137 FERC ¶ 61,026
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

PostRock KPC Pipeline, LLC Docket No. CP11-534-000

Enogex LLC Docket No. CP11-535-000

ORDER APPROVING ABANDONMENT

(Issued October 7, 2011)

1. On August 15, 2011, PostRock KPC Pipeline, LLC (KPC) and Enogex LLC (Enogex) filed applications under section 7(b) of the Natural Gas Act (NGA)[1] requesting permission to abandon a capacity lease arrangement under which KPC leases 33,000 MMBtu/day of pipeline capacity from Enogex. Enogex operates the lease capacity to transport KPC's customers' gas. The proposed abandonment would be effective October 31, 2011, when the lease is scheduled to expire.

2. As discussed below, we will approve KPC's and Enogex's abandonment proposals to terminate the capacity lease arrangement.

I. Background and Proposals

3. KPC is a natural gas company, as defined under the NGA, engaged primarily in the business of transporting natural gas in interstate commerce subject to the jurisdiction of the Commission. KPC owns and operates a 1,120-mile interstate natural gas pipeline system that transports gas from Oklahoma and western Kansas to the Wichita, Kansas and Kansas City, Missouri metropolitan areas. KPC's system interconnects with Enogex's system in Pawnee County, Oklahoma.

4. Enogex is an intrastate pipeline in Oklahoma. Enogex also provides interstate natural gas transportation and storage services under section 311(a)(2) of the Natural Gas

[1] 15 U.S.C. §§ 717(f)(b) (2006).

Policy Act of 1978 (NGPA)[2] and the Commission's implementing regulations set forth in Part 284, Subpart C of the Commission's regulations.[3]

5. In 1997, the Commission granted a certificate to KPC's predecessor, Kansas Pipeline Company, to lease 90,000 MMBtu/day of capacity on Enogex's intrastate pipeline system. The Commission also granted Enogex's predecessor, Transok, Inc., a limited jurisdiction certificate to lease this capacity to Kansas Pipeline Company and operate it to transport gas in interstate commerce for Kansas Pipeline Company's customers without becoming subject to the Commission's plenary NGA jurisdiction.[4] In an order issued May 27, 2011, the Commission amended KPC's certificate and Enogex's limited jurisdiction certificate to reduce the amount of capacity being leased by KPC from Enogex from 90,000 MMBtu/day to 33,000 MMBtu/day.[5] The contractual term of the lease expires October 31, 2011.

6. KPC requests approval to abandon the 33,000 MMBtu/day of leased capacity, which KPC states is not currently contracted to any shipper and is not required for KPC's operations. In addition, KPC states that if any of its interstate shippers desire to utilize the capacity that is to be abandoned, they will be free to do so by contracting with Enogex directly. KPC states that elimination of its lease costs will result in a reduction in its transportation rates.[6]

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[2] 15 U.S.C. §§ 3371(a)(2)(2006).

[3] 18 C.F.R. § 284.121 *et seq*. (2011).

[4] *Kansas Pipeline Company*, 81 FERC ¶ 61,005, at 61,025 (1997); *order on clarification*, 81 FERC ¶ 61,210 (1997); *order on reh'g,* 83 FERC ¶ 61,107. The authorizations were issued following the Commission's assertion of jurisdiction over three affiliated pipeline companies – Kansas Pipeline Partnership, Riverside Pipeline Company, and KansOk – based on its finding that their facilities constituted a single interstate pipeline system subject to the Commission's NGA jurisdiction. 81 FERC ¶ 61,005 at 61,006. At the time, KansOk had a long-term lease agreement with Transok, Inc., a pipeline in Oklahoma. The Commission's 1997 authorizations, as modified on rehearing, enabled Kansas Pipeline Company to continue offering services that included transportation on Transok's system. *See* 83 FERC at 61,509-10.

[5] 135 FERC ¶ 61,192 (2011).

[6] The lease costs are included in KPC's Zone 1 transportation rates. On August 15, 2011, in Docket No. RP11-2379-000, KPC filed to reduce its transportation rates effective November 1, 2011, to reflect the reduction in lease costs.

7. In conjunction with KPC's application, Enogex requests amendment of its limited jurisdiction certificate to reflect the abandonment of the capacity leased to KPC.

II. Notice and Interventions

8. Notices of KPC's application in Docket No. CP11-534-000 and Enogex's application in Docket No. CP11-535-000 were published in the *Federal Register* on August 29, 2011.[7] Kansas Gas Service, a division of ONEOK, Inc., intervened but had no comments. The Kansas Corporation Commission filed comments supporting the abandonment because it would reduce KPC's costs, thereby benefitting its customers. No adverse comments or protests to either application were filed.

III. Discussion

9. Because the leased capacity is used to transport natural gas in interstate commerce over facilities subject to the jurisdiction of the Commission, KPC's and Enogex's proposals to abandon the capacity lease is subject to the requirements of subsections (b) and (c) of NGA section 7.

10. The capacity on Enogex's system that KPC proposes to abandon is no longer needed by KPC because none of the capacity is subscribed by KPC's customers under service agreements for firm or interruptible service and KPC does not otherwise need the capacity for its system operations. KPC's abandonment of the leased capacity will enable it to reduce its transportation rates. Enogex also has filed to terminate the capacity lease arrangement. No customer has protested KPC's and Enogex's applications.[8] For these reasons, we find that KPC's and Enogex's termination of the capacity lease arrangement effective October 31, 2011 with the expiration of the underlying contractual agreement is permitted by the public convenience or necessity.[9]

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[7] 76 Fed. Reg. 53,676 (2011).

[8] As noted by the applicants, any of KPC's customers that might need to use this capacity in the future can seek service from Enogex, which is authorized to provide interstate service under section 311 of the NGPA. However, while Enogex offers both firm and interruptible to its intrastate customers, it only offers interruptible service to its customers receiving service under section 311 of the NGPA. *See, e.g., Enogex Inc.*, 106 FERC ¶ 61,093, at P 2 (2004)) (order on rehearing in proceeding on proposed changes by Enogex to its Commission-approved rates for its interruptible section 311 interstate services).

[9] Enogex's certificate of limited jurisdiction authorizes its operation of the subject capacity only for the transportation of gas for KPC's customers in accordance with the

(continued…)

11. The Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application(s), as supplemented, and exhibits thereto, submitted in support of the authorizations sought herein, and upon consideration of the record,

The Commission orders:

(A) KPC is granted permission and approval under NGA section 7(b) to abandon 33,000 MMBtu/day of capacity leased from Enogex, effective October 31, 2011.

(B) Enogex is granted permission and approval under NGA section 7(b) to abandon its certificate of limited jurisdiction to operate capacity on its system for the transportation of gas KPC's customers, effective October 31, 2011.

By the Commission. Commissioner Spitzer is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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capacity lease agreement. Since the applicants' intent is to terminate the capacity lease arrangement, Enogex's certificate of limited jurisdiction will serve no further purpose and thus no need for amendment of Enogex's certificate, as proposed by Enogex to reflect termination of the lease. Rather, we will approve Enogex's abandonment of the certificate.