

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of Golden)
Gas Service Company for a Certificate of)
Convenience and Necessity to Operate an)
Intrastate Natural Gas Storage and Pipeline)
Facility in Kiowa County, Kansas and for)
Approval of Initial Terms and Conditions for)
Services and Rates)

Docket No. 25-GGSG-459-COC

NOTICE OF FILING OF STAFF’S REPORT AND RECOMMENDATION (PUBLIC)

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission,” respectively), and files its Report and Recommendation (“R&R”) regarding Golden Gas Service Company (“Golden”) October 1, 2025, application for a certificate of convenience and necessity authorizing Golden to transact business as a natural gas public utility for the purposing of constructing, operating and maintaining an intrastate natural gas storage and pipeline facility located in Kiowa County, Kansas.

In determining whether to grant a certificate of public convenience and necessity, the Commission requires the new public utility to possess the financial, managerial and technical expertise needed to provide sufficient and efficient services.¹ Staff has reviewed the application and information supplied by Golden in this docket. Golden’s application contains a proposal to acquire the needed financial, managerial and technical expertise for this more unique public utility. Therefore, Staff recommends the Commission conditionally approve the Company’s application for a Certificate of Public Convenience and Necessity subject to Golden timely filing with the KCC the following:

¹ Staff’s Report and Recommendation, p. 5 (Sept. 30, 2025).

1. All the required permits from the Kansas Department of Health and Environment (KDHE).
2. Signed contracts for construction, operations and interstate pipeline interconnections.
3. Any filing with FERC for expanded interstate jurisdictional authority or an exemption from FERC jurisdiction under the Hinshaw Exemption.²
4. Golden shall file quarterly informational updates on overall progress made on its project development, in a compliance docket. These quarterly updates shall continue until the project has been operational for three years.³

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Patrick J. Hurley
Patrick J. Hurley, #17638
Ahsan Latif, #24709
Kansas Corporation Commission
Legal Department
1500 S.W. Arrowhead Road
Topeka, Kansas 66604
Phone: 785-271-3301
Email: Patrick.Hurley@ks.gov
Ahsan.Latif@ks.gov

Attorneys for Commission Staff

² *Id.* at 2.

³ *Id.* at 17.

Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

REPORT AND RECOMMENDATION UTILITIES DIVISION

PUBLIC VERSION

** __ ** Denotes Confidential Information

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Daniel Buller, Regulatory Auditor
Matthew Ghilino, Utilities Engineer
Douglas Hall, Senior Rate Analyst
Paul Owings, Chief Engineer
Chad Unrein, Chief of Accounting and Financial Analysis
Janet Buchanan, Deputy Director of Utilities
Justin Grady, Director of Utilities

DATE: October 1, 2025

SUBJECT: Docket No. 25-GGSC-459-COC – In the Matter of the Application of Golden Gas Service Company for a Certificate of Convenience and Necessity to Operate an Intrastate Natural Gas Storage and Pipeline Facility in Kiowa County, Kansas and for Approval of Initial Terms and Conditions for Services and Rates

EXECUTIVE SUMMARY:

On June 3, 2025, Golden Gas Service Company (GGSC or Company) filed a request for a Certificate of Public Convenience and Necessity (CCN or Certificate) pursuant to K.S.A. 66-131 to transact business as a natural gas public utility for the purpose of constructing, operating and maintaining an intrastate natural gas storage and pipeline facility in the State of Kansas.

The facility, named Joy Station, will be a high capacity, multi-turn¹ salt cavern natural gas storage facility near Greensburg in Kiowa County, Kansas. The Company plans to complete the construction of the facility in four phases. Phase I will involve the drilling of two Class I disposal wells, the construction of a Leach Plant,² four initial caverns and an approximately five-mile pipeline. The completion of Phase I, scheduled for the end of the second quarter of 2029, will

¹ “Multi-turn” refers to the facility’s turnover rate. Joy Station will be able to conduct 12 injection/withdrawal cycles per year, at a Phase I maximum quantity of 160,000 thousand cubic feet per day (MCFD). *See* Direct Testimony of Alan R. Staab, page 5.

² Leach plant - a facility used to create underground caverns in salt formations by dissolving the salt with injected water and leaching the salt away to create a large storage space for natural gas.

result in a working gas capacity of 2.4 Billion Cubic Feet (BCF). Phases II-IV will involve fourteen additional caverns being added to the natural gas storage facility, resulting in an additional working gas capacity of 7.2 BCF. The completion of later phases will be based upon market conditions.³

Joy Station's natural gas storage will provide several benefits to Kansas including increasing the reliability of utility services to Kansas customers and business operations, allowing Kansas utility companies and industrial customers to reduce their exposure to price spikes in the daily physical gas markets during extreme weather conditions, providing increased flexibility for Kansas utility companies and industrial customers in their natural gas purchasing plans, and associated economic development benefits. Joy Station's proximity to several major pipelines will allow the facility to maximize its highly flexible storage after interconnection.

However, Staff notes that the Application is essentially a proof of concept with no operations ability or contracts signed for developing the caverns, building the pipeline, and operating the system. GGSC has no experience with salt cavern Underground Natural Gas Storage Facilities (UNGSCs) or with the scale of operation that the Company proposes. While GGSC plans to hire contractors with relevant experience, no agreements have been entered into at this point. Staff cannot unconditionally support the Application until detailed signed contracts are presented to prove experienced operational oversight of the project.

Therefore, Staff recommends the Commission conditionally approve the Company's Application for a Certificate of Public Convenience and Necessity contingent upon each of the following:

1. GGSC shall file a notice in a compliance docket once it has received all required permits from the Kansas Department of Health and Environment (KDHE).
2. GGSC shall file in a compliance docket signed contracts for construction, operations and interstate pipeline interconnections.
3. GGSC shall file notice in a compliance docket if it applies to FERC for any expanded interstate jurisdictional authority or an exemption from FERC jurisdiction under the Hinshaw Exemption.⁴
4. GGSC shall file quarterly informational updates on overall progress made on its project development, in a compliance docket. These quarterly updates shall continue until the project has been operational for three years.

