep and 300 feet across.”⁶⁴ TransTitle maintains that in light of these incidents, there is no reason to increase the probability of harm to the public by increasing the injection and withdrawal capabilities of the Petal III Station compressor facilities.

50. In its answer, Gulf South responds that the prior incidents of explosions are not relevant to the safety of its Petal III Compression Project, as these safety incidents occurred 33 and 45 years ago and appear to have occurred on propane facilities operated by a third party unaffiliated with Gulf South.⁶⁵ Gulf South further responds that its proposed above-ground facilities are regulated by the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA), and that the project will be constructed and operated in compliance with all applicable PHMSA rules and regulations. Gulf South states that the TransTitle comments do not address Gulf South's safety record and provide no basis to question the safety of the project.

51. The Commission agrees with the determination in the EA that the past safety incidents, which occurred decades ago and did not involve natural gas facilities, are not relevant to the safety of Gulf South's proposed project.⁶⁶ As Gulf South notes, Resource Report 11 of its application provides a detailed discussion of how the project will be designed, constructed, operated, and maintained in compliance with PHMSA rules and regulations to ensure public safety. As the EA finds, safety concerns regarding Gulf South's proposed project are more appropriately addressed by PHMSA.⁶⁷

52. Second, TransTitle asserts that the Commission must determine whether there has been any leaching of salt domes in the area that has expanded their size and location past their property boundaries. TransTitle argues that the Commission must make a finding that there has been no cavern encroachment under its property in order to authorize Gulf South's proposed project.

⁶⁴ TransTitle December 20, 2018 Comments at 1.

⁶⁵ See Gulf South Answer at 3, n.5.

⁶⁶ EA at 51.

⁶⁷ *Id.*

(continued ...)

53. Gulf South answers that the design, location, construction, integrity, and operation of salt dome facilities in Mississippi is subject to regulation by the Mississippi State Oil and Gas Board (Mississippi State Board).⁶⁸ Gulf South asserts that it is in compliance with the applicable Mississippi State Board regulations.⁶⁹ Gulf South explains that these regulations require it to conduct mechanical integrity tests and volume verifications at least every five years, as well as perform sonar surveys and subsidence testing in accordance with these regulations. Gulf South states that Mississippi State Board regulations provide steps to be taken if it is determined that a storage cavern has expanded beyond permitted boundaries. Gulf South asserts that based on this testing, no Gulf South cavern has shown evidence of exceeding its permitted boundary.

54. As stated in the EA, the Commission's staff reviewed documents submitted to the Mississippi State Board, including Gulf South's permit applications, data submissions, and test results required by state regulations.⁷⁰ Staff's assessment confirmed that Gulf South's caverns are properly spaced under Mississippi State Board regulations for domal salt storage facilities. Staff's assessment also determined that the various tests and logs conducted on these caverns and wells, including a Mechanical Integrity Test based on measured cavern volumes, are consistent with Interstate Oil and Gas Compact Commission guidelines for salt dome storage. Given Gulf South's compliance with Mississippi State Board regulations, the Commission finds that Gulf South's caverns are appropriately maintained. The issue of whether Gulf South's caverns or other salt dome caverns in the Petal Salt Dome have, in fact, expanded, leached or encroached under TransTitle's properties is not before the Commission in this NGA section 7 proceeding, but is more appropriately raised before the Mississippi State Board. The Commission notes that the map of the Petal Salt Dome Field Area that TransTitle included with its comments to the NOI, as well as the Mississippi State Board online database, indicate that the majority of

⁶⁸ Gulf South Answer at 5 (citing *Petal Gas Storage, L.L.C.*, 102 FERC ¶ 61,243, at P 26 n.13 (2003) ("Regulation of underground storage safety is done at the state level") (citing *NE Hub Partners, L.P.*, 83 FERC ¶ 61,043 (1998)); and *Petal Gas Storage, L.L.C.*, 120 FERC ¶ 61,226, at PP 14-17 (2007) (clarifying that the Commission does not require regular leak detection tests, but that Petal must comply with the State of Mississippi's requirements regarding leak detection tests)).

⁶⁹ See State Oil and Gas Board, State of Mississippi, Statewide Rules and Regulations, Rule 64 (13-17), Underground Storage Wells of Liquefied Compressed Gases, Crude Oils, Refined Hydrocarbons, Compressed Air and Natural Gases in Reservoirs Dissolved in Salt Beds (Aug. 1, 2014), <http://www.ogb.state.ms.us/msogbdocuments/Rulebook/Rulbook.pdf>. These regulations provide, in part, for the location of underground storage caverns, including spacing requirements.

⁷⁰ EA at 52.

the wells in close proximity to TransTitle's subdivision are not owned by Gulf South, but rather by Enterprise Products OPER, LLC.

