

157 FERC ¶ 61,012
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, and Colette D. Honorable.

Southern Star Central Gas Pipeline, Inc.

Docket No. RP16-1236-000

ORDER ACCEPTING AND SUSPENDING TARIFF RECORDS AND
ESTABLISHING A TECHNICAL CONFERENCE

(Issued October 7, 2016)

1. On September 9, 2016, Southern Star Central Gas Pipeline, Inc. (Southern Star) filed revised tariff records¹ pursuant to section 4 of the Natural Gas Act (NGA) consisting of agreements reflecting changes in service to Linn Operating, Inc. (Linn) and related changes to its generally applicable tariff provisions. As discussed below, the Commission accepts and suspends the tariff records, effective March 9, 2017, or an earlier date established by the Commission in a subsequent order, subject to the outcome of a technical conference established in this order.

I. Background

2. Southern Star operates a pipeline that ships natural gas obtained via the Hugoton production field in southwestern Kansas to markets located east. As it relates to this proceeding, Linn owns two natural gas processing plants that are connected to the Hugoton fields. Linn owns the Jayhawk natural gas processing plant, with a capacity of approximately 450 MMcf/d, and also has a 51 percent operating interest in the Satanta

¹ Southern Star Central Gas Pipeline, Inc., NGA Gas Tariff, Tariff Provisions, [Sheet, No. 207, Quality, 2.0.0](#), [Sheet No. 218A, , 1.0.0](#), [Sheet No. 279, , 3.0.0](#), [Section 1, Table of Contents, 9.0.0](#), [Section 4.2, Non-Conforming Service Agreements With Negotiated Rates, 3.0.0](#), [Section 4.2.1, Non-Conforming Service Agreements With Negotiated Rates, 0.0.0](#), [Section 4.2.2, Non-Conforming Service Agreements With Negotiated Rates, 0.0.0](#), and [Section 4.2.3, Non-Conforming Service Agreements With Negotiated Rates, 0.0.0](#).

natural gas processing plant with a capacity of approximately 220 MMcf/d.² In May 2016, Linn sought Chapter 11 bankruptcy protection. As part of its business reorganization, Linn proposes to close the Satanta plant to reduce costs, pending bankruptcy court approval.

3. Southern Star states that acceptance of the tariff revisions and non-conforming service agreement together with a related negotiated rate agreement would ensure that Linn's unprocessed gas supplies behind Satanta continue to be available to Southern Star's shippers for further transportation on Southern Star. Southern Star reports that some of the gas currently processed at the Satanta plant is also connected to the Jayhawk plant. However, Southern Star states that some of the gas is not dually connected and requires transportation to reach the Jayhawk plant. Southern Star states that this transportation service is to be provided by Southern Star on its Line RI, which is connected to both the Satanta and Jayhawk plants.

4. Southern Star states that it is proposing to waive its hydrocarbon dew point quality specification to allow it to receive unprocessed gas into its Line RI at the Satanta receipt meter for delivery to the Jayhawk Plant.³ Southern Star proposes to modify General Terms & Conditions (GT&C) section 3.2(a)⁴ of its tariff to provide for a hydrocarbon dew point waiver for unprocessed gas currently received at the Satanta plant and scheduled for delivery to the Jayhawk plant. Southern Star states that this provision reflects the unique facts involved in the movement of unprocessed gas from Satanta to Jayhawk for processing and poses no risk of undue discrimination.⁵

5. Southern Star reports that Linn agrees to remove water and CO₂ from the gas transported on Line RI. Southern Star indicates that because there is no physical meter on Line RI at the Jayhawk Plant, the parties have agreed to deem that the readings at the Satanta receipt meter be the delivery quantities at Jayhawk.⁶ Southern Star reports that

² Southern Star states Anadarko Energy Services Co. has the remaining interest.

³ Transmittal Letter at 2. Southern Star provides a copy of the operating agreement with Linn in Appendix E.

⁴ Section 3.2(a), Quality is located on [Sheet No. 207, Quality, 2.0.0](#) of Southern Star's tariff.

⁵ Transmittal Letter at 4.

⁶ Even though Linn has proposed to close the Satanta processing plant, the metering equipment will continue to operate.

it will not compress any of the unprocessed gas transported from Satanta to Jayhawk and Linn will be responsible for monitoring pressures under the operating agreement.