BACKGROUND:

Request for a Certificate of Convenience and Necessity (CCN):

³ See Direct Testimony of Alan R. Staab, page 4.

⁴ A Hinshaw exemption is found in Section 1(c) of the Natural Gas Act, which exempts from FERC's jurisdiction any entity that satisfies the definition of "natural gas company" if that entity satisfies three conditions: (1) the entity receives all gas at or within the boundary of a state; (2) all the gas is consumed within that state, and (3) the pipeline is regulated by a "State Commission." This exemption is referred to as the "Hinshaw" exemption after the Congressman who introduced the bill to amend the Natural Gas Act to add this exemption.

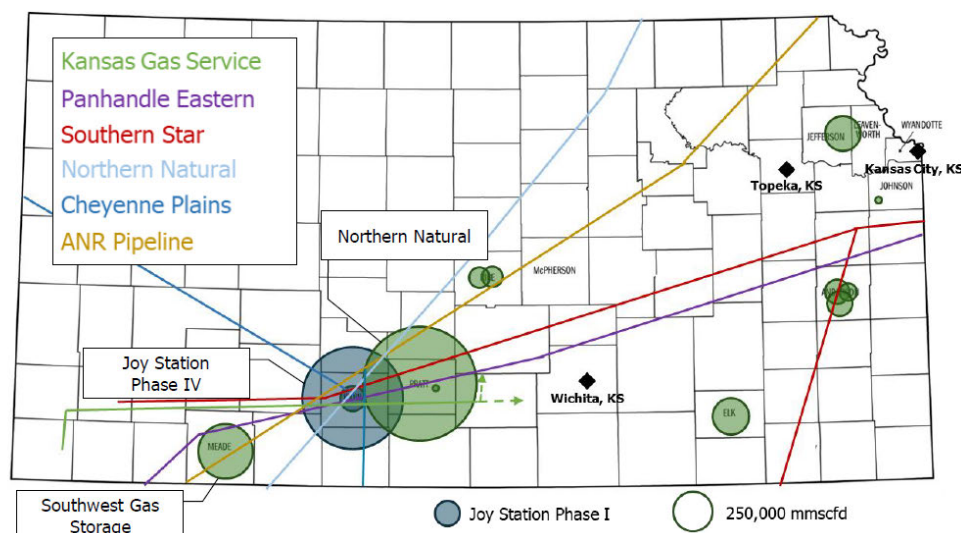
GGSC is an S Corporation organized under the laws of the state of Oklahoma, with business interests in the exploration, production and marketing of oil and natural gas. GGSC has operated a depleted gas reservoir storage facility located in Woods County, Oklahoma, for the last 15 years. GGSC has requested a CCN to construct, operate and maintain a salt cavern natural gas storage project near Greensburg, Kansas in Kiowa County, Kansas named Joy Station.

The construction of the project is scheduled to be performed in four phases. Phase I consists of drilling of two Class I disposal wells, construction of a Leach Plant, four initial caverns located in the Hutchinson Salt Formation, and an approximately five-mile pipeline to connect the gas storage facilities to one or more natural gas pipelines. Phase I is scheduled to be completed and in operation by the end of the second quarter of 2029. Phases II-IV will involve fourteen (14) additional caverns located in the Hutchinson Salt Formation being added to the natural gas storage facility and completion of those phases will be based upon market conditions. Every and Kansas Gas Service filed Petitions to Intervene in this docket on July 14, 2025, and August 26, 2025, respectively.

In addition to being the first high capacity, multi-turn natural gas storage facility in Kansas, Joy Station is geographically advantaged by being located at the intersection of six interstate pipelines and one intrastate pipeline. In its Open Season Frequently Asked Questions (FAQ) document, GGSC stated that Joy Station will initially be connected to Southern Star Central Gas Pipeline (Southern Star), Kansas Gas Service Company (KGS), and Cheyenne Plains Gas Pipeline (CPP), with optional connections to ANR Pipeline (ANR), Northern Natural Gas (NNG), and Panhandle Eastern (PEPL).⁵

In response to Staff's discovery request, GGSC stated their anticipated connection dates were 2029 for Southern Star, KGS, and CPP and 2030 for PEPL, ANR, and NNG, all subject to change based on customer demand.⁶

Figure 1 Possible Joy Station Interconnect Pipelines⁷



⁵ See Joy Station Open Season Public Q&A, <https://www.ggsctulsa.com/faq>.

⁶ See Response to Staff Data Request No. 19.

⁷ <https://www.ggsctulsa.com/joy-station-project>

Kansas law requires any entity engaged in “operations in connection with or for the general commercial supply of gas or oil”⁸ to obtain approval from the Commission to be a public utility and to show that the proposed project will promote the public convenience and necessity. Commission approval is granted by issuing the applicant a CCN to operate as a public utility in Kansas. By providing a CCN, the Commission determines the applicant has the ability (operational, technical, and managerial) and resources (financial) necessary to meet the obligations to operate as a public utility in Kansas.

K.S.A. 66-131

The Commission has reviewed several certifications, corporate restructurings, acquisitions, and mergers during the past two decades under K.S.A. 66-131.⁹ Throughout those dockets the Commission has concluded that transactions and the granting of a CCN must promote the public interest and that the applicant must demonstrate the financial, managerial, and technical capability to operate the utility in an efficient and sufficient fashion.