55. Based on the analysis in the EA, as supplemented herein, we conclude that if constructed and operated in accordance with Gulf South's application and supplements, including any commitments made therein, and in compliance with the environmental conditions in the appendix to this order, our approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

56. Compliance with the environmental conditions appended to our orders is integral to ensuring that the environmental impacts of approved projects are consistent with those anticipated by our environmental analyses. Thus, Commission staff carefully reviews all information submitted. Only when satisfied that the applicant has complied with all applicable conditions will a notice to proceed with the activity to which the conditions are relevant be issued. We also note that the Commission has the authority to take whatever steps are necessary to ensure the protection of environmental resources during construction and operation of the project, including authority to impose any additional measures deemed necessary to ensure continued compliance with the intent of the conditions of the order, as well as the avoidance or mitigation of unforeseen adverse environmental impacts resulting from project construction and operation.

57. 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/operation of facilities approved by this Commission.⁷¹

58. At a hearing held on July 18, 2019, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application, and exhibits thereto, and comments, and upon consideration of the record,

⁷¹ See 15 U.S.C. § 717r(d) (2012) (state or federal agency's failure to act on a permit considered to be inconsistent with federal law); see also *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293, 310 (1988) (state regulation that interferes with FERC's regulatory authority over the transportation of natural gas is preempted) and *Dominion Transmission, Inc. v. Summers*, 723 F.3d 238, 245 (D.C. Cir. 2013) (noting that state and local regulation is preempted by the NGA to the extent it conflicts with federal regulation, or would delay the construction and operation of facilities approved by the Commission).

The Commission orders:

(A) A certificate of public convenience and necessity is issued to Gulf South, authorizing it to construct and operate the proposed facilities, as described and conditioned herein, and as more fully described in the application and subsequent filings by the applicant, including any commitments made therein.

(B) The certificate authority issued in Ordering Paragraph (A) is conditioned on Gulf South:

- (1) completing construction of the proposed facilities and making them available for service within two years of the date of this order pursuant to section 157.20(b) of the Commission's regulations;
- (2) complying with all applicable Commission regulations under the NGA including, but not limited to, Parts 154, 157, and 284, and paragraphs (a), (c), (e), and (f) of section 157.20 of the Commission's regulations;
- (3) complying with the environmental conditions listed in the appendix to this order; and

(C) Gulf South is authorized to restate its certificated withdrawal capability of the Petal Complex to 2.495 Bcf per day to reflect the withdrawal capability of the above-ground facilities, as more fully described in the body of this order and the application, and as conditioned herein.

(D) Gulf South's request to continue to charge market-based rates for firm and interruptible storage services is approved, as discussed above, and subject to the conditions in this order.

(E) Gulf South's request to waive certain cost-based regulations is granted, as discussed in the body of this order.

(F) Gulf South shall notify the Commission's environmental staff by telephone or e-mail of any environmental noncompliance identified by other federal, state, or local

agencies on the same day that such agency notifies Gulf South. Gulf South shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

Appendix

Environmental Conditions

1. Gulf South Pipeline Company, LP (Gulf South) shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the environmental assessment (EA), unless modified by the Order. Gulf South 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, or the Director's designee, has delegated authority to address any requests for approvals or authorizations necessary to carry out the conditions of the Order, and take whatever steps are necessary to ensure the protection of environmental resources during construction and operation of the Project. This authority shall allow:
 - a. the modification of conditions of the Order;
 - b. stop-work authority; and
 - c. the imposition of any additional measures deemed necessary to ensure continued compliance with the intent of the conditions of the Order as well as the avoidance or mitigation of unforeseen adverse environmental impact resulting from project construction and operation.

3. **Prior to any construction**, Gulf South shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors (EI), and contractor personnel will be informed of the EIs' authority and have been or will 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 location 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**, Gulf South shall file with the Secretary any revised detailed survey alignment maps/sheets at a scale not smaller than 1:6,000 with station positions for the facility approved by the Order. All requests for modifications of environmental conditions of the Order or site-specific clearances must be written and must reference locations designated on these alignment maps/sheets.

