

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

In the Matter of Anadarko Natural Gas )  
Company, LLC ("ANGC") Filing Certain Gas )  
Sales Contracts In Compliance with the ) Docket No. 15-ANGG-459-CON  
Stipulated Settlement Agreement Approved in )  
KCC Docket 14-ANGG-119-COM )

**NOTICE OF FILING OF STAFF REPORT AND RECOMMENDATION**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively), and for its Notice of Filing of Staff Report and Recommendation states as follows:

1. Staff hereby files the attached Report and Recommendation dated August 27, 2015, recommending that the Commission approve Anadarko Natural Gas Company, LLC's four currently effective Gas Sales Contracts in compliance with the Order in KCC Docket No. 00-ANGG-218-COC and as agreed to in the Stipulated Settlement Agreement in Docket No. 14-ANGG-119-COM.

WHEREFORE, Staff requests the Commission consider its Report and Recommendation, and for such other and further relief as the Commission deems just and proper.

Respectfully submitted,



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For Commission Staff

## REPORT AND RECOMMENDATION

### UTILITIES DIVISION

**TO:** Chair Shari Feist Albrecht  
Commissioner Jay Scott Emler  
Commissioner Pat Apple

**FROM:** Tyler Page, Research Economist  
Jon Wilson, Research Economist  
Luis Solorio, Senior Research Economist  
Lana Ellis, Deputy Chief of Economics and Rates  
Bob Glass, Chief of Economics and Rates  
Jeff McClanahan, Director of Utilities

**DATE:** August 27, 2015

**SUBJECT:** Docket No. 15-ANGG-459-CON: In the Matter of Anadarko Natural Gas Company, LLC ("ANGC") Filing Certain Gas Sales Contracts in Compliance with the Stipulated Settlement Agreement Approved in KCC Docket No. 14-ANGG-119-COM

#### **EXECUTIVE SUMMARY**

On April 2, 2015, Anadarko Natural Gas Company (ANGC) filed its four currently effective Gas Sales Contracts in compliance with the Order in KCC Docket No. 00-ANGG-218-COC and as agreed to in the Stipulated Settlement Agreement in Docket No. 14-ANGG-119-COM.

Staff has reviewed the Application and the four Contracts submitted by ANGC. Staff finds that the Contracts were voluntarily signed by each sophisticated party to the Contract, have been in place for years, and Staff is not aware of any complaints from customers in connection with the Contracts. Because the Contracts were signed by sophisticated parties who are experienced in the natural gas business and have the option to terminate their agreements at their discretion, Staff finds that the terms of the Contracts are reasonable. Furthermore, because the Contracts have been in place for an extended period of time without complaints from any of the parties or the customers of the parties to the Contracts filed in this Docket, implies that the parties are satisfied with the terms of their agreements and the affected customers are satisfied with their service. Therefore, Staff concludes that the Contracts will not impair any party's ability to furnish sufficient and efficient service at just and reasonable rates. For these reasons, Staff recommends the Commission approve ANGC's Application.

#### **BACKGROUND**

On April 2, 2015, ANGC filed an Application seeking acceptance and approval of its four currently effective customer specific Contracts for the sale and/or transportation of natural gas on the Hugoton Residue Delivery System (HRDS). The Order in Docket No. 00-ANGG-218-COC (Docket 218) requires that ANGC file its customer specific certificates and contract rates for Commission approval. As part of the Stipulated Settlement and Agreement approved by the

Commission in Docket No 14-ANGG-119-COM (Docket 119), ANGC is requesting approval of the Contracts at this time.

***Docket 218***

In Docket 218, Anadarko Gathering Company (AGC) and ANGC filed a Joint Application with the Commission requesting the Commission approve a transfer of Limited Certificate from AGC to ANGC.<sup>1</sup>

In its Order in Docket 218, the Commission approved the Joint Application and requested that ANGC file all of its customer specific and contract rate schedules to be reviewed and approved by the Commission.<sup>2</sup>

***Docket 119***

In Docket 119, a Complaint was filed against ANGC by SWKI-Seward West Central, Inc. and SWKI-Stevens Southeast Inc. (Collectively the SWKIs) based on Staff's observation that six of ANGC's customer-specific Contracts had not been approved by the Commission. Two of six Contracts were SWKI Contracts. The SWKIs claim in their Complaint that ANGC and Anadarko Energy Services violated the Order in Docket 218 by failing to file the SWKI Contracts with the Commission for approval.<sup>3</sup> Therefore, all rates charged by ANGC and AESC in excess of the latest lawfully established, Commission-approved rate are unlawful, void, and subject to refund.<sup>4</sup>

