

115 FERC ¶ 61,219
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell and Suedeem G. Kelly.

Southern Star Central Gas Pipeline, Inc.

Docket No. CP06-49-000

ORDER ISSUING CERTIFICATE

(Issued May 19, 2006)

1. On January 17, 2006, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed an application under section 7(c) of the Natural Gas Act (NGA) for a certificate of public convenience and necessity authorizing the expansion of the certificated boundary and buffer zone, installation of a natural gas compressor, and reclassification of the cap rock at its Colony Storage Field in Anderson County, Kansas. Southern Star states that the purpose of the proposal is to protect the integrity of the field by expanding the field boundary both geographically and geologically and to collect gas that has migrated beyond the existing certificated field boundary. As discussed below, we find that Southern Star's proposal is in the public interest because it will help to maintain the performance and reliability of the Colony Storage Field and protect the integrity of the field. Thus, we will grant the requested authorizations, subject to the conditions stated herein.

I. Background

2. Southern Star is a natural gas company¹ that owns and operates seven natural gas storage fields in Kansas and one in Oklahoma. The storage field at issue in this proceeding, the Colony Storage Field, was originally authorized by the Federal Power

¹ Southern Star is a Delaware corporation authorized to do business in the States of Arkansas, Colorado, Delaware, Kansas, Kentucky, Missouri, Nebraska, Oklahoma, Texas and Wyoming.

Commission in 1951.² The Colony Field has a maximum certificated storage capacity of approximately 12.7 Bcf with a working capacity of 4.6 Bcf and a current certificated wellhead shut-in pressure of 433 psig. The maximum deliverability for the field is approximately 150 MDth/day. Southern Star does not seek modification of these certificated levels.

3. The Colony Field is bordered on the northeast by Southern Star's South Welda Storage Field, which in turn is bordered on its north boundary by the company's North Welda Storage Field. Gas flow for all three fields is controlled by compression at the existing 25,607 horsepower (hp) Welda Compressor Station. The three storage fields are located within Anderson County, Kansas and are geologically connected by the Colony Sand formation which is a channel-fill sandstone that is laterally continuous as a narrow "shoestring." Southern Star stores gas within the Colony Sand formation.

4. Southern Star states that the Colony Field's certificated boundary currently includes approximately 4,900 acres and has 79 injection/withdrawal wells, 2 observation wells and approximately 16 miles of storage lateral lines that use compression at the Welda Compressor Station to inject or withdraw natural gas into or out of the field.

5. Southern Star states that as a result of its ongoing monitoring efforts and the requirements of the Kansas Underground Porosity Gas Storage Act,³ it contracted with Netherland, Sewell and Associates, Inc. (NSA) to perform an integrated geologic and engineering study of the Colony Sand formation at the Colony Storage Field to identify specific storage field characteristics. NSA's report was submitted in November 2005.

6. Southern Star states that NSA's study revealed that gas has migrated horizontally in a southwesterly direction in the Colony Sand beyond the certificated boundaries of the Colony Storage Field into an area known as the West Colony Field. The NSA study also determined that a limited amount of gas has migrated upward into

² *Cities Service Gas Co.*, 10 FPC 1461 (1951).

³ In 2002, the KCC enacted the Kansas Underground Porosity Gas Storage Act to establish natural gas storage regulations for storage fields located in the State of Kansas. These regulations require a geologic and hydro-geologic evaluation of storage fields, monitoring and reporting requirements, and periodic inspections and testing of wells. Southern Star states that it is now operating under provisional permits from the KCC pending the acquisition of additional acreage found to be necessary to correctly define the storage field boundaries and provide additional buffer zone, as requested in this application.

the sporadic Squirrel Sand formation that overlies the Colony Sand formation in the northernmost portion of the Colony Storage Field.⁴ The study states that this migration has occurred because the Squirrel Sands have historically been developed for oil and gas production using nitroglycerin and hydraulic fracture stimulation treatments that may have breached the integrity of the formation. The NSA report states that this scattered breaching of the cap rock over the Colony Storage Field is mostly confined to the northern portion of the storage field adjacent to the boundary with the South Welda Storage Field and that no vertical migration into the Squirrel Sands over the West Colony Field is indicated. The report also states that the general lack of Squirrel Sand presence over the Colony Storage Field is a major limiting factor of the vertical movement of gas movement out of that storage field.