Under Kansas law, a public utility shall not transact the business of a public utility until it has first obtained a CCN from the Commission confirming that the public convenience will be promoted by the activity.¹⁰ In determining whether a CCN should be granted, the public convenience ought to be the Commission’s primary concern, the interest of the public utility company already serving the territory secondary, and the desires of the applicant, a relatively minor consideration.¹¹ The public convenience means the convenience of the public, not of any particular individuals. Public necessity means a public need without which the public would be inconvenienced.¹² The public convenience and necessity is established by proof of the conditions existing in the territory to be served. The Commission also has authority to impose lawful and reasonable conditions on the granting of a Certificate. A condition is lawful if it is within the statutory authority of the Commission and all statutory and procedural rules are followed. A condition is reasonable if based on substantial competent evidence.¹³

The fundamental question of K.S.A. 66-131 is what promotes the public convenience and necessity. The relevant section of K.S.A. 66-131 states:

- (a) No person or entity seeking to construct electric transmission lines as defined in K.S.A. 66-1,177 and amendments thereto, or common carrier or public utility, including that portion of any municipally owned utility defined as a public utility by K.S.A. 66-104, and amendments thereto, governed by the provisions of this act shall transact business in the state of Kansas until it shall have obtained a certificate from the corporation commission that public convenience and necessity will be promoted

⁸ See KSA 66-104.

⁹ See, e.g., Docket No. 22-NETE-419-COC, Order on Application for Certificate of Convenience and Necessity, August 29, 2022, ¶ 12; Docket No. 14-KGSG-100-MIS, Order Approving Unanimous Settlement Agreement, December 19, 2013, ¶ 29-30.

¹⁰ See K.S.A. 66-131.

¹¹ *Kansas Gas & Electric Co. v. Pub. Service Comm’n*, 122 Kan. 462, 466, 251 P.1097 (1977).

¹² *Atchison, Topeka & Santa Fe Railway Co. v. Pub. Service Comm’n*, 130 Kan. 777, 288 P. 755 (1930); *Central Kansas Power Co. v. State Corp. Comm’n*, 206 Kan 670, 482 P.2d 1 (1970).

¹³ *Kansas Electric Power Coop., Inc. v. Kansas Corp. Comm’n*, 235 Kan. 661, 665, 683, P.2d 1235 (1984).

by the transaction of said business and permitting and applicants to transact the business of a common carrier or public utility in this state...

In past dockets that required certificating a new public utility, the Commission has established the threshold requirement that a new public utility must possess the “financial, managerial, and technical experience” to provide sufficient and efficient service.¹⁴

K.S.A. 66-1,150

The Commission is authorized under K.S.A. 66-1,150 to adopt necessary rules and regulations to ensure conformance with the Natural Gas Pipeline Safety Act (NGPSA) of 1968, 49 U.S.C. § 60101 et seq., as amended. The Commission’s authority includes but is not limited to all public utilities transporting natural gas.¹⁵ The NGPSA includes underground natural gas storage facilities and specifically references “salt cavern reservoir” at 49 U.S.C. § 60101(a)(26). The NGPSA stipulates that a salt cavern reservoir is a type of pipeline facility. Furthermore, the NGPSA specifically lists “storage of gas” under the definition of “transporting gas” at 49 U.S.C. § 60101 (a) (21). Therefore, Staff concludes that the Commission is authorized to regulate the facility for conformance with the NGPSA.

K.A.R 82-11-4

Minimum federal safety standards for the transportation of natural and other gases by pipeline, governed by the Pipeline and Hazardous Materials Safety Administration (PHMSA) under the Department of Transportation, are prescribed in 49 C.F.R. Part 192. The State of Kansas adopted and amended 49 C.F.R. Part 192 by reference in K.A.R 82-11-4. The Application by GGSC relates to UNGSFs, specifically regarding salt cavern UNGSFs, which are outlined in 49 CFR 192.12.

49 CFR 192.12(a)(1), states:

Each UNGSF that uses a solution-mined salt cavern for natural gas storage and was constructed after March 13, 2020, must meet all the provisions of API RP 1170 (incorporated by reference, see § 192.7), the provisions of section 8 of API RP 1171 (incorporated by reference, see § 192.7) that are applicable to the physical characteristics and operations of a solution-mined salt cavern UNGSF, and paragraphs (c) and (d) of this section prior to commencing operations.

49 CFR 192.12(c) requires that:

Procedural manuals. Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. *Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.* (Emphasis added).

¹⁴ See Order Approving Stipulation and Agreement and Granting Certificate, 11-GBEE-624-COC, ¶ 63.

¹⁵ See K.S.A. 66-1,150 (1).

Additionally, 49 CFR 192.12(d) requires each operator to implement an Integrity Management Program. API RP 1170 provides the functional recommendations for salt cavern facilities used for natural gas storage service and covers facility geomechanical assessments, cavern well design and drilling, risk management, solution mining techniques and operations, including monitoring and maintenance practices, site security and safety, procedures, training, and abandonment.¹⁶ API RP 1171, provides functional recommendations regarding the integrity of natural gas storage in depleted hydrocarbon reservoirs and aquifer reservoirs. If GGSC is granted a CCN its pipeline facilities will be subject to state regulations relating to Kansas's Natural Gas Pipeline Safety regulations administered by the Commission.

ANALYSIS:

Public Interest Standards Apply When Issuing a Certificate of Convenience:

The overarching goal of Staff's evaluation is to determine whether granting GGSC a CCN as proposed in the Application will promote the public convenience and necessity. To meet this threshold, an applicant for a CCN has to demonstrate that it has the financial, managerial, and technical capability to operate the utility in an efficient and sufficient fashion.

In evaluating an applicant's ability to meet the abstract concepts of efficient and sufficient service, Staff has relied on a series of factors that have been developed through Kansas statutes, Kansas Court cases, and previous Commission proceedings that deal with mergers, acquisitions, and/or requests for certificates of convenience and necessity. With respect to this Application, Staff considers the following factors as relevant to determine if the proposed CCN will result in efficient and sufficient service to Kansas:

1. Whether the proposed transaction will preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate and audit public utility regulations in the state;
2. The effect of the proposed transaction on the existing competition (i.e., whether the competition will be ruinous or publicly beneficial) The impact on existing customers and service providers that will result from granting the applicants the certificate requested;
3. Whether the proposed action will promote adequate and efficient service; facilitate the public convenience and necessity;
4. Whether the proposed transaction will be beneficial on an overall basis to state and local economies and to communities in the area served by the resulting public utility operations in the state;
5. Whether the transaction will reduce the possibility of economic waste;
6. Whether the action will unnecessarily duplicate existing facilities designed for the same purpose in the same area; and the cost and availability of comparable alternative services;
7. The financial capability of the applicants;
8. The technical capability of the applicants;

¹⁶ 49 CFR 192.7

9. The applicants' experience and performance in providing similar service in other service territories or jurisdictions;
10. The effect of the transaction on the environment; and
11. What impact, if any, the transaction has on the public safety.