5. Gulf South shall file with the Secretary detailed alignment maps/sheets and aerial photographs at a scale not smaller than 1:6,000 identifying all route realignments or facility relocations, and staging areas, pipe storage yards, new access roads, and other areas that would be used or disturbed and have not been previously identified in filings with the Secretary. Approval for each of these areas must be explicitly requested in writing. For each area, the request must include a description of the existing land use/cover type, 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 Commission's *Upland Erosion Control, Revegetation, and Maintenance Plan* and/or 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. **Within 60 days of the acceptance of the authorization and before construction begins**, Gulf South shall file an Implementation Plan with the Secretary for review and written approval by the Director of OEP. Gulf South must file revisions to the plan as schedules change. The plan shall identify:

- a. how Gulf South will implement the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests), identified in the EA, and required by the Order;
 - b. how Gulf South will incorporate these requirements into the contract bid documents, construction contracts (especially penalty clauses and specifications), and construction drawings so that the mitigation required at each site is clear to onsite construction and inspection personnel;
 - c. the number of EIs assigned, and how the company would ensure that sufficient personnel are available to implement the environmental mitigation;
 - d. company personnel, including EIs and contractors, who would receive copies of the appropriate material;
 - e. the location and dates of the environmental compliance training and instructions Gulf South would give to all personnel involved with construction and restoration (initial and refresher training as the Project progresses and personnel change);
 - f. the company personnel (if known) and specific portion of Gulf South's organization having responsibility for compliance;
 - g. the procedures (including use of contract penalties) Gulf South would follow if noncompliance occurs; and
 - h. for each discrete facility, a Gantt or PERT chart (or similar Project scheduling diagram), and dates for the:
 - i. completion of all required surveys and reports;
 - ii. environmental compliance training of onsite personnel;
 - iii. start of construction; and
 - iv. start and completion of restoration.
7. Gulf South shall employ at least one EI. The EI(s) shall be:
- a. responsible for monitoring and ensuring compliance with all mitigation measures required by the 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 (see condition 6 above) and any other authorizing document;
 - c. empowered to order correction of acts that violate the environmental conditions of the Order, and any other authorizing document;
 - d. a full-time position, separate from all other activity inspectors;
 - e. responsible for documenting compliance with the environmental conditions of the Order, as well as any environmental conditions/permit requirements imposed by other federal, state, or local agencies; and
 - f. responsible for maintaining status reports.
8. Beginning with the filing of its Implementation Plan, Gulf South shall file updated status reports with the Secretary on a **monthly** basis until all construction and restoration activities are complete. On request, these status reports shall also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
- a. an update on Gulf South's efforts to obtain the necessary federal authorizations;
 - b. the construction status of the Project, work planned for the following reporting period, and any schedule changes for work in environmentally sensitive areas;
 - c. a listing of all problems encountered and each instance of noncompliance observed by the EI(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);
 - d. a description of the corrective actions implemented in response to all instances of noncompliance;
 - e. the effectiveness of all corrective actions implemented;
 - f. a description of any landowner/resident complaints that may relate to compliance with the requirements of the Order, and the measures taken to satisfy their concerns; and
 - g. copies of any correspondence received by Gulf South from other federal, state, or local permitting agencies concerning instances of noncompliance, and Gulf South's response.

9. Gulf South must receive written authorization from the Director of OEP **before commencing construction of any project facilities**. To obtain such authorization, Gulf South must file with the Secretary documentation that it has received all applicable authorizations required under federal law (or evidence of waiver thereof).
10. Gulf South must receive written authorization from the Director of OEP **before placing the project into service**. 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.
11. **Within 30 days of placing the authorized facilities in service**, Gulf South shall file an affirmative statement with the Secretary, certified by a senior company official:
 - a. that the facilities have been constructed in compliance with all applicable conditions, and that continuing activities will be consistent with all applicable conditions; or
 - b. identifying which of the conditions in the Order Gulf South has complied with or will 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.
12. **Prior to construction**, Gulf South shall file with the Secretary documentation confirming that it will offer to conduct pre- and post-construction monitoring of well yield and water quality for water supply wells within 150 feet of the workspaces. Gulf South shall also provide a temporary supply of water if the landowner's water supply is contaminated or damaged by construction activities until a permanent water supply is established.
13. **Prior to construction**, Gulf South shall file with the Secretary, for review and written approval by the Director of OEP, mitigation measures to protect wells within and adjacent to construction work areas from physical damage or destruction during construction activities.
14. Gulf South shall file with the Secretary a total noise survey for the Petal I, II, and III Compressor Stations **no later than 60 days** after placing the modified Petal III Station into service to verify that the noise from the existing and proposed new equipment operated at full power load condition does not exceed a day-night noise level (L_{dn}) of 55 decibels on the A-weighted scale (dBA) at nearby noise sensitive areas (NSA). If a full power load condition noise survey is not possible,

Gulf South shall file an interim survey at the maximum possible power load **within 60 days** of placing the modified station into service and file the full power load survey **within 6 months**. If the noise from all the equipment at the Petal I, II, and III Compressor Stations operated at full power load condition exceeds an L_{dn} of 55 dBA at any nearby NSA, Gulf South shall:

- a. file a report with the Secretary, for review and written approval by the Director of OEP, on what changes are needed;
- b. install additional noise controls to meet that level **within 1 year** of the in-service date; and
- c. confirm compliance with this requirement by filing a second full power load noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.