6. Southern Star identifies certain non-conforming provisions that it is proposing to facilitate the service change. Southern Star states that the Linn FTS-P service agreement contains non-conforming “whereas” language, providing descriptive information relating to Linn’s circumstances, and non-conforming language in sections 4.1 and 4.3 of the FTS-P service agreement. Southern Star reports that section 4.1 contains an annual rollover right, on six-month’s notice, provided that the agreements may not be extended beyond the seventh anniversary of the initial term without written agreement. Southern Star describes the annual rollover right as justified by the shipper’s commitment of natural gas supplies for transportation on Southern Star to the Jayhawk Plant. Southern Star indicates that, although the provision is non-conforming, a contractual rollover right based on the continued commitment of supplies is reasonable and presents no risk of undue discrimination. Southern Star reports that the term provision in section 4.1 references an effective date to be determined by the date of closure of the Satanta plant as approved by the bankruptcy court, rather than a specific date.⁷

7. Southern Star has filed tariff revisions to make similar arrangements available to any shipper agreeing to a commitment of supply. Southern Star proposes to modify GT&C section 7.2⁸ of its tariff to provide for contractual rollover, evergreen, or right of first refusal provisions, on a non-discriminatory basis, for shippers agreeing to a commitment of reserves or supplies to Southern Star. Southern Star states that section 7.2 already requires Southern Star file (as non-conforming) and post firm service agreements with rollover or evergreen rights pursuant to section 284.13 of the Commission’s regulations.⁹ Southern Star states that these safeguards will also apply to shippers agreeing to a commitment of supply or reserves.

8. Southern Star reports that section 4.3 of the FTS-P service agreement contains an assignment provision permitting a permanent release of the contract, consistent with the Commission’s regulations and Southern Star’s tariff, when rights to gas from production that is committed to the Southern Star system are permanently assigned.¹⁰ Southern Star

⁷ *Id.* at 3.

⁸ Section 7.2, Service Agreement and Term, is located on [Sheet No. 218A, , 1.0.0](#) of Southern Star’s tariff.

⁹ Transmittal Letter. at 4.

¹⁰ *Id.* at 3 (citing tariff, GT&C section 8.11, Assignment); *see also* Linn FTS-P agreement, section 4.3, Permanent Release.

contends the transportation agreement should follow the gas supplies, when those gas supplies are sold or assigned. Southern Star states that the provision poses no risk of discrimination and should be accepted.¹¹

9. Southern Star identifies the capacity release crediting mechanism in the Linn negotiated rate agreement as differing from that provided in GT&C section 11.7.¹² Southern Star states that such a crediting mechanism is expressly anticipated and permitted by GT&C section 28.4(b).¹³ Southern Star states that the negotiated crediting mechanism is needed to reflect the one-part rate design in the negotiated rate agreement, which is a commodity rate only. Southern Star asserts that the crediting mechanism poses no risk of undue discrimination, is expressly authorized by the GT&C of Southern Star's tariff, and should be accepted.

10. Southern Star proposes to add GT&C section 13.6¹⁴ of its tariff providing for a zero fuel and loss charge on the Satanta to Jayhawk transportation transaction. Southern Star states that Linn will provide compression and maintain pressures so that the gas received from Satanta and transported on Line RI can be delivered into Jayhawk, so it will use no fuel for that path. Southern Star also indicates that there are no losses for the Satanta-Jayhawk path in light of the metering arrangement. In addition, Southern Star states that the Jayhawk residue gas is delivered to Southern Star for transportation; consequently, fuel and loss will be collected on those quantities as they are further transported on Southern Star.¹⁵

11. Southern Star indicates that although these tariff provisions facilitate the agreement with Linn, there may be other producers interested in transporting gas on Line

¹¹ Southern Star states that corresponding provisions for rollover and assignment are included in the negotiated rate agreement and should also be accepted.

¹² Tariff section 11.7, Rights and Obligations of Releasing and Replacement Shippers, is found on [Sheet No. 271, , 2.0.0](#) and [Sheet No. 272, , 1.2.0](#) of Southern Star's tariff.

¹³ Tariff section 28.4(b), Capacity Release: "Southern Star and a Releasing Shipper may, in connection with their agreement to a negotiated rate hereunder, agree upon payment obligations and credit mechanisms that vary from or are in addition to those set forth in Section 11.7 of the General Terms and Conditions."