II. Proposal

7. Southern Star proposes to expand the certificated boundaries and buffer zone of the Colony Storage Field by approximately 1,960 acres, install minor facilities, and reclassify the cap rock to protect the integrity of its storage operations at the Colony Field from third party oil producers. Southern Star states that 1,560 acres of the proposed expansion are located at the southwestern boundary of the Colony Storage Field in an area referred to as the West Colony Field.⁵ Southern Star proposes to add the remaining 400 acres as a buffer expansion at the northern end of the current boundary of the Colony Storage Field.

8. Southern Star further proposes to install compression facilities to recycle gas that has migrated horizontally into the Colony Sand formation in the West Colony

⁴ The Squirrel Sands are discontinuous sandstones that are found within the currently certificated cap rock for the Colony Field, the Cherokee shale and siltstone.

⁵ Southern Star states that it has already acquired storage rights and operates 14 existing wells on approximately 680 of the 1,560 West Colony Field acres.

Field back into the Colony Storage Field.⁶ Southern Star proposes to recycle gas by withdrawing it from the Rayl 2AO well in the West Colony expansion area and re-injecting the gas into the existing storage lateral system near Well No. 54 within the currently certificated boundary of the Colony Storage Field.⁷ Southern Star states that the recycle operation will serve to maintain the performance and reliability of its Colony Storage Field but will not change any of the field's existing operational parameters. Southern Star further states that it will only use the Rayl 2AO well when pressure readings indicate that pressure relief is necessary.

9. Specifically, Southern Star proposes to install and operate an AJAX DPC-180 skid mounted natural gas compressor with building and auxiliary facilities in the Colony Field. However, Southern Star states, the compressor will be a rental unit the size of which will be dependant upon what is available from the supplier when Southern Star is authorized to install the unit. Further, it states that once the unit becomes operational, actual operating experience and flow rates may require replacement of the compressor with a compressor of greater or lesser horsepower to accomplish the intended result. Therefore, Southern Star requests approval of a range of from 110 to 288 horsepower for the compressor unit so that it may substitute a compressor with more or less horsepower within the range it is requesting without further approvals from the Commission.⁸ Southern Star provided the environmental data on horsepower scenarios for the compression range it is proposing.

⁶ Southern Star states that it intends to file another application later in 2006 with respect to its South Welda Storage Field in which it will propose to install additional compression and other facilities to withdraw storage gas that has migrated vertically into the Squirrel Sands formation including that portion of the Squirrel Sands overlying the northernmost portion of the Colony Field adjacent to the South Welda Field. Southern Star states that it intends to locate the facilities in the South Welda Field because it can tie them into current facilities in that field more economically than if it were to tie them into the new compression facilities proposed in this proceeding.

⁷ The recycled gas will be transported via 2.782 miles of 4-inch storage lateral lines installed pursuant to Southern Star's blanket certificate authorized in Docket No. CP82-479-000; *see Cities Service Gas Co.*, 20 FERC ¶ 62,592 (1982). Additional facilities to be installed under blanket authorization include two measurement settings, a filter separator, and an associated waste tank.

⁸ Southern Star states that it will report to the Commission the specifications of the final compressor unit placed into service.

10. Similarly, Southern Star states that should the Rayl 2AO well prove insufficient as a recycle withdrawal well, it may be necessary to install additional storage lateral lines to connect to one of several other wells to be used for pressure relief wells in the West Colony Expansion area. These wells include the Henkle 5, Henkle 11 and O-56 wells which have been identified by NSA for potential recycle withdrawal use. Southern Star seeks Commission approval to connect these wells, as needed, in this proceeding.⁹

11. Southern Star additionally proposes to redefine the cap rock for the Colony Storage Field. Currently, the cap rock or confining layer of the Colony, South Welda, and North Welda Fields is the Cherokee shale and siltstone section immediately above the Colony Sand formation. Although the Cherokee shale section is the interval in which the Squirrel Sands can develop, the Squirrel Sands are not developed over the Colony Field except in its extreme northern end and, to a limited extent, at the extreme southern end of the West Colony expansion area.¹⁰ Southern Star states that, as a result of upward gas migration from the Colony Sand into the currently certificated cap rock by the mechanisms previously described, it proposes to redesignate the cap rock to extend from the base of the Lower Ft. Scott Limestone (situated stratigraphically above the Cherokee shale) to the top of the Pawnee Limestone.