In the following paragraphs, Staff has addressed each of the above-listed factors by paraphrasing the position of the Applicant and then, providing Staff's response and analysis of that position. Along with the subheading indicating Staff's response, we have listed the name(s) of Staff that are supporting each analysis.

1. Whether the proposed transaction will preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate and audit public utility regulations in the state.

Applicant's Position:

*"GGSC plans to request a Natural Gas Act (NGA) Hinshaw exemption under Section 7 of the NGA from the Federal Energy Regulatory Commission (FERC) that will exempt its facilities from FERC regulation. In order to qualify for the exemption, GGSC's facilities must all be located within one state, receive all of its gas at or within the boundaries of that state, have all of its gas supplies consumed within that state and be regulated by the relevant state commission."*¹⁷

Staff's Response

Staff contends that granting GGSC's request for a CCN to construct Joy Station does not diminish Commission authority assigned by Kansas law. In general, the authority granted to the Commission in K.S.A. 66-1,201 provides the Commission with broad authority over the conduct of a natural gas public utility. In fact, the statute grants the commission "full power, authority and jurisdiction to supervise and control the natural gas public utilities, as defined in K.S.A. 66-1,200, doing business in Kansas, and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction."¹⁸ GGSC request excludes any right to provide wholesale or retail distribution service, limiting its request to intrastate gas storage services.

Section 311 of the Natural Gas Policy Act of 1978 grants FERC authority to regulate intrastate pipelines that transport natural gas "on behalf of" interstate pipelines or local distribution companies served by interstate pipelines. Under this authority, FERC must determine that/whether the rates and terms of service are "fair and equitable" and that rates do not "exceed an amount which is reasonably comparable to the rates and charges which interstate pipelines would be permitted to charge for providing similar transportation service."¹⁹ The overlap between Hinshaw pipelines and Section 311 pipelines is that the same entity can provide service that qualifies for the Hinshaw exemption while also providing FERC-jurisdictional service under Section 311.²⁰

¹⁷ See Direct Testimony of Alan R. Staab, page 11.

¹⁸ See KSA 66-1201.

¹⁹ 15 U.S.C. § 3371(a)(2)(A), (B)(i)

²⁰ 15 U.S.C. § 3371(b)

GGSC has determined its Hinshaw status, exempting itself from FERC regulation. In response to discovery request, GGSC stated:

The process for qualifying for the Hinshaw exemption is "self-implementing." Golden Gas will achieve Hinshaw facility-designation by requiring that all contracted customers that store natural gas at Joy Station will consume that gas within the state of Kansas. There are no forms or documents that need to be filed with FERC. Lastly, Golden Gas plans to file for NGPA Section 311 authority from the FERC once it receives its certificate from the KCC.²¹

GGSC intends to obtain a blanket certificate under 18 C.F.R. § 284.224 for authority to provide FERC-jurisdictional service "to the same extent that and in the same manner that intrastate pipelines are authorized to engage in such activities" under Section 311(a)(2) of the Natural Gas Policy Act. This blanket certificate will allow GGSC to provide interstate services while maintaining their Hinshaw exemption status for any intrastate operations. Additionally, the blanket certificate will allow FERC to affirm GGSC's Hinshaw status as well as preserving KCC jurisdiction by allowing GGSC to provide intrastate services without requiring FERC regulation (other than what is necessary to enforce the certificate).

GGSC's transition from intrastate to interstate service will allow it to fully maximize Joy Station's proximity to nearby interstate pipelines. In response to discovery request, GGSC stated:

Identified shippers for Phase 1 of the Project will consist of only Kansas utilities and industrial users. Applying to FERC for a blanket certificate will allow us to optimize the storage asset by taking advantage of arbitrage opportunities from daily fluctuations in gas prices on the various interstate pipelines in the immediate vicinity of Joy Station.²²

2. The effect of the proposed transaction on existing competition (i.e.: ruinous or publicly beneficial) The impact on existing customers and service providers that will result from granting the applicants the certificate requested;

Applicant's Position:

*"There are no high capacity, multi-turn natural gas storage facilities currently operating in Kansas."*²³

Staff's Response

Staff contends that the Joy Station project could bring unique value to Kansas when compared to other gas storage options. GGSC will be the first independent gas storage service provider, as well as the first to utilize salt cavern storage in operation since 2000. Current natural gas storage in Kansas exists only in depleted oil fields. Storage facilities storing gas in underground porosity,

²¹ See GGSC response to Staff Data Request No. 39.

²² See GGSC response to Staff Data Request No. 42

²³ See Direct Testimony of Alan R. Staab, page 9.

such as depleted oil fields, are often operated at a rate of one turn per year, with injection occurring during summer (non-heating) months and withdrawal during winter (heating) months.

Joy Station offers a differentiated product when compared to existing gas storage in Kansas. The deliverability rate is much greater than currently available from Kansas facilities that store gas in depleted oil and gas reservoirs, enabling GGSC to take advantage of pricing differences and to quickly deliver additional gas supply in a high demand situation. Joy Station will be capable of 12 injection/withdrawal cycles per year, compared to a single cycle for current storage.²⁴ Wholesale natural gas customers will receive the direct benefit of Joy Station's value, but residential gas customers will likely experience indirect benefit by way of reduced gas prices during times of peak demand and increased reliability.

