

# DENVER BUSINESS JOURNAL

## Storing gas for when it's needed

MIDSTREAM ENERGY'S NE COLO. FACILITY SERVES UTILITIES, PRODUCERS



Midstream Energy Holdings LLC's natural gas storage facility is adjacent to a wind farm in northeast Colorado.

You can find Colorado's newest natural gas storage facility, operated by Houston-based Midstream Energy Holdings LLC, right next to a wind farm in northeast Colorado.

In fact, it's right under the 201-megawatt Logan Wind Energy LLC wind farm, operated by NextEra Energy Resources.

Midstream's \$160 million East Cheyenne Gas Storage field, capable of holding up to 19 billion cubic feet of natural gas, started commercial operations in 2012. The field also has room for expansion.

It's the only independent storage field for natural gas in Colorado – meaning that it's not part of a larger pipeline company or utility, said Scott Smith, president and CEO of Midstream Energy.

"It's not a typical pipeline- or utility-controlled facility, but we've been around for a few years and we've shown that there's a need and our facility works," he said.

"We sold 10 billion cubic feet of storage last year, and we're bumping it up to 12 billion cubic feet this year for this storage season," Smith said.

Natural gas storage fields traditionally held gas that could be quickly supplied to utilities on very cold winter days when customers need it to heat their homes.

These days, storage fields also hold gas to supply power plants as well as provides a place where energy companies can store natural gas in the short term and keep their wells operating, Smith said.

The price of the storage depends on the customer and the customer's needs, Smith said. In general, storage prices can range from 5 cents per decatherm, equivalent to 1 million cubic feet, to 20 cents per decatherm, he said.

Some customers need a lot of gas supplied quickly, while others need a lot injected into the storage facility fast, and still others need to draw down their supplies in a steady stream over time, he said.

In all, Colorado's Front Range has about 63 billion cubic feet of natural gas storage spread across six underground storage fields, according to the Energy Information Administration, an arm of the U.S. Department of Energy.

But Colorado's other storage fields are mostly full, Smith said.

"If you want storage, we're available because we're new," he said.

And right under a wind farm is a perfect place to turn an old oil and gas field pumped dry over the years into a new storage field.

Midstream Energy, backed by private equity money, in 2010 purchased two depleted fields, the West Peetz and the Lewis fields in Logan County, about 23 miles north of Sterling.

"We did this for two reasons," Smith said. "It's hard to do [gas storage] in the Rockies, because it's harder to find the right kind of rocks, and we know the market will need additional storage."

Several factors are boosting the need for natural gas storage facilities, he said.

For one, Colorado's Clean Air-Clean Jobs Act of 2010 has led to a shutdown of several coal-fired power plants along the Front Range in favor of natural gas power plants and renewable energy sources.

The state also is adding renewable energy sources, such as wind farms and solar power plants, which will require natural gas-fueled power plants to provide backup power.

"You need more pipelines and storage to back those power plants," he said.

"We play a key role. We can offer services to the Colorado market. We can offer flexibility with what we have today as well as the possibility to expand our storage capabilities in the future," he said.



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**SCOTT SMITH**, president and CEO of Midstream Energy, on the firm's East Cheyenne Gas Storage field.

### ► CLOSER LOOK

#### BIGGEST WIND TURBINE MAKERS

Vestas has slipped to No. 2 among global manufacturers of wind turbines. Here are the top five:

- 1. Goldwind**, China, 12.8 percent of the global orders booked in 2015.
- 2. Vestas Wind Systems**, Denmark, 12 percent of the orders booked in 2015.
- 3. GE Energy**, United States, 9.2 percent.
- 4. Siemens**, Germany, 7.7 percent
- 5. Gamesa**, Spain, 5.5 percent.

Source: Navigant Research, based in Boulder



KATHLEEN LAVINE, BUSINESS JOURNAL FILE  
Vestas' factory in Brighton.