12. Southern Star asserts that the proposed cap rock consists of shale and dense limestones with no porosity development, nor any oil or gas shows in the area. This interval has an average of over 90 feet in thickness over the entire Colony/South Welda/North Welda area. According to Southern Star, this new cap rock should adequately prevent vertical gas movement both in areas where operations are ongoing in the Squirrel Sand and in areas where no significant productive Squirrel Sands exist, and should protect the field from the threat of future drilling. Southern Star states that it does not intend to store gas in the formation underlying the additional acreage but

⁹ Southern Star states that it would report any additional well connection when that event occurs. Additionally, Southern Star states that any necessary lateral would be installed pursuant to its existing blanket certification and reported in their annual Blanket Certificate Activities report.

¹⁰ The NSA report concluded that the Squirrel Sand is generally not present in the Colony Gas Storage Field; therefore, it typically presents no potential for gas accumulation. Migration of gas into the Squirrel Sands in the West Colony expansion area was not indicated in Figure 9.8 of the NSA report.

needs such storage rights should it be required to pull back any gas that migrates to those areas and to prevent third party drilling activity from impacting the storage reservoir.

13. Southern Star states that it will finance the project with internally generated funds and that the proposed facilities are designed to maintain current service, will have a minimal effect on operating expenses, and will not result in increased revenues.

III. Procedural Matters

A. Interventions

14. After due notice by publication in the *Federal Register* on February 3, 2006 (71 *Fed. Reg.* 5,824), the Kansas Corporation Commission (KCC) and the Missouri Public Service Commission filed timely notices of intervention; Missouri Gas Energy, a division of Southern Union Company, Aquila, Inc. d/b/a Aquila Networks, and Atmos Energy Corporation filed timely, unopposed motions to intervene.¹¹ Northern Natural Gas Company filed a late motion to intervene. The Commission finds that granting the motion to intervene out of time will not delay, disrupt, or otherwise prejudice this proceeding, or place an additional burden on existing parties. Therefore, for good cause shown, we will grant the motion.¹²

15. The KCC also filed a protest and a request for a technical conference to which Southern Star filed an answer. Rule 213 of the Commission's Rules of Practice and Procedure prohibits an answer to a protest unless otherwise ordered by the decisional authority.¹³ We will accept Southern Star's answer to the protest because it has provided information that may assist us in our decision-making process. We will discuss the protest below.

¹¹ Timely notices of intervention and timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 CFR § 385.214(d) (2002).

¹² 18 C.F.R. § 385.214(d) (2005).

¹³ 18 C.F.R. § 385.213(a)(3) (2005).

B. Request for Technical Conference

16. The KCC requests a technical conference because it believes there are significant factual issues respecting the scope of Southern Star's proposal, the adequacy of Southern Star's proposals for dealing with the migration of storage gas from the Colony Sand formation into the Squirrel Sands formation, and the ensuing loss of storage gas. The KCC suggests that the conference should focus on remedies addressing Southern Star's gas loss from the Colony Storage Field and certificate conditions that would safeguard against a recurrence of loss of gas through gas migration.

17. We find that the record, including the application, responses to data requests, and accepted pleadings, contains sufficient information to make a reasoned decision on the merits. Thus, we find that no purpose would be served by convening a technical conference and we will therefore deny the KCC's request.

IV. Discussion

18. Since the proposed facilities will be used for the storage of natural gas in interstate commerce subject to the jurisdiction of the Commission, the construction and operation of these facilities is subject to the requirements of subsections (c) and (e) of section 7 of the NGA.

