

147 FERC ¶ 61,043
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

Panhandle Eastern Pipe Line Company, LP

Docket No. CP14-32-000

ORDER APPROVING ABANDONMENT

(Issued April 17, 2014)

1. On December 19, 2013, Panhandle Eastern Pipe Line Company, LP (Panhandle) filed an application, as supplemented, pursuant to section 7(b) of the Natural Gas Act (NGA)¹ and Part 157 of the Commission's regulations² for authority to abandon its Mouser Compressor Station, located in Texas County, Oklahoma. As discussed below, the Commission will approve the requested abandonment.

I. Background and Proposal

2. Panhandle is a natural gas company, as defined by section 2(6) of the NGA,³ engaged in the transportation and storage of natural gas in interstate commerce. It is a limited partnership organized and existing under the laws of Delaware. Panhandle's transmission system extends from supply areas in Texas, Kansas, and Oklahoma through Missouri, Illinois, Indiana, Ohio, and Michigan to the International Boundary between the United States and Canada.

3. The Mouser Compressor Station is located approximately 12.5 miles west of the city of Hooker, in Texas County, Oklahoma. The Mouser Compressor Station is a multi-stage compressor facility that currently comprises seven reciprocating compressor units, totaling approximately 4,594 horsepower (hp). Panhandle states that the current average throughput of the compressor station is approximately 2 to 3 MMcf per day, down from

¹ 15 U.S.C. § 717f (2012).

² 18 C.F.R. § 157 (2013).

³ 15 U.S.C. § 717a(6) (2012).

5.9 MMcf per day in 2000.⁴ The Mouser Compressor Station is used to compress gas received at the Mouser Custody Transfer Meter (CTM) from non-jurisdictional 8-inch and 10-inch diameter low-pressure lines owned by OXY USA, Inc. (OXY) into Panhandle's 16-inch diameter Hooker Lateral, which in turn is connected to Panhandle's mainline system. The Hooker Lateral also receives gas from the Straight CTM located at the beginning of the Hooker Lateral, upstream of the interconnect between the Mouser Compressor Station and the Hooker Lateral, and the Dorchester CTM located downstream of the interconnect between the Mouser Compressor Station and the Hooker Lateral. The Mouser CTM is located within the compressor station yard, along with other ancillary equipment, and is on the suction side of the compression. OXY delivers gas to Panhandle at the Mouser CTM but is not a shipper on Panhandle.

4. The Mouser Compressor Station began operation in 1973 with two units (Units 93 and 94).⁵ Additional units were added in the 1970s until there were 10 units at the site.⁶ Of these 10 units, four were designed as low-stage compressor units and six were designed as final stage compressor units. Because of declining production, Panhandle abandoned two units in 1983 and one in 1984, leaving seven units.

5. Panhandle states that demand for transportation services related to supply receipts from the Mouser Compressor Station field area continue to decline over time. Panhandle states that production upstream of the Mouser Compressor Station has been declining because the fields are old and already well developed, and no additional production is expected. Panhandle further states that consequently two compressors have been idle for more than a year. According to Panhandle, with current receipts of approximately 2 to 3 MMcf per day, the Mouser Compressor Station only requires one low-stage compressor operating at less than 60 percent of rated horsepower and one final-stage compressor unit operating at 35 to 55 percent of rated horsepower. Panhandle states that normal suction pressure at the station ranges from 10 to 20 psig, with an associated discharge pressure into the Hooker Lateral of up to 600 psig.

6. Panhandle asserts that the Mouser Compressor Station units are inefficient and improperly sized for the current transportation volumes, and that the high ratio, low

⁴ The Mouser Compressor Station is operated by DCP Midstream, LP (DCP Midstream).

⁵ *Panhandle Eastern Pipe Line Co.*, 49 FPC 1106 (1973).

⁶ *Panhandle Eastern Pipe Line Co.*, 5 FERC ¶ 61,256 (1978).

volume and inactive cylinder conditions result in unstable engine/compressor operation. Panhandle contends that abandonment of the existing facilities would eliminate the operation and maintenance (O&M) expenses associated with the units and the potential need to install equipment to comply with the Environmental Protection Agency's (EPA) proposed exhaust emission control regulations. Panhandle contends that the existing gas supply on its system that is not dependent on the Mouser compression is more than adequate to meet downstream shipper requirements and that since no firm or interruptible shippers on Panhandle use the Mouser Compressor Station, it is no longer needed to meet any foreseeable firm compression requirements.