¹⁴ Tariff section 13.6, Fuel and Loss Reimbursement, is found on [Sheet No. 279, , 3.0.0](#) of Southern Star's tariff.

¹⁵ Transmittal Letter at 4.

RI from Satanta to Jayhawk. Southern Star describes that tariff provisions as a non-discriminatory framework for similar agreements, potentially making more gas available to Southern Star and its shippers at Jayhawk.¹⁶

II. Notice of Filing, Interventions, and Protests

12. Public notice of Southern Star's filing was issued September 12, 2016. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.¹⁷ Protests were filed by Freedom Pipeline, LLC (Freedom) and Atmos Energy Marketing, LLC (AEM). AEM's affiliate, Atmos Energy Corporation (Atmos Corp.), filed comments. Linn filed comments supporting the filing. Pursuant to Rule 214, all timely-filed motions to intervene and any unopposed motions to intervene filed out-of-time before the issuance date of this order are granted.¹⁸ Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

13. On September 23, 2016, Freedom filed an answer to Linn's comments. On September 26, 2016, Southern Star filed an answer to the protests. On September 30, 2016, Freedom filed an answer to Southern Star's answer. Rule 213(a)(2) prohibits answers to protests or answers unless otherwise ordered by a decisional authority.¹⁹ The Commission accepts Freedom's and Southern Star's answers as they aided in the decision-making process.

III. Discussion

A. Positions of the Parties

1. Freedom Protest

14. Freedom is a developer seeking to own and operate an intrastate natural gas delivery system. Freedom states that it is owned by and will deliver natural gas to six Kansas non-profit utilities. Freedom claims to serve over three-hundred family farms that

¹⁶ In its Sept. 26, 2016 Answer, discussed below, Southern Star reports a shipper request for interruptible transportation of unprocessed gas from Satanta to Jayhawk and waiver of the hydrocarbon standard on the same basis as provided to Linn, at 3.

¹⁷ 18 C.F.R. § 154.210 (2016).

¹⁸ 18 C.F.R. § 385.214.

¹⁹ 18 C.F.R. § 385.213(a)(2).

collectively farm more than 600,000 acres in agricultural communities in Southwest Kansas. According to Freedom, these family farms not only support the families who live on the farms, but also provide most of the revenue and tax base to two Kansas counties. Freedom states that it will also serve the town of Moscow, Kansas.²⁰

15. Freedom states that it is constructing its pipeline to interconnect with Line RI on Southern Star's system in order to obtain access to interstate natural gas markets. Freedom reports that it submitted an interconnection request for receipts into Southern Star on August 31, 2016.²¹ Freedom states that it has discussed its desire to interconnect with Line RI with Southern Star "several times."²²

16. Freedom objects to the tariff change stating:

The requested tariff change effectively converts the pipeline from a processed gas pipeline to an unprocessed gas pipeline and precludes service to any customers other than [Linn], to the detriment of Freedom and its customers. Freedom has expended over \$1 million in land, title, consultant, and legal fees, prior to beginning construction of the pipeline. The total estimated costs of the pipeline are approximately \$7.5 million. If Southern Star's request to convert Line RI to a "wet" pipeline is granted, Freedom will be required to spend an additional approximately \$1.5 million to construct a new 8-mile lateral to replace the interconnect with Southern Star and ensure access to interstate natural gas supplies.²³

17. Freedom protests Southern Star's request for a waiver²⁴ of the 30-day notice period, stating that the bankruptcy petitioner's desire to save costs is not sufficient good

²⁰ See Freedom Protest, Attachment A (Kansas Commission order approving settlement of claims in Freedom's certificate proceeding that it failed to demonstrate viability and public interest by offering a non-compete agreement to "Atmos Energy" and transportation service to another utility for the town).

²¹ Southern Star reports that Freedom actually desires an interconnection for delivery. Answer at 7.

²² Southern Star clarifies that these communications occurred following the August 31, 2016 interconnection request. *Id.*

²³ Freedom Protest at 3.

²⁴ *Id.* at 5. Southern Star has since withdrawn the waiver request.

cause for “contravening the due process rights of Freedom and other potential interested parties, and leaving the impacted communities without access to the processed natural gas it requires by removing access to interstate natural gas markets.”