As of June 2025, Kansas had an underground gas storage working gas level of 77.73 BCF,²⁵ contained in 16 depleted oil fields.²⁶ These 16 fields are made up of 3 intrastate operators with 5 storage facilities and 4 interstate operators with 11 storage facilities in underground porosity in Kansas. The total working gas capacity of these 16 storage facilities is approximately 123 BCF, of which 6.3 BCF are under intrastate jurisdiction, compared to Joy Station's working gas capacity of 2.4 BCF at Phase I and 9.6 BCF at Phase IV.²⁷ While current underground porosity storage in Kansas is far greater in volume than the Joy Station, the deliverability differences between existing storage and Joy Station are stark. At Phase I, Joy Station's maximum delivery capacity will be 160,000 MCFD, surpassing the current intrastate maximum delivery capacity of 96,000 MCFD. At Phase IV, Joy Station will be able to deliver a maximum of 640,000 MCFD, compared to the current total KS maximum delivery of 2,500,000 MCFD.²⁸

3. **Whether the proposed action will promote adequate and efficient service; facilitate the public convenience and necessity;**
4. **Whether the proposed transaction will be beneficial on an overall basis to state and local economies and to communities in the area served by the resulting public utility operations in the state;**
5. **Whether the transaction will reduce the possibility of economic waste.**
6. **Whether the action will unnecessarily duplicate existing facilities designed for the same purpose in the same area; and the cost and availability of comparable alternative services.**

Applicant's Position:

"There are no high capacity, multi-turn natural gas storage facilities currently operating in Kansas. There is sufficient evidence in recent KCC dockets that shows additional gas storage capacity is currently needed by Kansas natural gas and electric utilities in order to reduce their

²⁴ See Direct Testimony of Alan R. Staab, page 5.

²⁵ <https://www.eia.gov/dnav/ng/hist/n5020ks2m.htm>

²⁶ https://www.eia.gov/dnav/ng/hist/na1391_sks_8a.htm

²⁷ See Direct Testimony of Alan R. Staab, page 4.

²⁸ <https://hub.kansasgis.org/search?tags=energy%2Cutilities>

exposure to price spikes in the daily physical gas markets during extreme weather conditions and to provide additional flexibility with respect to their natural gas purchasing plans.”²⁹

Staff’s Response

Industry interest in Joy Station was apparent from the results of the open season bidding. GGSC received bids from all three Kansas regulated gas utility companies, and several other prominent entities in the industry. The total capacity bid for in the initial bidding round equated to over 7 times Joy Station’s Phase I capacity, demonstrating the demand for this facility. KGS has already made a ** [REDACTED] ** precedent agreement with GGSC for ** [REDACTED] ** of Joy Station’s Phase I capacity, affirming the value this facility will bring to Kansas utilities and ratepayers.

Table 1 Golden Gas Joy Station Open Season Summary³⁰

Company	MSQ (Dth)	MDQ (Dth/Day)	Reservation (\$/Dth/Day)	Commodity Charge (\$/Dth)	Term
** [REDACTED]	2,400,000	160,000	\$ 0.50	\$ 0.0010	11 years
[REDACTED]	1,000,000	66,667	\$ 0.49	\$ 0.0100	5 years
[REDACTED]	285,120	19,008	\$ 0.45	\$ 0.0400	5.8 years
[REDACTED]	285,120	19,008	\$ 0.45	\$ 0.0400	5.8 years
[REDACTED]	225,000	15,000	\$ 0.41	\$ 0.0200	5 years
[REDACTED]	1,000,000	66,667	\$ 0.35	\$ 0.0400	10 years
[REDACTED]	2,400,000	160,000	\$ 0.33	\$ 0.0175	10 years
[REDACTED]	1,000,000	66,667	\$ 0.32		10 years
[REDACTED]	150,000	10,000	\$ 0.29	\$ 0.0200	5 years
[REDACTED]	1,000,000	66,667	\$ 0.28	\$ 0.0150	5 years
[REDACTED]	2,400,000	160,000	\$ 0.27	\$ 0.0100	10 years
[REDACTED]	2,400,000	160,000	\$ 0.25		20 years
[REDACTED]	1,000,000	66,666	\$ 0.25	\$ 0.0100	5 years
[REDACTED]	50,000	33,333	\$ 0.20	\$ 0.0100	7 years
[REDACTED]	487,500	32,500	\$ 0.19	\$ 0.0100	10 years
[REDACTED]	500,000	33,333	\$ 0.18	\$ 0.0100	5 years
[REDACTED]	150,000	10,000	\$ 0.17	\$ 0.0200	10 years
[REDACTED]	250,000		\$ 0.12		5 years
[REDACTED]	150,000	10,000	\$ 0.10	\$ 0.0200	15 years
[REDACTED] **	750,000	50,000	\$ 0.06	\$ 0.0100	5 years
	17,882,740				

Joy Station’s natural gas capacity will allow its customers to reduce their exposure to fluctuations in the daily physical gas markets. The lower fuel prices and increased natural gas system reliability that Joy Station will provide to its Kansas utility and industrial customers will in turn benefit

²⁹ See Direct Testimony of Alan R. Staab, page 9-10.

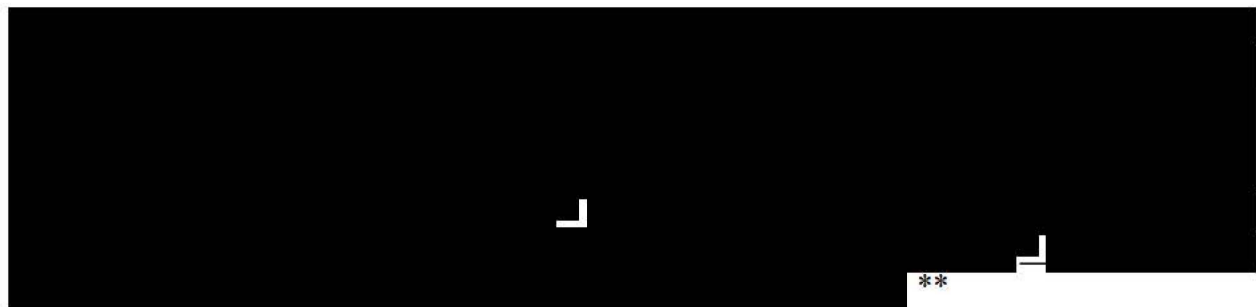
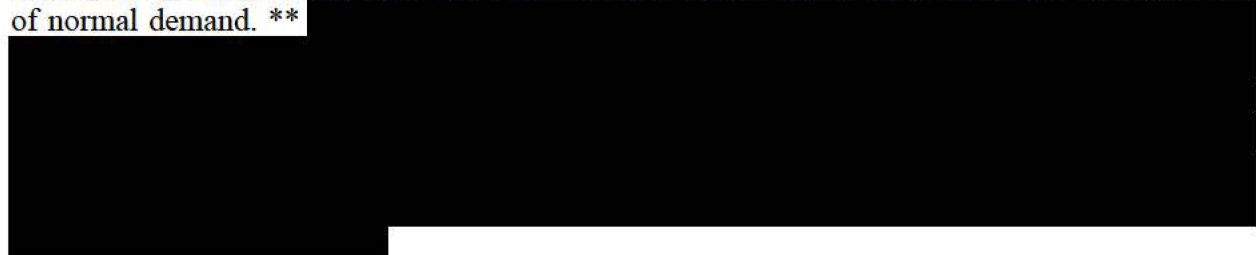
³⁰ See Response to Staff Data Request No. 37.