7. Panhandle requests authority to abandon all facilities at the Mouser Compressor Station site, with the exception of the Mouser CTM. Panhandle states that it has no firm transportation contracts associated with the facilities proposed to be abandoned and that abandonment will not result in termination of any firm services or affect transportation services provided to any existing firm transportation customers. Panhandle asserts that no interruptible transportation shippers have designated the Mouser CTM as a point of receipt on their contracts.

8. Specifically, Panhandle seeks to abandon by removal the seven existing compressor units, related piping above and below the ground, valves, an office building, and ancillary equipment.⁷ The ancillary equipment to be abandoned includes a water well, two 8,400-gallon condensate tanks, a liquids terminal, a dehydrator, a storage tank, a gas scrubber, a triethylene glycol tank, an Ambitrol⁸ storage tank and used oil sump, containment tanks, condensate load line, compressor crosspiece and drain tanks, a lube oil tank, storage buildings, and an air compressor. Panhandle states that foundations and pads will be abandoned in place and that below-ground piping and electrical conduit will be cut and capped 18 inches below ground, filled with water, and retired in place. Panhandle proposes to construct a 10-foot segment of 10-inch diameter pipe connecting the existing 16-inch diameter suction line and the 10-inch discharge line to maintain flow from the Mouser CTM into the Hooker Lateral.⁹ Panhandle estimates the total cost to abandon the facilities to be \$383,985.¹⁰

⁷ The reciprocating compressor units that Panhandle proposes to abandon are U-49 (680 hp); U-169 (703 hp); U-183 and U-184 (500 hp each); and U-301, U-303, and U-304 (737 hp each).

⁸ Ambitrol is an industrial coolant containing ethylene glycol.

⁹ Panhandle states that it will continue to lease the facility site.

¹⁰ Exhibit Y to Panhandle's application shows the proposed accounting entries and

9. Panhandle states that leaving foundations and pads in place will limit ground-disturbing activities to those areas where access and facility demolition activities are needed. Panhandle states that all project activities will be confined to the compressor station yard and it will not need to expand existing roads.

II. Notice, Interventions, Protest and Answer

10. Notice of Panhandle's application was published in the *Federal Register* on January 14, 2014 (79 Fed. Reg. 2430). OXY, DTE Gas Company, ConocoPhillips Company, and Atmos Energy Company filed timely, unopposed motions to intervene. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.¹¹

11. OXY's motion to intervene included a protest.¹² On February 6, 2014, Panhandle filed an answer to OXY's protest. Rule 213(a) of the Commission's Rules of Practice and Procedure does not permit answers to protests.¹³ However, the Commission finds good cause to waive Rule 213(a) and allow the answer, as it will not cause undue delay and may assist the Commission in its decision making process.¹⁴ The Commission will address the protest and answer below.

III. Discussion

treatment reflecting the proposed abandonment.

¹¹ 18 C.F.R. § 385.214(c) (2013).

¹² OXY is a subsidiary of Occidental Petroleum Corporation.

¹³ 18 C.F.R. § 385.213(a) (2013).

¹⁴ 18 C.F.R. § 385.213(a)(2) (2013).

12. Since the facilities that Panhandle proposes to abandon are used to transport natural gas in interstate commerce subject to the jurisdiction of the Commission, the proposal is subject to the requirements of section 7(b) of the NGA.¹⁵

13. Section 7(b) of the NGA allows an interstate pipeline to abandon jurisdictional facilities or services upon a finding that the abandonment is permitted by the “present or future public convenience or necessity.”¹⁶ The Commission examines abandonment applications on a case-by-case basis. In deciding whether a proposed abandonment is warranted, the Commission considers all relevant factors, but the criteria will vary as the circumstances of the abandonment proposal vary.

14. When a pipeline proposes to abandon facilities, the continuity and stability of existing services are the primary considerations in assessing whether the public convenience or necessity permit the abandonment.¹⁷ If the Commission finds that a pipeline’s proposed abandonment of particular facilities will not jeopardize continuity of existing gas transportation services, it will defer to the pipeline’s business judgment.¹⁸

