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Midcontinent Express Pipeline
Docket Nos. CP08-6-000 & CP08-9-000

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FERC OKs Midcontinent Express Pipeline

The Federal Energy Regulatory Commission (FERC) late Friday authorized the construction and operation of a new 506.1 mile interstate natural gas pipeline proposed by Midcontinent Express Pipeline, a joint venture between Kinder Morgan Energy Partners, L.P. and Energy Transfer Partners, L.P. The project would be located in various counties and parishes in Oklahoma, Texas, Louisiana, Mississippi and Alabama and would serve rising demand for energy.

Background

The Midcontinent Express Project plans to transport up to 1.5 billion cubic feet of gas per day (Bcf/d) to customers in Southern and Eastern markets. The project involves 506 miles of new 30-, 36- and 42-inch diameter interstate natural gas transmission pipeline, approximately 111,420 horsepower of compression at one booster and four new mainline compressor stations, and related facilities located in portions of Oklahoma, northeast Texas, northern Louisiana, central Mississippi and Alabama.

The plans also call for Midcontinent to lease up to 272,000 Bcf/d of capacity on the Oklahoma intrastate system of Enogex Inc.

The Order

FERC's authorization follows an extensive and comprehensive review of the environmental issues analyzed in the environmental impact statements prepared by FERC staff of scientists and engineers. FERC adopted staff's recommendations and will impose 40 conditions on Midcontinent Express to mitigate any potential adverse impact on the environment.

FERC also approved a limited jurisdiction certificate authorizing Enogex to lease its capacity to Midcontinent. In doing so, FERC rejected protests filed by several entities including ConocoPhillips Co., Apache Corp., Unimark, Chevron U.S.A., Inc., and Marathon Oil, which had asserted (1) that the lease of capacity from Enogex to Midcontinent would impair the rights of Natural Gas Policy Act (NGPA) section 311 interruptible shippers on Enogex's system; and (2) that the lease would be unduly discriminatory because Enogex does not offer firm section 311 service and because the lease payments are lower than Enogex's interruptible rates. FERC's order finds no undue discrimination because lessees are not treated as shippers and, therefore, are not considered to be similarly situated to interstate shippers on the pipeline. The order also dismisses claims that the lease arrangement would result in discriminatory rate stacking, and that the lease should be rejected because there is no defined capacity path.