18. Freedom requests that the Commission suspend the proposed tariff changes for the maximum five-month period and establish an evidentiary hearing to fully explore all of the issues raised by the Southern Star filing. Freedom states that the proposed changes “may effectively abandon service to all customers other than LINN, thereby unjustly depriving Freedom of the opportunity to interconnect to Line RI.”²⁵ Freedom states that a five-month suspension and hearing procedure are necessary “to allow for discovery regarding the impacts of the proposed tariff changes, negotiation among the parties, and, if necessary, a hearing on the merits of the proposed changes.”²⁶

2. Linn’s Supporting Comments

19. Linn reports that it will seek relief in bankruptcy court to close the Satanta plant and process additional gas at the Jayhawk Plant. Linn claims that closing the Satanta plant is the most efficient and reasonable option, given conditions in the Hugoton basin, where production has been steadily declining and new drilling is unlikely. Linn reports other processing plants that have already shut down. According to Linn, there are not adequate volumes to justify operating two processing plants, each of which is currently at approximately half utilization. Linn states that reduction in volumes at the Satanta plant would require significant short-term investments to keep the plant in operation. Linn states that converting Southern Star’s Line RI to transport unprocessed gas from Satanta to Jayhawk uses existing pipeline infrastructure to achieve its economic goals and best serve the producers and customers in the area.

20. Linn responds to the claims made in the Freedom protest. Linn notes that Freedom proceeded with pipeline construction under an assumption that it could receive processed gas from Line RI. However, Linn claims that Freedom has no contractual basis to object to the specifications of the product transported on Line RI. Linn notes that Freedom admits in its protest that it and its customers have other options for receiving processed gas, and states that “Freedom’s aversion to incurring additional costs to take advantage of these readily-available options does not render Southern Star’s proposed tariff changes unjust or unreasonable, nor does it ‘remov[e] access to interstate natural gas markets.’”²⁷

²⁵ *Id.* at 6.

²⁶ *Id.*

²⁷ Linn Comments at 4 (quoting Freedom Protest at 5).

3. Other Comments and Protest

21. Atmos Corp. and its subsidiary AEM filed comments and a protest, respectively. Atmos Corp. comments that it is engaged in the natural gas distribution business in the states of Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee, Texas and Virginia and is a customer of Southern Star. Atmos Corp. seeks clarification of how the Satanta plant closing and Southern Star's proposal to operate Line RI as a "wet" line will affect its receipts. Atmos Corp. understands that Southern Star may be willing to move Atmos Corp's receipt point volumes from the Satanta plant to a mutually agreeable location to ensure that Atmos Corp. is not adversely affected.²⁸ AEM states that it is a natural gas marketing company providing supply and asset management services to utilities, industrial facilities, power plants and gas producers. AEM states that it is a wholly owned subsidiary of Atmos Energy Holdings, Inc. and is part of the non-utility division of Atmos Corp. AEM states that it holds a contract under rate schedule TSS providing firm entitlements at the Satanta gas processing plant.²⁹ AEM states that it takes delivery of processed gas at that receipt point on Southern Star in the course of its business.

22. AEM objects to the lack of notice of Southern Star's operational changes outside this proceeding. AEM states that the changes would require it to pay a premium for "wet" gas, when it cannot sell the liquid products; or source replacement gas at a non-primary secondary location. AEM claims that it did not contract for either outcome when it took release of firm transportation capacity on Southern Star.³⁰

23. AEM states that waiver of gas quality standards for the benefit of Linn to the detriment of AEM is contrary to Commission precedent and would discriminate against AEM and indirectly harms its customers.³¹

²⁸ If this mutual agreement on an alternative point is achieved with no adverse impact to the parent Atmos Corp., the protest by AEM would effectively be satisfied, as there would also be no adverse impact to the subsidiary, whose interests are also those of its parent.

²⁹ Southern Star's *pro forma* TSS agreement [Trans-Storage Service] states that it will receive natural gas tendered by shippers at designated receipt points for storage and delivery.

³⁰ Southern Star reports that AEM took its capacity from its parent Atmos Corp., who did not transfer the right to change delivery points. Answer at 6 n.9.

³¹ AEM protest at 3.