15. Panhandle states that with no firm or interruptible shippers on Panhandle using the Mouser Compressor Station or designating the Mouser CTM as a receipt point, abandonment of the facilities will have no adverse impact on current shippers on the Panhandle system. Currently, the gas volumes associated with the Mouser Compressor Station are being transported to pooling points via no-cost interruptible pooling contracts, allowing gas to be aggregated with other supply sources and to be made available for downstream shippers who designate those pooling points as receipt points in their contracts. Consequently, producers upstream of the Mouser Compressor Station, such as OXY, do not pay for compression service. Panhandle states that producers (such as OXY) and supply aggregators can continue delivering gas to the Mouser CTM by adding compression better designed to deliver the declining volumes into Panhandle’s facilities at pipeline pressure upstream of the meter station. Panhandle states that producers may also re-route their gas to other receipt points. Panhandle states that upon abandonment of the Mouser Compressor Station, its Hooker Lateral will have the ability to receive up to 11 MMcf per day of gas from the Mouser CTM for transportation to its mainline

¹⁵ 15 U.S.C. § 717f(b) (2012).

¹⁶ *Id.*

¹⁷ *See, e.g., El Paso Natural Gas Co.*, 136 FERC ¶ 61,180, at P22 (2011).

¹⁸ *See, e.g., Trunkline Gas Co.*, 94 FERC ¶ 61,381, at 62,420 (2001).

transmission facilities, assuming receipts from the Dorchester CTM and the Straight CTM.¹⁹

16. OXY, a producer that owns upstream facilities in the vicinity of the Mouser Compressor Station but is not a shipper on Panhandle, states that on-system gas producers relying on the Mouser Compressor Station will be forced to re-route their production at considerable expense or leave the Panhandle system. OXY contends that if the proposed abandonment is approved, construction of replacement facilities could take 12 to 18 months.

17. It is uncontested that there are no firm transportation contracts on Panhandle's system designating the Mouser Compressor Station as a receipt point. Thus, the proposed abandonment of those facilities will not result in termination of any firm service. Also, no customers holding interruptible transportation contracts with Panhandle have designated the Mouser CTM as a point of receipt in their contracts.

18. The facilities to be abandoned are located in an active but declining production area with extensive existing infrastructure. As noted, Panhandle's Hooker Lateral will continue to support up to 11 MMcf per day of transportation capacity from the Mouser CTM after the proposed abandonment.²⁰ Producers and supply aggregators can continue to deliver natural gas to the Mouser CTM for transportation on Panhandle's Hooker Lateral to the mainline by adding compression upstream of the meter station,²¹ or they can re-route natural gas to other receipt points on Panhandle's system in the vicinity. Thus, Panhandle's proposal will not by itself result in the shut-in of production upstream of the facilities to be abandoned because there exist other means for the gas to reach the interstate grid.

¹⁹ Panhandle filed a flow diagram analysis to support its proposal as Exhibit V to its application.

²⁰ As noted, currently gas is received at the Mouser CTM at a pressure of 10 psig and compressed to 600 psig to enter the Hooker Lateral. Upon abandonment and under anticipated design conditions, gas would need to be delivered to the Mouser CTM at a pressure of 600 psig to enter the Hooker Lateral.

²¹ In its answer to OXY's protest, Panhandle states that on September 3, 2013, it notified OXY that it intended to abandon the Mouser Compressor Station and sought OXY's interest in possibly purchasing the facilities. Panhandle states that as of the date of its filing, it had received no response from OXY.

19. The Commission also notes that section 12.4 of the General Terms and Conditions (GT&C) of Panhandle's tariff provides that deliveries of gas at the point of receipt shall be at a pressure sufficient to enter Panhandle's system at such point. Sections 12.5, 12.6, and 12.7 of the GT&C provide that the shipper is responsible for delivering its gas at the scheduled receipt point on Panhandle's system on any given day, and that Panhandle is not obligated to receive or deliver gas if the shipper fails to meet its requirements. While, as noted above, OXY is not a shipper which has designated the Mouser Compressor Station or CTM as a receipt point under a transportation service agreement with Panhandle, there is also no provision of Panhandle's tariff which obligates it to provide the compression necessary to take delivery of gas at that point under a pooling contract. Moreover, the current costs associated with the Mouser Compressor Station are being borne not by OXY, but by the firm and interruptible shippers transporting gas downstream of the pooling point. Based upon the absence of protests from any shippers bearing the costs of operating the facilities proposed to be abandoned, it appears that downstream shippers do not place a high value on the services being provided by these facilities. Under these circumstances, the Commission finds that the public convenience or necessity permit the proposed abandonment.