C. Certificate Policy Statement

19. The Commission's September 15, 1999 Certificate Policy Statement provides guidance as to how we will evaluate proposals for certificating new construction.¹⁴ It established criteria for determining whether there is a need for a proposed project and whether the proposed project will serve the public interest. The Certificate Policy Statement explains that in deciding whether to authorize the construction of major new pipeline facilities, we balance the public benefits against the potential adverse consequences. Our goal is to give appropriate consideration to the enhancement of competitive transportation alternatives, the possibility of overbuilding, subsidization by

¹⁴ *Certification of New Interstate Natural Gas Pipeline Facilities* (Certificate Policy Statement), 88 FERC ¶ 61,227 (1999), *order clarifying statement of policy*, 90 FERC ¶ 61,128, *order further clarifying statement of policy*, 92 FERC ¶ 61,094 (2000).

existing customers, the applicant's responsibility for unsubscribed capacity, the avoidance of unnecessary disruptions of the environment, and the unneeded exercise of eminent domain in evaluating new pipeline construction.

20. Under this policy, the threshold requirement for pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. The next step is to determine whether the applicant has made efforts to eliminate or minimize any adverse effects the project might have on the applicant's existing customers, existing pipelines in the market and their captive customers, or landowners and communities affected by the route of the new pipeline. If residual adverse effects on these interest groups are identified after efforts have been made to minimize them, we will evaluate the project by balancing the evidence of public benefits to be achieved against the residual adverse effects. This is essentially an economic test. Only when the benefits outweigh the adverse effects on economic interests will we proceed to complete the environmental analysis where other interests are considered.

21. Southern Star's proposal is intended solely to prevent further migration of stored gas from the Colony Storage Field. Southern Star states that, since the proposed facilities are designed only to maintain current authorized service, they will not result in increased revenues and will have a minimal effect on operating expenses. In a data response, Southern Star stated that the \$4,571,603 cost associated with the proposed facilities will be included in its storage property, plant and equipment accounts and will be used to derive the overall storage cost of service and associated rates for providing storage services in its next general rate case.

22. The Policy Statement notes that projects designed to improve service for existing customers, by replacing existing capacity, improving reliability (as is the case in the instant proceeding), or providing flexibility, are for the benefit of existing customers. Increasing the rates of the existing customers to pay for these kinds of improvements is not a subsidy and the costs of such projects are permitted to be rolled-in.¹⁵

23. Additionally, since the proposed project affects only Southern Star's system by the expansion of existing storage boundaries, there will be no adverse impact on other pipelines or their customers. With respect to landowners, none of the 31 affected landowners filed comments on Southern Star's proposal or intervened in this proceeding. Further, Southern Star already has acquired storage rights and wells on

¹⁵ Certificate Policy Statement, 88 FERC at 61,746.

approximately 680 of the 1960 acres required for the proposed boundary expansion and the proposed compressor unit is to be installed within the 680 acres. Any well work will generally be confined to sites previously disturbed for drilling and maintenance of wells. For these reasons, we find that Southern Star has minimized any adverse impacts on landowners.

24. We find that Southern Star has demonstrated that its proposal will result in benefits without significant adverse impacts. Therefore, consistent with the Policy Statement, the proposal is required by the public convenience and necessity.

B. The KCC's Protest

1. Use of the Squirrel Sands Formation for Gas Storage

25. The KCC believes that Southern Star is proposing to designate the Squirrel Sands formation as a gas storage zone given its proposed redefinition of the cap rock. The KCC does not oppose authorizing Southern Star to extract storage gas from the Squirrel formation for either re-injection into the Colony Sand or into the storage lateral system, but believes it would be improper to authorize Southern Star to operate any portion of the Squirrel formation as an active storage reservoir.

26. Southern Star responds that it has proposed to redefine the cap rock over the Colony Field to take into account the limited gas migration into the Squirrel formation above the northern edge of the storage field as a result of past formation fracturing by oil producers¹⁶ and to recognize that, as a consequence, the part of the Squirrel formation overlying the Colony Storage Field would become part of the effective storage zone. Southern Star affirms that it is not proposing now, nor will it propose in the future, to use the Squirrel formation for gas injection and storage operations.

27. We agree with Southern Star that its proposal to redefine the cap rock in its Colony Storage Field is not for the purpose of allowing gas to be stored in the Squirrel formation. Nevertheless, to allay the KCC's concerns, we will condition Southern Star's certificate in this proceeding to prohibit it from using the Squirrel Sands formation for injection of storage gas.

