

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 31, 2006

In Reply Refer To:
Southern Star Central Gas Pipeline, Inc.
Docket No. RP06-129-001

Southern Star Central Gas Pipeline, Inc.
4700 Highway 56
Owensboro, KY 42301

Attention: David N. Roberts, Manager
Regulatory Affairs

Reference: Supplemental Information Explaining Fuel Reimbursement Percentages

Ladies and Gentlemen:

1. On December 29, 2005, the Commission accepted and suspended, subject to refund and certain conditions, and further Commission action, Southern Star Central Gas Pipeline, Inc.'s annual fuel reimbursement filing. The Commission requested more information concerning storage losses for the 12-months ending September 30, 2004 and September 30, 2005 and for storage losses for 2000, 2001, 2002, 2003, and 2004.
2. On January 13, 2006, Southern Star submitted responses to the data request¹ listed in the appendix of the Commission's December 29, 2005 Order (December 29 Order).² Southern Star's response answers the concerns raised by the Commission's data request and are accepted.
3. Southern Star states in its responses that there are no unusual storage losses on Southern Star's system, or any other storage related events requiring an investigation of the storage component of Southern Star's fuel filing in this docket. Southern Star asserts

¹ Southern Star voluntarily responded to, and filed with the Commission on December 20, 2005, responses to the data requested by the Missouri Public Service Commission (MoPSC) attached to MoPSC's December 13, 2005 Intervention and Protest.

² 113 FERC ¶ 61,324 (2005).

that its losses for years ending September 2004 and 2005 are within range of losses reflected in annual fuel reimbursement filings since 1994. Southern Star claims that it calculated the storage losses for the years ending September 2004 and 2005 using the same industry approved method for storage inventory verification as in the previous years and in compliance with Article 13 of its General Terms and Conditions (GT&C). Southern Star also claims that it reviewed and verified these calculations, monitored drilling intents, drilling activity and existing well activity within and surrounding the storage fields. Additionally, Southern Star submits that on October 29, 2002, the Kansas Corporation Commission (KCC) implemented new regulations, KAR 82-3-1003, applicable to all storage field operators in Kansas, requiring Southern Star to perform a comprehensive analysis of the integrity of each storage field and all associated facilities.

4. Reply comments were due January 28, 2006, as provided in the December 29 Order. On January 27, 2006, MoPSC filed reply comments. Southern Star filed an answer on February 7, 2006. Under Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 213(a)(2) (2005), answers to protests or answers are generally prohibited. However, the Commission will accept Southern Star's answer because it provides information that further clarifies the issues and will assist the Commission in its decision-making.

5. In its comments, MoPSC opines that Southern Star's data responses to the Commission and MoPSC have, to a large degree, addressed MoPSC's concerns with Southern Star's 2004 and 2005 claimed storage losses. MoPSC argues, however, that it is concerned with certain storage injection volume data for the Elk City Storage Field included in Southern Star's responses, and requests the Commission require Southern Star to address this issue.

6. Specifically, MoPSC points to Southern Star's response to data request FERC-1.4, where Southern Star states, "Southern Star has also continued to operate the storage fields consistent with the individual storage field operational plans filed with FERC in settlement of Docket Nos. IN98-4, CP00-166, and RP03-135." However, MoPSC states that on page 44 of Southern Star's response to data request MoPSC-1.4, Southern Star indicated the April 3, 2005, injection volumes for Elk City Storage Field were 259,308 Mcf. MoPSC claims that Southern Star's operational plan for Elk City³ specifies, however, a maximum injection volume of 221,000 Mcf per day. MoPSC states its concern that Southern Star's injections of 38,308 Mcf over the maximum volume for that day, in contravention of the FERC-approved operation plan, could have caused unnecessary losses at the Elk City storage field.

7. MoPSC requests the Commission require Southern Star to explain: (1) why Southern Star exceeded the maximum injection volume and (2) how exceeding the maximum injection volume by 38,308 Mcf in one day affected the total stored field

³ *Williams Gas Pipelines Central, Inc.*, 84 FERC ¶ 61,176 at 61,929, August 7, 1998.

volume. MoPSC states the Commission should then solicit further comments on Southern Star's responses.

8. In its answer, Southern Star points out that the Operation Plan for the Elk City Storage Field states that "[t]he maximum injection rate is not expected to exceed 221 MMcfd @ 14.73 psia and 60 °F based on demonstrated volumes for the last several years." Southern Star submits that it set this "expected" injection rate internally based on the field's previous history of injections. Southern Star continues that it never intended this "expected" maximum injection rate as an absolute number that could never be exceeded on a particular day, if warranted by customer supply and demand or other system requirements on the pipeline that would require a higher than normal injection rate into the Elk City Storage facility.

9. Southern Star avows that on the date in question, April 3, 2005, several conditions warranted and allowed for the injection of 259,308 Mcf. Southern Star states that April 3, 2005, was a Sunday and the temperatures in Kansas City, Southern Star's major market area, were unseasonably high. Southern Star notes that the high temperatures on Friday and Saturday were 63°F and on Sunday, the high temperature jumped to 81°F, which significantly reduced the demand on Southern Star's system. In addition, Southern Star claims it had already performed the spring shut-in tests on Elk City, while the spring shut-in tests on the other storage fields in that area had not yet been performed; therefore, Elk City was the preferred field to inject as much gas as possible.

10. Continuing in its response, Southern Star further claims, there is no harmful effect to the reservoir, nor would there be any increase in gas loss at the Elk City Storage Field, by exceeding the maximum injection rate by 38,308 Mcf in one day. Southern Star states that injection rates into storage fields are only limited by the reservoir properties (permeability, current field pressure and volume) and the limitations of the surface facilities of the storage field (lateral system MAOP, available horsepower). Southern Star stresses that when storage field volumes and pressures are low, injection rates can be very high and then, as volumes and pressures increase, the rate at which one can inject into a storage field decreases as facility pressure and horsepower limits are reached. Southern Star submits that on the date in question, the pressure on the observation well at Elk City was 462.3 psig at the wellhead, which is well below the operational maximum wellhead shut-in pressure of 580 psig. Southern Star also submits that the amount of gas stored in the field on the date in question was 24,322,409 Mcf, which means only 1.4 Bcf of the 7.8 Bcf working gas capacity was in the field. Southern Star argues that given these parameters, the field could readily take a 259,308 Mcf injection rate without any harm to the reservoir and without causing any increase in gas losses.

11. The Commission finds that Southern Star's responses to the Commission's data request and Southern Star's answer to MoPSC's Reply Comments address the concerns raised by the Commission and the parties. The Commission finds that Southern Star's answer concerning the Elk City Storage Field adequately addresses MoPSC's concerns about whether Southern Star's injections on one particular day violated the FERC-

approved operation plan and therefore caused unnecessary losses at the Elk City storage fields, therefore, no further proceedings are necessary. The Commission agrees with Southern Star that the over injection of 38,308 Mcf poses little concern to the storage field since (1) the injection rate only exceeded the maximum injection rate for one day; (2) Southern Star did not exceed their maximum storage capacity of 30.7 Bcf @ 14.73 psia and 60 °F;⁴ and, (3) Southern Star did not exceed their working gas capacity of 7.8 Bcf. The Commission notes that exceeding the maximum injection rate for one day is within the limits of the agreement since the “expected” injection rate was set internally by Southern Star and was never intended as an absolute number that could never be exceeded on a particular day and would not have caused any unnecessary storage losses since ample storage capacity was available in the storage field at the time.

By direction of the Commission.

Magalie R. Salas,
Secretary.

⁴ *Id.* at P 61,928.