Section 7 vs. Section 4 Proceeding

20. OXY contends that Panhandle's abandonment proposal is an attempt to use an NGA section 7(b) proceeding to reduce the O&M costs embedded in its just and reasonable rates without making an NGA section 4 general rate filing. OXY states that Panhandle has not demonstrated that its O&M costs (either on a system-wide basis or solely with respect to the Mouser Compressor Station) have increased disproportionately to revenues. OXY also contends that no shipper will see any reduction in its rates as a result of the abandonment. OXY acknowledges that the Commission rejected the same arguments it advances here in *Panhandle Eastern Pipe Line Co., LP*,²² which also involved a proposal to abandon compressor facilities, but notes that the facilities in this proceeding are substantially larger than the compressor station facilities considered in *Panhandle*.

21. Panhandle contends that if it is unable to abandon the Mouser Compressor Station facilities, its system and rate-paying customers will be responsible for O&M expenses and the capital requirements related to retrofitting the aged equipment at the Mouser Compressor Station to meet the EPA's hazardous air pollution emission standards. Panhandle states that, as a pipeline operator, it has an obligation to its shippers to minimize costs when it is able to do so in an appropriate manner. Panhandle argues that

²² *Panhandle Eastern Pipe Line Co., LP*, 141 FERC ¶ 61,119 (2012) (*Panhandle*).

its proposed abandonment of the Mouser Compressor Station facilities is consistent with Commission precedent in *Panhandle* and that the size of the compressor station facilities has no bearing on the Commission's abandonment analysis.

22. While costs can be reviewed and reallocated in an NGA section 4 general rate proceeding, a pipeline can only receive authorization to abandon facilities by filing an application under NGA section 7(b). The pipeline's existing rates cannot be modified to remove (or add) any costs in an abandonment proceeding.²³ However, receipt of abandonment authority is an essential prerequisite for the removal of a jurisdictional plant and costs related to that plant from rates. Also, it is not inappropriate for a pipeline to seek to abandon underutilized facilities to reduce current O&M expenses or avoid the cost of repair or replacement.²⁴ Further, the size of the compressor station facilities to be abandoned is not relevant to the Commission's abandonment analysis. In addition, the Commission finds it telling that no protests or objections have been raised by any shippers that actually pay for the compression. The Commission interprets the lack of protest as evidence that the shippers believe they will be unharmed or may benefit from the proposed abandonment, notwithstanding the fact that Panhandle will not reflect the reduced costs in its rates until its next NGA section 4 general rate case.

Pooling and Flexible Receipt and Delivery Points

23. OXY states that the Commission requires pipelines to offer flexible services, including pooling, and flexible receipt and delivery points. OXY contends that if the Commission approves Panhandle's proposals here, it will establish a pattern whereby Panhandle can serially jettison any compressor station that has pooling downstream of the station. OXY concludes that "[f]orcing shippers or on-system producers to defend their service by purchasing only point specific transportation would turn back the clock on the service flexibility that has been a hallmark of restructured gas markets."²⁵

24. Panhandle is not proposing to abandon or change the location of its pooling points. Panhandle cannot inhibit the creation of new market centers or pooling points.²⁶ To the extent that OXY is not satisfied with the market centers or pooling points offered by

²³ *Trunkline Gas Co.*, 94 FERC ¶ 61,381, at 62,422 (2001); *Northern Natural Gas Co.*, 74 FERC ¶ 61,100, at 61,305 (1996).

²⁴ *Columbia Gas Transmission, LLC*, 133 FERC ¶ 61,082 (2010).

²⁵ OXY January 24, 2014 Answer at 6.

²⁶ 18 C.F.R. § 284.7(b)(3) (2013).

Panhandle, OXY or others may establish new points on Panhandle's system. Nor is Panhandle proposing to change the rights of shippers to access alternate receipt and delivery points on a secondary basis. OXY has not identified anything in the abandonment proceeding that would affect shippers' rights to transportation service or access to receipt or delivery points on Panhandle's system.

Conclusion

25. For the reasons discussed above, the Commission finds that the public convenience or necessity permit the abandonment of Panhandle's Mouser Compressor Station. Specifically, there are no firm or interruptible transportation contracts associated with the facilities to be abandoned and the abandonment will not affect service to existing customers. The Commission finds that there will be no continuity of service issues associated with the abandonment, as the producers upstream of the facilities to be abandoned have reasonable alternatives available for continued access to the interstate grid.

Environmental Analysis

26. To satisfy the requirements of the National Environmental Protection Act of 1969,²⁷ the Commission's staff prepared an environmental assessment (EA) for Panhandle's proposal. The analysis in the EA addresses geology, soils, water resources, wetlands, vegetation, fisheries, wildlife, threatened and endangered species, land use, recreation, visual resources, cultural resources, air quality, noise, safety, and alternatives. The EA was placed into the public record on March 13, 2014.