Kansas residential ratepayers. Phase I of the project will operate at a Maximum Daily Quantity (MDQ) injection/withdrawal rate of 160,000 Dth, bolstering reliability in high demand situations.

Conversion of a depleted oil field into a storage facility is more affordable than the leaching process required to excavate the salt caverns but there are operational drawbacks with depleted oil fields when compared to salt caverns. The Phase I leaching process to excavate the salt caverns will take approximately three years, currently scheduled to begin in early 2026.³¹ Salt cavern storage facilities provide greater deliverability than other storage options, allowing for gas to be more readily withdrawn, and replenished more quickly, than other types of storage facilities. Salt caverns also have much lower cushion gas³² requirements when compared to natural aquifer or depleted oil field storage.³³ Joy Station's high-capacity storage has the ability to conduct 12 injection/withdrawal cycles per year, allowing the facility to operate in a highly flexible and responsive manner.

In addition to providing enhanced flexibility and reliability to the natural gas system, the Joy Station facility also acts as a tool for gas utilities to manage their natural gas costs. In analysis of GGSC's precedent agreement with KGS, Staff compared the precedent agreement rates to existing KGS gas storage and hedging. Since Winter Storm Uri, hedging options in general have become more expensive. This has improved physical storage's position as a hedging option when compared to financial hedging instruments.

Fixed price gas is generally more expensive than purchasing Southern Star daily gas during periods of normal demand. **



**

³¹ See Direct Testimony of Alan R. Staab, page 5.

³² Cushion gas (base gas) - the volume of gas, including native gas, needed as a permanent inventory in a storage reservoir to maintain adequate reservoir pressure and deliverability rates throughout the withdrawal season.
<https://www.ferc.gov/industries-data/natural-gas/overview/natural-gas-storage/natural-gas-storage-underground-storage>

³³ <https://www.eia.gov/naturalgas/storage/basics/>.

³⁴ See Application ¶ 16.

³⁵ See Response to Staff Data Request No. 43.

7. The financial capability of the applicants;

Applicant's Position:

*"The Phase I cost of the Joy Station facilities is projected to be \$94 million. Approximately \$30 million of equity will be funded by JSSC, its affiliated entities, and other investors. The balance will be funded by banking institutions and/or issuances of Kiowa County bonds."*³⁶

Staff's Response

Staff contends that GGSC has demonstrated they have a robust plan in place to finance the Joy Station facility. GGSC provided Staff with a detailed financial model of the Joy Station project via discovery. This model provides support for the financial charts and information included as Exhibit D in the Application, as well as allowing the Company to forecast its performance based on alternate future scenarios, such as delayed or expedited timelines, natural gas price curves, and future interest rate forecasts.

GGSC expects to fund \$64 million of the total \$94 million of Phase I expenses using banking institutions. These loans are expected to be arranged by June 30, 2026. Vokshul Staab Family Farms, LLC, an entity owned by family members related to the owner of GGSC, will provide the land, water rights, and irrigation pumps, valued at \$6 million. GGSC has stated that the necessary surface and mineral rights and water rights have already been acquired.³⁷ Staff cannot unconditionally support the Application until financial agreements and commitments are finalized.

In 1998, the Company acquired an abandoned pipeline and depleted gas wells near Alva, OK. GGSC then modified the facility to be able to store natural gas, and they currently use this facility to trade physical gas with utility, industrial, and gas producers. The facility has a storage capacity of 1.1 BCF, and a maximum injection/withdrawal of 8,000 MCFD. Purchase and conversion of the Alva Storage Facility assets required approximately \$2.6 million, including \$100,000 for the purchase price of the wells, \$100,000 for land, legal and regulatory costs, \$100,000 for purchase price the pipeline to connect the wells to Southern Star, \$300,000 for well conversion costs, \$1,000,000 for cushion gas purchase costs, and \$1,000,000 for the purchase price of compression, dehydration, other equipment and installation costs to begin operation of the storage field. While depleted gas field storage has several operational differences compared to salt cavern gas storage, the Alva Storage Facility is evidence of the Company's capabilities to fund and successfully operate a gas storage facility, albeit at a much smaller scale.

³⁶ See Direct Testimony of Alan R. Staab, page 6.

³⁷ See Id.