24. AEM responds to Linn's comments claiming that shutting down the Satanta plant and consolidating processing does not require fundamentally altering the gas quality on Line RI. AEM notes that other processing plants have already shut down without converting Line RI to "wet" gas.³² AEM objects to Linn's claim that the changes best serve the producers and customers in the area, stating that Linn "really means" that this best serves Linn and its customers. AEM states, "Here, rather than Linn arranging an alternative route for it to flow gas from its Satanta Plant to its Jayhawk Plant, Linn and Southern Star seek to inconvenience another shipper on Southern Star so that Linn may avoid incurring additional costs."³³

25. AEM notes that the Commission may convene a technical conference when pipelines propose an operational change that raises a technical issue affecting shippers. AEM requests a technical conference claiming that Southern Star's proposal to convert Line RI from processed gas to "wet" gas will impact a shipper with firm receipt point entitlements at the Satanta plant, and potentially other shippers. AEM states that Southern Star's proposal raises "a number of technical, engineering and operational issues that would best [be] addressed at a technical conference."³⁴ AEM requests a maximum suspension.

4. Freedom's Answer

26. Freedom asserts that Linn's claim, that Freedom has no contractual relationship with Southern Star or Linn so as to provide Freedom any actionable rights regarding the specifications of the gas transported on Line RI, is unclear.³⁵ Freedom emphasizes its customers' interests in obtaining options for service, and objects to being forced to spend an additional \$1.5 million or more on pipeline construction and rights-of-way to connect to another portion of the Southern Star system.³⁶ Freedom challenges the feasibility of other pipeline options, claiming they are not equivalent in terms of operating pressure, reliability, access to markets or transportation cost.

³² *Id.* (stating that Linn may consolidate its operations in the absence of adequate volumes to justify operation of two plants).

³³ *Id.*

³⁴ *Id.* at 4.

³⁵ Freedom Answer at 1.

³⁶ *Id.* *But cf.* Freedom Protest at 2 ("Freedom serves over three-hundred family farms that collectively farm more than 600,000 acres in agricultural communities in Southwest Kansas").

27. Freedom criticizes Linn for stressing Freedom's options, in light of Linn's own alternative options such as arranging an alternative route from Satanta to Jayhawk or building its own pipeline. Freedom characterizes Linn's position as requesting "that all costs be borne by others with no support or justification."³⁷ Freedom argues that Linn's requested relief is simply to shift the economic burden away from Linn and onto Freedom and its customers³⁸

5. Southern Star's Answer

28. Southern Star emphasizes that the available gas supply in the Hugoton production area does not support economic operation of both processing plants, so it is reasonable Linn is seeking to close the Satanta Plant, via its bankruptcy proceeding. To utilize existing infrastructure, and to obtain a commitment of gas supply, Southern Star has agreed to transport unprocessed gas on its Line RI from Satanta to the Jayhawk plant.

29. Southern Star responds affirmatively to Atmos Corp's request for assurance that Southern Star is willing to move Atmos' primary receipt point entitlements at Satanta to a mutually agreeable location to ensure that Atmos is not adversely impacted.³⁹

30. Southern Star explains that, prior to the tariff filing, Linn's plans to close the Satanta Plant were not public knowledge. Southern Star states that following the filing, it contacted, or attempted to contact the eight shippers having firm service agreements taking receipt from Satanta to advise them of the potential closure of the plant and inform them that firm capacity was available at the tailgate of Jayhawk where the former Satanta gas would now be processed, and to assist them in moving their primary receipt point, when Satanta closes.⁴⁰

31. Southern Star reports that AEM is a temporary replacement shipper under an asset management arrangement with Atmos Corp. Atmos Corp's has 10 Dth/day of capacity at Satanta and it is this contract for which Southern Star has clarified its willingness to move the receipt point. Southern Star explains that it made its filing in this docket because it understands the implications of the plant closing, in particular if appropriate

³⁷ *Id.*

³⁸ *Id.* at 2-3.

³⁹ Southern Star Answer at 5 (citing its tariff, GT&C section 4.2, Receipt and Delivery Point Flexibility).