27. Based on the analysis in the EA, the Commission concludes that if project activities are conducted in accordance with Panhandle's application, as supplemented, and in compliance with the environmental conditions in the appendix to this order, approval of this proposal would not constitute a major federal action significantly affecting the quality of the human environment.

28. At a hearing held on April 17, 2014, the Commission on its own motion received and made a part of the record in this proceeding all evidence, including the application, as supplemented, and exhibits thereto, submitted in support of the authorization sought herein, and upon consideration of the record,

The Commission orders:

²⁷ 42 U.S.C. §§ 4321-4347 (2012).

(A) Panhandle is granted permission and approval under section 7(b) of the NGA to abandon the facilities described in this order and more fully described Panhandle's application.

(B) Panhandle shall notify the Commission of the abandonment of the facilities within 10 days such abandonment. Panhandle shall complete the authorized abandonment within one year from the date of this order.

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

(D) Panhandle shall comply with the environmental conditions set forth in the appendix to this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix

Environmental Conditions for Panhandle Eastern Pipe Line Company, LP

1. Panhandle shall follow the construction and abandonment procedures and mitigation measures described in its application and as identified in the EA, unless modified by the Order. Panhandle must:
 - a. request any modification to these procedures, measures, or conditions in a filing with the 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 activities associated with abandonment of the project. This authority shall allow:
 - a. the modification of conditions of the 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 abandonment.
3. **Prior to any construction**, Panhandle shall file an affirmative statement with the Secretary, certified by a senior company official, that all company personnel, environmental inspectors (EIs), and contractor personnel will be informed of the EI'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 project-related activities.
4. **Within 60 days of the Order and before abandonment by removal begins**, Panhandle shall file an Implementation Plan with the Secretary for review and written approval by the Director of OEP. Panhandle must file with the Secretary and revisions to the plan as schedules change. The plan shall identify:
 - a. how Panhandle will implement the abandonment procedures and mitigation measures described in its application and supplements (including responses

- to staff data requests), identified in the EA, and required by the Commission Order;
- b. how Panhandle will incorporate these requirements into the contract bid documents, construction contracts (especially penalty clauses and specifications), and construction drawings so that the mitigation required at the project site is clear to onsite construction and inspection personnel;
 - c. the number of EIs assigned, and how the company will ensure that sufficient personnel are available to implement the environmental mitigation;
 - d. company personnel, including EIs and contractors, who will receive copies of the appropriate material;
 - e. the locations and dates of the environmental compliance training and instructions Panhandle will give to all personnel involved with abandonment-related activities (initial and refresher training as the project progresses and personnel change);
 - f. the company personnel (if known) and specific portion of Panhandle's organization having responsibility for compliance;
 - g. the procedures (including use of contract penalties) Panhandle will follow if noncompliance occurs; and
 - h. a Gantt or PERT chart (or similar project scheduling diagram), and dates for:
 - (1) the completion of all required surveys and reports;
 - (2) the environmental compliance training of onsite personnel;
 - (3) the start of project activity; and
 - (4) the start and completion of restoration.
5. **Beginning with the filing of its Implementation Plan**, Panhandle shall file updated status reports with the Secretary **on a biweekly basis until all abandonment and restoration activities are complete**. On request, these status reports will also be provided to other federal and state agencies with permitting responsibilities. Status reports shall include:
- a. the project work status and work planned for the following reporting period;
 - b. a listing of all problems encountered and each instance of noncompliance observed by the EI(s) during the reporting period (both for the conditions imposed by the Commission and any environmental conditions/permit requirements imposed by other federal, state, or local agencies);
 - c. a description of corrective actions implemented in response to all instances of noncompliance, and their cost;
 - d. the effectiveness of all corrective actions implemented; and

- e. copies of any correspondence received by Panhandle from other federal, state or local permitting agencies concerning instances of noncompliance, and Panhandle's response.
6. **Within 30 days after completing the abandonment**, Panhandle shall file an affirmative statement with the Secretary, certified by a senior company official:
- a. that the facilities have been abandoned in compliance with all applicable conditions, and that continuing activities will be consistent with all applicable conditions; or
 - b. identifying which of the certificate conditions Panhandle has complied with or will comply with. This statement shall also identify any areas affected by the project where compliance measures were not properly implemented, if not previously identified in filed status reports, and the reason for noncompliance.