Table 2 Joy Station Phase I Cost Breakdown

Category	Cost Estimate
Location, Roads, Well Pads, Pits, Electricity, Buildings	\$ 2,500,000
Disposal Wells (2)	\$ 5,000,000
Cavern Wells (4)	\$ 6,000,000
Water Supply Lines, Tanks, Fuel	\$ 2,500,000
Disposal Lines, Tanks	\$ 1,000,000
Leaching Facilities, Fuel, Labor	\$ 3,000,000
Compressors	\$ 9,000,000
Facility Piping, Valves, Controls, Dehydration	\$ 12,000,000
Offsite Pipelines	\$ 4,000,000
Interconnections with Pipelines	\$ 9,500,000
Cushion Gas	\$ 8,000,000
Contingencies (5%)	\$ 3,000,000
Total Hard Costs	\$ 65,500,000
Engineering and Management (10%)	\$ 6,500,000
Bank Interest (2 years at 9%, \$64,000,000)	\$ 12,000,000
Investor Interest (4 years at 12%, \$20,000,000)	\$ 10,000,000
Total Soft Costs	\$ 28,500,000
Total Costs	\$ 94,000,000

GGSC has estimated that the cost of the 1.6 BCF of cushion gas required for Phase I will be \$8 million. While this expense is directly exposed to gas price fluctuations, the Company has stated they are “currently hedging cushion gas purchase costs and will enter into contracts with a shipper(s) prior to Final Investment Decision. Golden Gas will make every attempt to insulate itself from natural gas market fluctuations.”³⁸

The Company plans to refinance the project approximately one year after start of commercial operations.³⁹ As part of Phase I costs, GGSC estimated prefunded bank interest of \$12 million and investor interest of \$10 million. In response to Staff Data Request No. 51 requesting the details of these interest calculations, the Company stated:

Golden Gas is soliciting investor participation by offering a 12% preferred equity interest plus a 20% interest in future distributions from Phase I of the project. The combined rate of return for the investor would be roughly 15% APR. The rate of

³⁸ See Response to Staff Data Request No. 3.

³⁹ See Response to Staff Data Request No. 51.

return calculation is not based on any prior dealings or existing relationships with the equity investor. Golden Gas anticipates that we will need to secure construction financing for the project at 7.0% which is based on current Secured Overnight Financing Rate (SOFR) forecast plus liquidity and risk premiums. Loan sized based on 1.4x debt service coverage ratio (DSCR) for contracted cash flows, and 2.0x DSCR for uncontracted cash flows, 20-year term. This is based on market sounding with infrastructure project finance investment banks. We are currently projecting that interest rate at 6% APR, which is based on the SOFR forecast plus risk premium associated with a project of fixed price long term free cash flow. This is based on market sounding with infrastructure project finance investment banks.

8. The technical capability of the Applicant;

Applicant's Position:

“GGSC has the qualifications to provide the proposed gas storage and pipeline transportation services. GGSC has operated the West Alva Storage Fields as part of its EOR project in Woods County, Oklahoma since 2010. GGSC is currently compliant with all Pipeline and Hazardous Materials Safety Administration (PHMSA) requirements for operation of its Oklahoma gas storage facility. President of GGSC, Alan Staab, and Lead Engineer, Ryan Ward, are the individuals responsible for oversight of construction and operation of the Joy Station facility. Both individuals have extensive experience in oil and natural gas operations, including the operation of GGSC's existing storage facility, and knowledge of the natural gas industry in general... As indicated in Alan Staab's direct testimony in support of this Application, GGSC is in the process of retaining several engineering, drilling and construction contractors to construct Joy Station.”⁴⁰

Staff's Response

Joy Station Facility will be GGSC's first venture into salt cavern natural gas storage.⁴¹ To supplement this, the Company plans to contract various companies as listed in Exhibit B of the Application.

When asked “How does GGSC plan to acquire technical expertise in regards to construction and future operations of salt cavern natural gas storage facilities,” GGSC responded with the following:

Golden Gas has used Strata Solutions' consulting services for preparing applications for permitting the caverns used for natural gas storage. Golden Gas plans to maintain the relationship and look to Strata's geologists and engineers for assistance regarding the construction and operation of cavern natural gas storage facilities.⁴²

⁴⁰See ¶ 15 of Application.

⁴¹ See Response to Staff Data Request No. 26.

⁴² See Response to Staff Data Request No. 7.

GGSC has provided further information about Strata's permitting and construction experience of salt cavern UNGSFs.⁴³ GGSC plans to employ three on-site employees to operate the facility.⁴⁴ The Application is essentially a proof of concept with no operations ability or contracts signed for developing the caverns, building the pipeline, and operating the system.

GGSC is currently in discussions with each contractor and plans to have EPC contracts with the contractors completed by the end of 2025.⁴⁵ Staff cannot unconditionally support the Application until detailed signed contracts are presented.

9. The Applicants' experience and performance in providing similar service in other service territories or jurisdictions:

Applicant's Position:

*"GGSC has the qualifications to provide the proposed gas storage and pipeline transportation services. GGSC has operated the West Alva Storage Fields as part of its EOR project in Woods County, Oklahoma since 2010. GGSC is currently compliant with all Pipeline and Hazardous Materials Safety Administration (PHMSA) requirements for operation of its Oklahoma gas storage facility. President of GGSC, Alan Staab, and Lead Engineer, Ryan Ward, are the individuals responsible for oversight of construction and operation of the Joy Station facility. Both individuals have extensive experience in oil and natural gas operations, including the operation of GGSC's existing storage facility, and knowledge of the natural gas industry in general... As indicated in Alan Staab's direct testimony in support of this Application, GGSC is in the process of retaining several engineering, drilling and construction contractors to construct Joy Station."*⁴⁶

Staff's Response

GGSC's previous experience includes fifteen years operating the Alva Natural Gas Storage facility (Alva) as part of its enhanced oil recovery project⁴⁷ Alva is a depleted natural gas storage field with a working gas capacity and max flowrate of 1.1 BCF and 8,000 MCFD respectively.⁴⁸ GGSC also notes that its leadership team has "extensive experience in the oil and natural gas industry and the operation of GGSC's Oklahoma storage facility... and knowledge of the natural gas industry in general."⁴⁹

Staff contends that GGSC's previous experience is not directly comparable to the knowledge required to construct, maintain and operate a salt cavern UNGSF. Phase I of the Joy Station project will have working gas capacity and a maximum flowrate quantities of 2.4 BCF and 160,000 MCFD respectively. Additionally, the Joy Station Facility will be able to conduct twelve injection/withdrawal cycles per year, a feature unavailable to the Alva facility. By Phase IV, GGSC

⁴³ See Responses to Staff Data Request Nos. 23 and 48.