⁴⁰ *Id.*

action is not taken to ensure the continued availability of Hugoton supply to Southern Star's system. Southern Star states:

The instant filing minimizes the potentially adverse impact of that fundamental change to the Southern Star system by keeping those gas supplies flowing on Southern Star and making them available to its shippers. If this filing is not approved, Southern Star's shippers risk a loss of gas supply on the Kansas-Hugoton line segment as this gas could be directed to other processing facilities not connected to Southern Star. It further benefits all of Southern Star's shippers by enhancing the ongoing economic viability of the Jayhawk Plant, which is only operating at approximately 50 percent capacity, and is the largest receipt point on Southern Star's system.⁴¹

32. Southern Star contests AEM's assertion that the proposed gas quality waiver is discriminatory and benefits one party, Linn, over other shippers. Southern Star states that the waiver is very limited, affecting only the hydrocarbon dew point standard for quantities nominated from Satanta to Jayhawk. Southern Star reports that, as a condition for this waiver, Linn agrees to remove water and carbon dioxide. In addition, Southern Star notes that, after processing, it is the only outlet at Jayhawk, so residue gas will be available to any shipper on Southern Star. Southern Star claims that the proposed waiver thus benefits not only Linn, but also any potential Southern Star shipper. Southern Star points to the proposal to amend GT&C section 3.2(a) to make clear that any other producer desiring to move gas from Satanta to Jayhawk for processing could receive the same waiver, to ensure this waiver was not discriminatory and potentially making more residue gas available to benefit Southern Star's shippers at Jayhawk.⁴²

33. Southern Star anticipates total unprocessed gas flows from Satanta to the Jayhawk plant of approximately 50,000 Dth/day, with all of the residue gas available for transportation by Southern Star's shippers. On that basis, Southern Star characterizes AEM's concerns as "misplaced" and states that AEM ignores the larger system benefits of Southern Star's filing.

34. Southern Star states, in light of its explanation of how Line RI would be operated and its clarification of how shippers may move their receipt points, Southern Star has explained how shippers will be treated in a non-discriminatory fashion. Southern Star

⁴¹ *Id.* at 5.

⁴² *Id.* at 6.

concludes that AEM raises no technical, engineering, or operational issue that may negatively impact shippers or justify a technical conference.

35. In response to the remaining protest, Southern Star describes Freedom as a project developed to own and operate an intrastate delivery system primarily to serve a small seasonal irrigation district load. Southern Star states that Freedom's interconnection request was a "cold" request, explaining that to its knowledge, Freedom had not talked to any of the pipeline's personnel prior to making the request. Southern Star explains that it contacted Freedom to confirm that the request for receipt service was actually for delivery and to ask whether Freedom was interested in firm or interruptible service. Southern Star reports that Freedom does not want to take transportation service, but plans to take delivery from a marketer.

36. Southern Star reports that, as with other shippers, after the closing of the Satanta plant became public knowledge, it contacted Freedom to inform it of the resulting operational changes on Line RI. Specifically, that there would no longer be any pipeline quality residue gas (sometimes termed "dry" gas) available from Satanta, and the pressures on Line RI would be reduced below the pressures that Freedom requested. Southern Star states that it continues to process Freedom's interconnection request but notes that it has advised Freedom that it will be unable to deliver residue gas if Linn closes the Satanta plant and Line RI is used to continue to make the Satanta supplies available to the Southern Star system. Southern Star states that Freedom's interconnect request may interfere with the operation of Line RI. Southern Star states that one of the conditions a party requesting an interconnect must satisfy is that "the proposed interconnect must not adversely affect the pipeline's operations."⁴³

37. Southern Star reports that, although Linn is confident that bankruptcy court will approve closure of the Satanta Plant, it is unlikely that such approval will occur before expiration of the 30-day notice period. Southern Star states that it withdraws its request for waiver of the 30-day notice period in light of the protests and the status of Linn's bankruptcy proceeding.⁴⁴

38. Southern Star asks that the Commission reject Freedom's request for a maximum suspension period and for an evidentiary hearing. Southern Star states, if the Satanta

⁴³ Southern Star Answer at 8 (citing *Columbia Gulf Transmission Co.*, 124 FERC ¶ 61,113 (2008) (discussing the interconnect policy in *Panhandle Eastern Pipe Line Co.*, 91 FERC ¶ 61,037 (2000)).