¹⁶ Southern Star states that its predecessors have on a number of occasions unsuccessfully sought to prevent such fracturing which can lead to gas migration. *Citing, e.g., In the matter of the Application for Fluid Repressuring and Water Flooding of Production Formations, Woodson Pipe Line and Producing Co., KCC Docket No. 65-889-C, Order issued April 30, 1962.*

2. Migration of Gas into the Squirrel Sands Formation

28. The KCC states that Southern Star does not provide adequate assurances that its loss of storage gas due to migration of gas from the Colony Sand formation into the Squirrel Sands formation and venting of the gas from the Squirrel formation by oil producers will terminate following approval of Southern Star's proposals in this proceeding. The KCC also asserts that Southern Star's application does not sufficiently disclose the circumstances respecting on-going production of crude oil from the Squirrel formation through oil wells located within the existing and proposed certificate boundary expansions of the Colony Storage Field.

29. We note that Southern Star's proposals in this proceeding are intended only to recapture gas with respect to horizontal migration to the south and west of the Colony Field.¹⁷ The NSA report states that vertical gas movement into the Squirrel Sands in the Colony Storage Field appears to be a relatively minor issue which affects only the very northern portion of the Colony Field. Southern Star states that it will propose to install compression and piping to recapture storage gas from the Squirrel Sands formation, including any gas losses from the northern portion of the Colony Field, in its North and South Welda Storage applications to be filed later in 2006.

30. The KCC identifies several mechanisms it believes may be responsible for the vertical migration of storage gas from the Colony Sand formation into the Squirrel Sands in addition to oil production-enhanced fracturing of both the Squirrel and Colony Sands. The KCC suggests that additional migration pathways include: 1) open hole well bores that penetrate both formations; 2) cracked cement surrounding the production annulus or inadequate cementing of the production casing surrounding the well bore; and 3) incomplete or improper plugging of abandoned wells.

31. Southern Star asserts that, based upon its review, there are only six gas wells that are completed open hole that go through both the Lower Squirrel and Upper Colony transition zone in the Colony Field. Southern Star states that it reviewed driller's reports and logs of the six wells which indicate there is no direct injection into the productive Lower Squirrel formation. Southern Star further asserts that every well, except for well O-56 which will be tested this year, has been proven to have mechanical integrity as defined by the current KCC regulations and guidelines for gas storage. Finally, Southern Star asserts that there is no evidence of cracked cement around the production annulus of any well or of any improper plugging of abandoned

¹⁷ The NSA report estimates that an approximate 30 – 40 MMcf of gas can potentially be recovered.

gas and oil wells, thus indicating that potential for vertical gas migration attributable to the sources suggested by the KCC has not been definitively indicated.

3. The KCC's Proposed Certificate Conditions

32. The KCC requests that the Commission “impose stringent conditions” on Southern Star’s authorization in this proceeding to minimize storage gas loss from the Squirrel formation. As noted previously, we are imposing one of the conditions requested by the KCC by prohibiting Southern Star from injecting storage gas directly into the Squirrel formation.

33. Another of the conditions requested by the KCC would require Southern Star to maintain, through gas withdrawal, a maximum gas pressure in the Squirrel Sands formation. This condition apparently anticipates the use of the Squirrel Sands for gas storage which Southern Star states it has no intention of doing, and which we are conditioning the certificate issued in this proceeding to prohibit. Therefore, there is no need to impose this condition on Southern Star’s certificate.

34. The KCC requests a condition that would require Southern Star to monitor producing and shut-in oil wells located within the Colony Storage Field for the venting of natural gas and, if gas is detected, to install metering equipment and a gas recovery system when economic recovery of vented gas is justified.¹⁸ The remaining conditions requested by the KCC would require Southern Star to perform mechanical integrity tests on all oil wells which penetrate both the Squirrel and Colony Sands formations or the Squirrel formation in areas where natural gas has been found in oil wells to identify potential sources of storage gas migration.

