



Second Time The Charm For Millennium

Maybe the second time will be the charm. Certainly that is what Millennium is hoping now that the Federal Energy Regulatory Commission (FERC) has green-lighted a scaled-down pipeline project designed to bring natural gas from Canada to New York City. The new project is about 250 miles shorter, in terms of new construction, than the one which ran aground on New York state environmental objections based on Millennium's proposed crossing of the Hudson River near Mt. Vernon, NY.

According to Mike Armiak, spokesman for Millennium, which is owned by DTE Energy, KeySpan and NiSource, the new project, dubbed Northeast (NE) '07, substitutes existing pipelines owned by Empire, Algonquin and Iroquois for the controversial segments that Millennium had originally planned to build. This new Millennium project is much less ambitious and much smaller than the original proposal. Millennium's pipeline construction has been reduced from 424 to 181.7 miles, the diameter of the pipe dropped from 36 to 30 inches, its allowable operating pressure cut from 1,440 to 1,200 psig and its capacity lowered from 714,000 to 525,400 Dth/day.

The changes in the project mean that this new Northeast NE-07 pipeline will bring less gas to New York City, and that gas will cost more, a point that FERC Chairman Joseph Kelliher, ruefully no doubt, underlined when his agency approved the project on Dec. 21, 2006. "The capacity of the new Millennium pipeline we certificate today is much less than the original project we approved in 2002, while the costs are much greater," Kelliher said. "That will have consequences for the New York City metropolitan area. Natural gas supplies will be less, and prices will likely be higher."

FERC's approval, of course, does not mean construction of the new pipeline segments will go forward. After FERC approved the predecessor version of the Millennium project, the New York Department of State argued successfully, all the way to a federal court of appeals, that the crossing of the Hudson violated the Coastal Zone Management Act.

Millennium's Armiak says 90 percent of the 181 miles of new pipeline his company will build travels along existing gas or electric company rights-of-way. He does not expect any opposition from landowners along the route. "We're optimistic we

will start delivering gas in November 2008," Armiak states.

The pipeline relays needed to complete the carriage of gas from Canada to New York City project bring to mind the old double play combination: "Tinkers to Evers to Chance." Empire Pipeline would extend its current pipeline, which brings gas from the Canadian border to Syracuse, to Corning, NY, where the gas would be picked up by Millennium. The new project would construct 181 miles of 30-inch pipeline from the Corning, NY, compressor station to the Ramapo, NY, station, where that new segment will connect with an existing Algonquin Gas Transmission pipeline. Millennium will also connect to three LDCs along its route – Central Hudson Gas & Electric Corporation, New York State Electric & Gas Corporation, and Orange and Rockland Utilities, Inc. Algonquin also proposes to replace 26-inch pipe with 42-inch pipe in order to serve Consolidated Edison and KeySpan, and to transport gas from the Ramapo station to a connection with Iroquois Gas Transmission System in the Brookfield, Connecticut. Iroquois proposes to construct and operate facilities to transport gas from Brookfield into the New York City metropolitan area.

EPA Pushes Back Deadline for Spill Plans

The Environmental Protection Agency (EPA) wants to push back by two years the deadline for oil pipelines to comply with new requirements for their Spill Prevention, Control, and Countermeasure (SPCC) Plans. The plans, which energy companies have had in place for years, were supposed to be revised based on an EPA final rule issued in 2002. But the agency has kept pushing back the implementation deadline, in part because of legal challenges by groups such as the American Petroleum Institute. The latest implementation date was to have been Oct. 31, 2007. The EPA says it now wants to push back the date to July 1, 2009.

Oil pipelines, breakout stations, storage facilities and maybe gas pipelines, to the extent they store oil, are all affected by the SPCC plan requirements, which deal with how above and under ground storage tanks and their piping must be protected, tested and inspected. The 2002 changes, whose implementation has been delayed

repeatedly, concern such things as when underground piping carrying oil needs to be cathodically protected, requirements for periodic integrity testing of containers, and periodic integrity and leak testing of valves and piping, testing of above ground containers for integrity on a regular schedule and much else. The changes, some of which were made to ease the burden on business, have all been held in abeyance.

The reason EPA wants to again delay implementation, this time for nearly two years, is that it is planning to propose a second round of major changes to SPCC plans.

Interior Department starts environmental studies of gas areas

The Department of Interior is beginning an environmental study of approximately 580,000 acres in the eastern Gulf of Mexico which will be offered for oil and gas leasing as the result of passage of the Gulf of Mexico Energy Security Act of 2006. A second study on a much larger tract comprising 5.8 million acres will commence later in 2007.

These environmental assessments will determine what kind of underground pipeline network will be necessary to take the gas from those areas, both chunks are within what is referred to as Lease 181 and bring it to shore. Lease 181 is situated 125 miles from the Florida Panhandle and is estimated to contain up to 8Tcf of natural gas and one billion barrels of oil. Oil and gas development had been previously prohibited because of a congressional moratorium.

After environmental assessments are completed, the Secretary of the Interior will make a "consistency determination" which will dictate how and with what safeguards, if any, a pipeline gathering system would have to be built. Eileen Angelico, spokeswoman for the Interior Department, says there is no particular timetable for those determinations to be made.

The 6.3 million acres Congress made available for natural gas development for the first time were far less than what the House of Representatives wanted to do. The House had passed a much more wide ranging bill, the Deep Ocean Energy Resources Act of 2006 (H.R. 4761), but the Senate refused to agree to it, insisting on its narrower approach, motivated by environmental concerns. ■