⁴⁴ *Id.* at 9. Southern Star reports that Linn currently anticipates bankruptcy court approval for the closure of the Satanta plant in the last half of October.

volumes are to continue to be made available to Southern Star's shippers following closure of the plant, its filing must be promptly acted upon and approved.

39. Southern Star characterizes Freedom's choice to attempt to obtain "dry" gas from Satanta when the plant operator is in bankruptcy and planning to close the processing plant as "unfortunate." Southern Star characterizes as "poor timing" Freedom's interconnect request, submitted at the same time that Southern Star was finalizing its filing, after months of discussion with Linn.

40. Southern Star contests Freedom's claim that its due process rights are affected, claiming that its filing attempts to ensure that all potential affected parties are aware of the proposed operational changes and the gas processed at Satanta can be processed at Jayhawk on a non-discriminatory basis. Southern Star asserts that the transportation agreement with Linn does not shift costs to or adversely affect existing shippers, but instead benefits the system. Southern Star states, "An unsolicited interconnect request of a party who desires no service, contributes no system benefits, adversely affects the operation of the pipeline, and who unfortunately chose to build towards a processing plant that will no longer be in service, should not be permitted to delay or deny the prompt approval of this tariff filing"⁴⁵

41. Southern Star discusses possible alternative options for Freedom. Southern Star states that Freedom could connect with Southern Star on its Line R to receive processed gas. Southern Star also mentions that other interstate or Hinshaw pipelines in the vicinity could provide service to Freedom. Southern Star acknowledges that those pipelines may not be equivalent to Southern Star, or that the options to obtain residue gas may be less attractive or more costly to Freedom, but states that these facts do not mean that Freedom is without service options. Southern Star asks the Freedom Protest to be dismissed.

6. Freedom's Answer to Southern Star's Answer

42. Freedom submitted an answer to Southern Star's answer in order to correct inaccuracies and irrelevant claims. Specifically, Freedom corresponded with Southern Star as early as May 30, 2013, in which an estimate to interconnect was given to Freedom. Freedom also made an interconnection request on August 31, 2016, with a response from Southern Star given the same day Southern Star filed with the Commission, on September 26, 2016. Southern Star responded with a much higher interconnection estimate than in 2013, along with a statement that the pending operational changes on Line RI could result in the interconnection adversely affecting pipeline operations and Southern Star would not be able to deliver pipeline quality gas and the gas would not be at the pressure Freedom requested. Freedom also states

⁴⁵ *Id.* at 9-10.

Southern Star did not inform Freedom immediately about the tariff changes and did not mention it in their regular correspondence from August 31, 2016 and onward. Freedom also argues there is no basis to Southern Star's claims that Line RI's conversion is beneficial, and there is no analysis that the benefits outweigh the detriments to Freedom, its customers, and other shippers on Southern Star's system.⁴⁶

B. Commission Determination

43. Southern Star's proposed agreements and tariff modifications requires more review. As discussed below, the concerns raised are best discussed in a technical conference. Accordingly, the Commission will accept and suspend the tariff records for five months, effective March 9, 2017, or an earlier date established by the Commission in a subsequent order.

44. Atmos Corp's more limited concern relates to its being able to shift receipt points, such as to take receipt of gas at the remaining processing plant. Southern Star commits to processing such a request, consistent with the terms of its tariff.

45. Freedom suggests that it is being denied the opportunity to take delivery of "dry" gas on Line RI, following its interconnect request. However, the record shows that Freedom does not have a contractual supply of "dry" gas at Satanta and did not obtain a commitment from Southern Star to interconnect prior to the events described in the instant filing. The Satanta receipt point is currently configured to provide receipts into the larger Southern Star system and Southern Star reports no existing interconnects on Line RI. Thus, Freedom could have had no immediate, reasonable expectation that it could obtain delivery service for "dry" residue quality gas on Line RI.

46. Freedom is correct that Southern Star's acceptance of the Linn agreement precludes its plans to obtain residue quality gas at Satanta. However, Freedom has provided no facts or analysis which would suggest that Southern Star's actions in this regard were motivated by a desire to discriminate against or shift costs to Freedom. Instead, Southern Star indicates that its actions were motivated by a desire to secure supply for the pipeline in light of the declining economic viability of the Satanta plant. In these circumstances, we decline on this record to second guess the pipeline's business decision to adapt to the closing of the Satanta plant. Southern Star's actions do not appear unduly discriminatory as Freedom suggests.

