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Dominion

October 27, 2005

Donald Silawsky
Office of Petroleum Reserves (FE-47)
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585-0301

Re: Comments of Dominion Natural Gas Storage, Inc.
On the Environmental Impact Statement
For the Proposed Expansion of the Strategic Petroleum Reserve

Dear Mr. Silawsky:

Pursuant to the Energy Policy Act, the National Environmental Policy Act, and the Department of Energy's Notices of Intent issued in September 2005, Dominion Natural Gas Storage, Inc. (DNGS) hereby submits comments on the scope and content of the Environmental Impact Statement for the proposed expansion of the Strategic Petroleum Reserve. Specifically, DNGS provides support for the environmental compatibility of the DNGS salt cavern storage facilities located in West Hackberry, Louisiana.

Thank you for consideration. Please do not hesitate to contact me at [redacted] if you have any questions.

Respectfully submitted,

Anne E. Bomar

Anne E. Bomar
Managing Director,
Transmission Rates and Regulation

Enclosure(s)

UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF PETROLEUM RESERVES
DEPARTMENT OF ENERGY

COMMENTS OF DOMINION NATURAL GAS STORAGE, INC. ON THE ENVIRONMENTAL IMPACT STATEMENT FOR THE PROPOSED EXPANSION OF THE STRATEGIC PETROLEUM RESERVE

Pursuant to the Energy Policy Act of 2005 (EPACT), the National Environmental Policy Act (NEPA), and the Department of Energy (DOE) Notices of Intent issued in September 2005[1], Dominion Natural Gas Storage, Inc. (DNGS) hereby submits comments on the scope and content of the Environmental Impact Statement (EIS) for the proposed expansion of the Strategic Petroleum Reserve (SPR). Specifically, DNGS provides support for the environmental compatibility of the DNGS salt cavern storage facilities located in West Hackberry, Louisiana. The EPACT, which was enacted on August 8, 2005, directs the Secretary of Energy to acquire petroleum to fill the SPR to its authorized one billion-barrel capacity as expeditiously as possible, and, no later than one year after enactment, to select sites necessary to expand the SPR from its current 727 million-barrel capacity to one billion barrels. West Hackberry, Louisiana, one of the four existing SPR sites, has been targeted by the DOE's September 1, 2005 "Notice of Intent" to expand by up to an additional 15 million barrels.

The DOE's West Hackberry site currently provides 227 MMB of SPR's capacity with prime strategic proximity to the existing oil distribution / transmission pipeline network,

[1] See 70 *Federal Register* 52088 and 70 *Federal Register* 56649 (2005).

coupled with all of the complimentary facilities required to meet the objectives of the Strategic Petroleum Reserve. The DOE's recommended expansion of the existing West Hackberry facility provides the most economic, expeditious, and least environmentally disruptive alternative. As supported by the DOE staff presentation during the SPR Expansion EIS Agency Scoping Meeting conducted in Houma, Louisiana on October 19 2005, no other facility more closely meets the NEPA/ EPACT design criteria and objectives than annexation of the DNGS West Hackberry facilities.

Incorporation of DNGS' existing three salt storage caverns would capitalize on the existing infrastructure at this site, including distribution and transportation systems. This alternative minimizes the need for incremental materials and development expenses, presents a significant advantage in timing for the SPR expansion, and results in the lowest impact to the environment. A true greenfield development and/or expansion would likely require duplication of facilities that are currently in place at the DNGS site, such as: raw water systems for cavern leaching and oil draw down, brine setting and disposal systems, crude oil injection / distribution systems, fixed fire protection systems, and central control systems. A greenfield facility will require major surface buildings and structures including an electrical substation, a control center, an administration building, security operations buildings, communications structure, a covered lay down area, a firehouse and a warehouse for storage and maintenance. To supply the water to a new site, a raw water intake structure would need to be constructed in a surface water body. The water and brine systems for leaching caverns would be sized to supply up to

1.2 million barrels per day and a crude oil distribution system would need to be designed to draw down up to one million barrels per day.

A much less invasive and more environmentally friendly approach is presented by the annexation of DNGS' existing caverns. Acquisition of the DNGS facility would negate all of this new infrastructure development, utilizing the existing facilities and pipelines for oil storage sites. This alternative would result in significant environmental and financial savings, by reducing the development of systems required to fulfill the 1 Billion barrel DOE objective.

Annexation of existing cavern facilities will have the least adverse impact on the environment. This observation is easily quantified; for example, one can examine the development (whether by leaching or solution mining) of a new salt cavern. Leaching generates approximately 80 MMB of concentrated brine wastewater for every 10MMB of cavern space.[2] This wastewater must be disposed of by either building pipelines to diffuse effluent into the Gulf of Mexico or by drilling an array of underground injection wells. These facilities are already in place for existing sites such as West Hackberry. The development of a new oil storage site (in all but one case) would include the construction of offsite infrastructure and multiple miles of pipelines for water supply, crude oil receipt and distribution, brine disposal, and in one case new marine docks, all of which are currently in place at West Hackberry. The overriding concern hinges on whether the diversification of capacity that would be obtained by the selection of a

[2] See Notice of Intent to Prepare an Environmental Impact Statement and Conduct Public Scoping Meetings as published by the DOE on page 4, www.fossil.energy.gov.

greenfield site is supported, warranted and justified, in light of the resulting high stakes of replication, redundancy and impacts to the environment. DNGS believes that the significant advantages of expansion at West Hackberry outweigh any marginal benefits of site diversification and should certainly give its incorporation into the SPR's assets a very high priority.

DNGS' 187-acre Hackberry facilities currently share a property line immediately adjacent to the east border of the existing SPR West Hackberry facilities. Three leached caverns situated on 86 acres have been filled with brine only requiring the disposal of 17MMB of effluent in order to be brought into active service as an SPR expansion. The existing 3 DNGS caverns represent the ability to bring the facility into service approximately 4 years earlier than all other facilities under consideration, with the exception of 10 MMB of capacity at Bayou Choctaw, Louisiana. This would certainly assist the DOE in meeting the requirements of the EPACT "to fill the SPR to its authorized one billion-barrel capacity as expeditiously as possible". In addition, the 8-fold brine disposal savings will also strongly compliment the DOE's objectives in compliance with NEPA. Thus, the subsequent costs and timesavings coupled with the overriding benefits of a much-reduced impact on the environment are significant attributes in support of the West Hackberry alternative. It should also be noted that the DNGS facility would support another 85 to 95 million barrels of development capacity with all of the associated synergies that arise from being situated next to an existing SPR operation.

DNGS firmly believes that its Hackberry facilities are a superior option in advancing the DOE's objectives and when compared to the other alternatives being considered, would do so with the least environmental impact.

In light of these factors, Dominion Natural Gas Storage contends that the most expeditious, cost effective, and environmentally sensitive option currently available to the DOE for SPR expansion is Dominion's West Hackberry facility and property.

Respectfully submitted,

Dominion Natural Gas Storage, Inc.

Anne E Bomar

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