⁴⁴ See Response to Staff Data Request No. 50.

⁴⁵ See Direct Testimony of Alan R. Staab, 8:12-14.

⁴⁶ See ¶ 15 of Application.

⁴⁷ See Id.

⁴⁸ See Response to Staff Data Request No. 58.

⁴⁹ See Exhibit G of Application.

plans to increase capacity and maximum flowrate to 7.2 BCF and 640,000 MCFD, respectively.⁵⁰ This is a twenty-fold increase in the maximum injection/withdrawal rate compared to the Alva facility for Phase I, and an eighty-fold increase by Phase IV.

When properly located, designed, developed and operated, salt caverns make excellent storage containers for natural gas. Salt caverns are also well-suited to provide relatively high gas injection and delivery rates.⁵¹ However, the construction, operation and maintenance of a salt cavern natural gas storage facility is fundamentally different to that of a depleted hydrocarbon reservoir. To conflate the experience required for these two facilities would be a mistake. Additionally, the Joy Station project has a flowrate more than an order of magnitude larger than any of GGSC's previous projects. GGSC has no experience with salt cavern UNGSFs nor with the scale of operation that the company proposes.

While GGSC plans to hire contractors with relevant experience, no agreements have been entered into. Staff cannot unconditionally support the Application until detailed signed contracts are evaluated by Staff.

10. The effect of the transaction on the environment;

11. What impact, if any, the transaction has on the public safety.

Applicant's Position:

*GGSC has filed an application with the Kansas Department of Health and Environment (KDHE) for a permit to construct, operate and maintain a salt cavern natural gas storage project near Greensburg, Kansas in Kiowa County, Kansas (Joy Station) that will utilize bedded salt cavern solution mining technology.*⁵²

Staff's Response:

GGSC is currently in the process of attaining relevant permits to construct, operate and maintain the Joy Station Facility.⁵³ The environmental regulation of salt cavern UNGSFs falls under the purview of the Kansas Department of Health and Environment (KDHE).⁵⁴ The Company previously anticipated receiving permitting from KDHE in June 2025; however, as of August 29, 2025, GGSC has not been issued any permit.⁵⁵

Compliance with natural gas pipeline safety regulations will be enforced as dictated in K.A.R 82-11. Contingent on GGSC attaining proper permitting and complying with KDHE regulations, Staff contends there would be no impact on the environment or public safety.

⁵⁰ See Id, ¶ 2.

⁵¹ See API RP 1170, §4.3.

⁵² See ¶ 1 of Application.

⁵³ See Id.

⁵⁴ See the following regulations:

K.A.R 28-45 — Underground Hydrocarbon Storage Wells and Associated Brine Ponds

K.A.R 28-45a — Underground Natural Gas Storage Wells in Bedded Salt

K.A.R 28-19 — Ambient Air Quality Standards and Air Pollution Control.

⁵⁵ See Response to Staff Data Request No. 45.

RECOMMENDATION:

Staff recommends the Commission conditionally approve the Company's Application for a Certificate of Public Convenience and Necessity with the following conditions:

1. GGSC shall file a notice in a compliance docket once it has received all required permits from the Kansas Department of Health and Environment (KDHE).
2. GGSC shall file in a compliance docket signed contracts for construction, operations and interstate pipeline interconnections.
3. GGSC shall file notice in a compliance docket if it applies to FERC for any expanded interstate jurisdictional authority or an exemption from FERC jurisdiction under the Hinshaw Exemption.⁵⁶
4. GGSC shall file quarterly informational updates on overall progress made on its project development, in a compliance docket. These quarterly updates shall continue until the project has been operational for three years.

⁵⁶ A Henshaw exemption is found in Section 1(c) of the Natural Gas Act, which exempts from FERC's jurisdiction any entity that satisfies the definition of "natural gas company" if that entity satisfies three conditions: (1) the entity receives all gas at or within the boundary of a state; (2) all the gas is consumed within that state, and (3) the pipeline is regulated by a "State Commission." This exemption is referred to as the "Hinshaw" exemption after the Congressman who introduced the bill to amend the Natural Gas Act to add this exemption.

CERTIFICATE OF SERVICE

25-GGSG-459-COC

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's R&R (Public) was served via electronic service this 1st day of October, 2025, to the following:

CATHRYN J. DINGES, SR DIRECTOR & REGULATORY
AFFAIRS COUNSEL
EVERGY KANSAS CENTRAL, INC
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
cathy.dinges@evergy.com

J. P. MEITNER, DIRECTOR, MARKETING OPERATIONS
EVERGY KANSAS CENTRAL, INC
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
james.meitner@evergy.com

LESLIE WINES, SR. EXEC. ADMIN. ASST.
EVERGY KANSAS CENTRAL, INC
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
leslie.wines@evergy.com

ALAN R. STAAB, PRESIDENT
Golden Gas Service Company
2502 East 21st Street
Suite B
Tulsa, OK 74114
astaab@ggsctulsa.com

PATRICK HURLEY, CHIEF LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
patrick.hurley@ks.gov

AHSAN LATIF, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
ahsan.latif@ks.gov

LORNA EATON, MANAGER OF RATES AND REGULATORY
AFFAIRS
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH STREET
OVERLAND PARK, KS 66213
lorna.eaton@onegas.com

STEPHANIE FLEMING, LEGAL ASSISTANT
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH STREET
OVERLAND PARK, KS 66213
stephanie.fleming@onegas.com

ROBERT E. VINCENT, MANAGING ATTORNEY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W. 129TH STREET
OVERLAND PARK, KS 66213
robert.vincent@onegas.com

ALAN R. STAAB, PRESIDENT
VOSKUHL STAAB FAMILY FARMS, LLC
2502 East 21st Street
Suite B
Tulsa, OK 74114
astaab@ggsctulsa.com

CERTIFICATE OF SERVICE

25-GGSG-459-COC

Ann Murphy

Ann Murphy