Staff recommended civil penalties be levied against ANGC for not complying with the Commission's Order in Docket 218 and against its sister company, Anadarko Energy Services Company (AESC) for acting as a public utility without a Certificate of Convenience. As part of the Stipulated Settlement Agreement (SSA) in Docket 119, ANGC and AESC agreed to pay a civil penalty. Additionally, under the terms of the SSA, ANGC agreed to file all currently effective customer specific Contracts for approval by the Commission.<sup>5</sup>

***Current Docket***

ANGC, in compliance with the Order in Docket 218 and as part of their agreement in the SSA in Docket 119, filed the remaining four Contracts in this Docket. The two SWKI Contracts that were the impetus of the Docket 119 Complaint no longer exist due to the sale of a portion of the HRDS pipeline to Black Hills Energy.

**ANALYSIS**

***Legal Standard***

Pursuant to K.S.A. 66-1,202, the Commission must ensure that the gas public utility furnishes efficient and sufficient service and establishes just and reasonable rates. Therefore staff must review the four Contracts to ensure they will not impair ANGC's, or any of the parties',

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<sup>1</sup> Staff's Memorandum, pp. 1-2, Docket No. 00-ANGG-218-COC.

<sup>2</sup> Order and Certificate, p. 7, Docket No. 00-ANGG-218-COC.

<sup>3</sup> Order Granting Anadarko Natural Gas Company's Motion to Dismiss Complaint with Prejudice and Granting Joint Motion for Approval of Stipulated Settlement Agreement, p. 1, Docket No. 14-ANGG-119-COM.

<sup>4</sup> Complaint of WKI-Seward West Central, Inc. and SWKI-Stevens Southeast, Inc. Against Anadarko Natural Gas Company, ¶ 11, Docket No. 14-ANGG-119-COM.

<sup>5</sup> Paragraph 6.b of the SSA states that Staff agrees not to recommend or advocate any further penalty against ANGC or AESC. Staff and ANGC agree that this provision is contingent upon ANGC filing with the Commission all currently effective ANGC customer specific Contracts for the sale and/or transportation of natural gas on the HRDS within 60 days of the date of an Order approving the SSA.

purchasing gas under these Contracts, ability to furnish sufficient and efficient service at just and reasonable rates.

Staff has reviewed the Contracts under the guidance of K.S.A. 66-1,202 and finds that:

- The Contracts were signed voluntarily by parties that are sophisticated and experienced in the natural gas business.
- Two of the Contracts have been in place since the mid 90's and two of them have been in place since 2013. Each have a similar pricing structure designed to cover the transport and fuel costs, a reasonable return on facilities, and other operating expenses.<sup>6</sup>
- Staff is not aware of any complaints or inquiries from customers in connection with the four Contracts filed in this Docket.
- The signatories to the Contracts were provided proper notice of this proceeding.

Because the Contracts were signed by sophisticated and experienced parties who were well aware of the agreed to terms and could terminate the agreement at their discretion, Staff finds that none of the parties are being taken advantage of. Furthermore, because the Contracts have been in place for an extended period of time without complaints or inquiries from customers in connection with the four Contracts filed in this Docket, implies that none of the parties or customers were dissatisfied with their service. Therefore, Staff concludes that the Contracts will not impair any of the party's ability to furnish sufficient and efficient service at just and reasonable rates.

#### **RECOMMENDATION**

Staff has reviewed the Application and the four Contracts submitted by ANGC. Staff finds that the Contracts were voluntarily signed by each sophisticated party to the Contract and have been in place for an extended period of time without complaints from the customers in connection with the subject Contracts. This implies that the terms are reasonable and the parties and customers impacted by the Contracts are satisfied with their service. Therefore, Staff concludes that the four Contracts filed in this Docket will not impair any of the party's ability to furnish sufficient and efficient service at just and reasonable rates. For these reasons, Staff recommends the Commission approve ANGC's Application.

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<sup>6</sup> Staff DR 1

## CERTIFICATE OF SERVICE

15-ANGG-459-CON

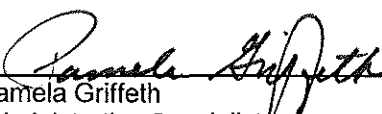
I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Report and Recommendation was served by electronic service on this 2nd day of September, 2015, to the following:

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