47. Furthermore, Freedom has not established that it is similarly situated to Linn. Freedom is not a current customer and prior to its interconnect request Freedom offered no immediate business prospects to Southern Star.

⁴⁶ Freedom's answer to Southern Star's answer at 2-4.

48. Freedom's interconnect request is governed by the Commission's policies provided for in *Panhandle*, which in general requires the party seeking the interconnection must reimburse the pipeline or cause it to be reimbursed for the cost of constructing or modifying its facilities.⁴⁷ Accordingly, Freedom's protest is rejected.

49. However, Southern Star's proposal to modify their gas quality provision to provide for a hydrocarbon dew point waiver for unprocessed gas received at Receipt Location 15433 in GT&C, section 3.2(a) of its tariff raises a number of technical, engineering, and operational issues that are best addressed at a technical conference. It is necessary to examine these to the extent that a mutually agreeable arrangement is not reached between Southern Star and protester AEM. At the technical conference, Commission Staff and parties will have an opportunity to further discuss Southern Star's justification and support for its proposed GT&C modifications and alternatives for AEM.

50. At the technical conference, Southern Star should be prepared to address the concerns raised by the parties in this proceeding and, to provide additional technical, engineering, and operational support for its proposed gas quality modifications. Attached as an Appendix to this order is a data request that will assist the Commission in its analysis of the information provided in this proceeding. Requesting this information prior to the establishment of the technical conference will better prepare staff for the conference. Southern Star should file its response to the questions identified in the Appendix within 15 days of the date of this order. Accordingly, the Commission Staff is directed to convene a technical conference to explore the issues raised by the filing.

IV. Suspension

51. Based on a review of the filing, the Commission finds that Southern Star's proposed tariff records have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept and suspend the effectiveness of the tariff record for the maximum time of five months or an earlier date established by the Commission in a subsequent order, and the outcome of the technical conference proceedings ordered herein.

52. The Commission's policy regarding suspension is that tariff filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards. It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. Such circumstances do not exist here.

⁴⁷ *Panhandle Eastern Pipe Line Co.*, 91 FERC ¶ 61,037.

53. However, if Southern Star and AEM can agree to a new receipt point before the technical conference, the need for a technical conference would be obviated. Accordingly, for the reasons discussed above, the Commission will reject Freedom's protest, but will convene a technical conference on AEM's yet-to-be-resolved protest and accept the referenced tariff records effective March 9, 2017, or an earlier date established by the Commission in a subsequent order.

The Commission orders:

(A) The proposed tariff records are accepted and suspended, effective upon motion March 9, 2017, or an earlier date established by the Commission in a subsequent order, subject to the outcome of the technical conference established in this order.

(B) To the extent Southern Star and AEM do not reach an agreement as discussed herein, the Commission's Staff is directed to convene a technical conference within 90 days of this order to explore the issues raised by the filing.

(C) Southern Star is required to file data responses to the questions identified in the Appendix within 15 days of the date of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

- 1) Provide a large scale map of the Southern Star system that illustrates both the location of the Satanta and Jayhawk processing plants and Line RI. In the filing, Southern Star also indicated that some of the gas currently processed at the Satanta Plant is already “dually connected” to the Jayhawk Plant. Please identify the alignment of this connection on the map and provide the size, length, and material data for this line.
- 2) Provide flow diagrams of the Southern Star system in the vicinity of the processing plants, showing flow conditions both before and after the closing of the Satanta Plant. Please include all modeling assumptions.
- 3) Provide a list of receipt points and shippers with their associated volumes (in Dth/d) on the Line RI.
- 4) Provide a list of receipt points and shippers with their associated volumes (in Dth/d) on the “dually connected” line.
- 5) Quantify how much gas is currently processed at the Satanta and Jayhawk plants, and how much additional gas would be processed at the Jayhawk Plant with the closing of the Satanta Plant.
- 6) Illustrate that Southern Star will be capable of meeting all of its transportation obligations after the closing of the Satanta plant. Provide supporting documentation and calculations.
- 7) Please provide details regarding meetings or discussions with customers regarding Southern Star’s proposal to transport unprocessed gas on its Line RI from the closed Satanta Plant to the Jayhawk Plant.