¹⁸ The KCC states that there are a number of oil producing wells in the Squirrel formation in the Colony Storage Field and that under its rules, these wells may vent as much as 25 Mcf per day of natural gas before the well must be shut in. KCC states that most oil producers in the Squirrel formation are small operators who neither have, nor should be expected to have, gas metering equipment on their wells given that the Squirrel formation has no native gas associated with oil production. The KCC further asserts that the small producers have little incentive to install gas metering equipment since any gas reading above 25 Mcf per day would require them to shut in the metered well. The KCC states that it has ordered one well to be shut in at the North Welda Storage Field for venting more than 25 Mcf per day of gas and is aware of one producer who has voluntarily shut in at least 11 wells (without a KCC order) due to the presence of excessive natural gas.

35. Southern Star argues that there is no public interest need in this proceeding for the expensive metering and mechanical integrity tests suggested by the KCC. Southern Star asserts that it will soon propose additional compression and appurtenant facilities in its North and South Welda fields designed, in part, to reduce migration of gas and any venting associated with the Squirrel formation. Southern Star maintains that this will reduce the need for the costly well monitoring and integrity testing of oil wells that the KCC has suggested. Southern Star observes that some of the KCC's suggested conditions appear designed to put in place various procedures to carry out the KCC's own oversight functions. Southern Star states that the Commission has no authority under the NGA or otherwise to regulate oil wells in the State of Kansas or to require oil operators to allow Southern Star to test their wells.

36. We will not impose these conditions because, as noted by Southern Star, we do not have jurisdiction over the oil producers or their wells and, in any event, the conditions do not appear to be necessary or relevant with respect to the Colony Storage Field which is the subject of this proceeding. A review of the geologic study submitted by Southern Star does not evidence any significant venting of storage gas from the Colony Field and indicates, moreover, that any venting that may be occurring is from the northernmost portion of the field adjacent to the South Welda Field. As noted, Southern Star soon will propose to construct the necessary facilities in the South Welda Field to recapture any migrated gas from the Squirrel formation overlying South Welda and the northern Colony Field. This should alleviate any venting of storage gas associated with oil production in those locations and preclude the necessity for metering and testing of the active oil wells as requested by the KCC. With respect to testing abandoned gas and oil wells, Southern Star states that, as required by KCC regulations, it and NSA have been reviewing the abandoned wells and found no improper plugging through which storage gas could be vented from the Colony Field.

Conclusion

37. We find that Southern Star's proposals are in the public interest and we will authorize Southern Star to expand the boundary and redefine the cap rock of its Colony Storage Field as proposed, to install compression facilities as described in the application up to 288 hp, and to convert and use the Rayl 2AO, Henkel 5AO, Henkle 11AO, and O-56 wells for withdrawal use only. Evidence shows that gas has migrated horizontally through the Colony Sands into the West Colony field; Southern Star's proposal to expand the boundary of the Colony Field addresses that issue. Adding the two proposed small buffer zone additions at the extreme northern end of the Colony Storage Field is in the public interest to recognize the movement of storage gas that is likely due primarily to historical well completion practices into the Squirrel Sands outside of the Colony Storage Field boundary. We note that these two areas are just to the west and south of the boundary of the South Welda Storage Field and that Southern

Star has committed itself to filing an application in the near future to propose additional compression and other facilities in the South Welda Field to recapture storage gas that has migrated into the Squirrel Sands.

V. Environmental Analysis

38. On February 14, 2006, we issued a *Notice of Intent to Prepare an Environmental Assessment for the Proposed West Colony Expansion of the Colony Storage Field and Request for Comments on Environmental Issues* (NOI). We received one response to the NOI from the U.S. Fish and Wildlife Service which our staff addressed in the environmental assessment (EA) for Southern Star's proposal. The EA addresses geology, soils, water resources, wetlands, cultural resources, threatened and endangered species, land use, air quality, noise quality, and alternatives. Based on the discussion in the EA, we conclude that if constructed and operated in accordance with Southern Star's application and our recommended mitigation measures, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

39. Any state or local permits issued with respect to the jurisdictional facilities authorized herein must be consistent with the conditions of this certificate. The Commission encourages cooperation between interstate pipelines and local authorities. However, this does not mean that state and local agencies, through application of state or local laws, may prohibit or unreasonably delay the replacement or operation of facilities approved by this Commission.¹⁹

40. Southern Star shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Southern Star. Southern Star shall file written confirmation of such notification with the Secretary of the Commission within 24 hours Northern shall notify the Commission's environmental staff by telephone or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Northern. Northern shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

¹⁹See, e.g., *Schneidewind v. ANR Pipeline Co.*, 485 U.S. 293 (1988); *National Fuel Gas Supply v. Public Service Commission*, 894 F.2d 571 (2d Cir. 1990); and *Iroquois Gas Transmission System, L.P., et al.*, 52 FERC ¶ 61,091 (1990) and 59 FERC ¶ 61,094 (1992).

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

The Commission orders:

(A) A certificate of public convenience and necessity pursuant to Natural Gas Act section 7(c) is issued to Southern Star in Docket No. CP06-49-000, authorizing it to expand the certificated boundary of the Colony Storage Field by approximately 1,960 acres, install up to 288 hp of compression, connect, as necessary, the Rayl 2AO, Henkle 5, Henkle 11, and O-56 wells, and reclassify the cap rock, as conditioned herein and as more fully described in Southern Star's application and the body of this order.

(B) The authorizations issued in Ordering Paragraph (A) are conditioned on Southern Star's:

- (1) constructing and the facilities described herein within 2 years of the date of the order in this proceeding as required by section 157.20(b) of the Commission's regulations;
- (2) complying with all regulations under the NGA including, but not limited to, parts 154 and 284, and paragraphs (a), (c), (e) and (f) of section 157.20 of the Commission's regulations;
- (3) complying with the environmental conditions in the Appendix attached to this order;
- (4) conducting an annual inventory verification study;
- (5) not utilizing the Upper or Lower Squirrel formations for the injection of natural gas.
- (6) converting and using the Rayl 2AO, Henkel 5AO, Henkle 11AO, and O-56 wells for withdrawal use only.
- (7) reporting of all drillers' reports, well logs, mechanical integrity compliance reports, and well abandonment and plugging reports if required pursuant to KCC regulations.

(C) Southern Star shall notify the Commission's environmental staff by telephone and/or facsimile of any environmental noncompliance identified by other federal, state, or local agencies on the same day that such agency notifies Southern Star. Southern Star shall file written confirmation of such notification with the Secretary of the Commission within 24 hours.

(D) Northern Natural Gas Company's motion to intervene out of time is granted.

(E) The KCC's request for a technical conference is denied.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

APPENDIX

As recommended in the EA, this authorization includes the following conditions:

1. Southern Star shall follow the construction procedures and mitigation measures described in its application and supplements (including responses to staff data requests) and as identified in the environmental assessment, unless modified by this Order. Southern Star must:
 - a. request any modification to these procedures, measures, or conditions in a filing with the Secretary of the Commission (Secretary);
 - b. justify each modification relative to site-specific conditions;
 - c. explain how that modification provides an equal or greater level of environmental protection than the original measure; and
 - d. receive approval in writing from the Director of the Office of Energy Projects (OEP) before using that modification.
2. The Director of OEP has delegated authority to take whatever steps are necessary to ensure the protection of all environmental resources during abandonment, construction, and operation of the project. This authority shall allow:
 - a. the modification of conditions of this Order; and
 - b. the design and implementation of any additional measures deemed necessary (including stop work authority) to assure continued compliance with the intent of the environmental conditions as well as the avoidance or mitigation of adverse environmental impact resulting from project construction and operation.
3. **Prior to any construction**, Southern Star shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors, and contractor personnel will be informed of the environmental inspector's authority and have been or will be trained on the implementation of the environmental mitigation measures appropriate to their jobs **before** becoming involved with construction and restoration activities.
4. Southern Star shall file a noise survey with the Secretary no later than 60 days after placing the proposed compressor station in service. If the noise attributable to the operation of all equipment authorized by this order at the compressor station at full load exceeds a day night sound level (L_{dn}) of 55 decibels on the A-weighted scale (dBA) at any nearby noise sensitive areas (NSAs), Southern Star shall file a

report on what changes are needed and shall install the additional noise controls to meet that level **within 1 year of the in-service date**. Southern Star shall confirm compliance with the L_{dn} of 55 dBA requirement by filing a second noise survey with the Secretary **no later than 60 days** after it installs the additional noise controls.