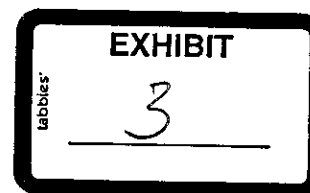


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AUG 28 2002

Imhoff, Tom

**From:** Imhoff, Tom  
**Sent:** Tuesday, August 27, 2002 8:05 AM  
**To:** Russo, Jim  
**Subject:** FW: Bundled transactions

Missouri Gas Pipeline  
Commission

FYI!

-----Original Message-----

**From:** Wood, Warren  
**Sent:** Tuesday, August 27, 2002 7:28 AM  
**To:** Morrissey, Carmen; Schwarz, Tim; Sommerer, David; Imhoff, Tom  
**Subject:** FW: Bundled transactions

Dave and I spoke on Friday and it was determined that Dave's group can't bundle their transportation service (w/PEPL interstate capacity and gas). Dave had some other "creative" ideas that I made no commitments on. I asked him to send an e-mail with his ideas and that is what prompted the e-mail below. Please take a look at this and forward any thoughts on which approach is preferable (if any).

Thanks,  
 Warren

-----Original Message-----

**From:** David J. Ries [mailto:riesdj@msn.com]  
**Sent:** Friday, August 23, 2002 4:17 PM  
**To:** Wood, Warren  
**Subject:** Bundled transactions

*Staff* Exhibit No. 3  
 Case No(s). GC-2006-0491  
 Date 12/13/06 Rptr MW

Warren, as we discussed yesterday the concept of Missouri Gas holding interstate capacity can't work because on interstate pipelines the capacity holder must have title to the gas. It is clear that MGC can not buy and sell the natural gas to it's customers as it is restricted by the commission order.

There are basically 3 alternatives from which we could proceed.

We could completely change the current tariff of MGC to allow it to buy and sell commodity. The issues would be the expense of changing the tariffs, if the staff and commission would support such a change and if any of the existing customers would object to the change.

Another possibility would be for Omega Pipeline Company which provides distribution services to the Army on Fort Leonard Wood. Omega is a non-regulated LDC as it provides service to only the base under contract with the DOD. Omega currently buys natural gas, holds transportation on both interstate and intrastate pipelines and resells the commodity to FLW. Omega is also exempt under the interstate affiliate rules of Missouri Interstate since it is an LDC. Since Omega currently performs all of the necessary functions, selling gas to other customers along the transportation path would be a natural fit. My concern is whether this action would somehow change the regulated status of Omega. Omega currently holds transportation capacity on MPC and MGC to serve FLW and could contract for additional capacity to serve customers along the way. Alternatively, the small cities currently hold their own capacity on MPC and MGC and assign various third parties to be their agent under those agreements. Omega could continue to serve the Fort and act as agent for the cities the same way other parties are doing today. In the later case, there would be no affiliated transaction associated with Omega and MPC & MGC related to servicing the cities.

The last option would be to form a new marketing affiliate to perform this same function. This is not my preference as I do not expect to make any profit off of this service which is generally the business logic with forming a marketing affiliate.

The primary objective here is to make sure that the pipelines are collecting a fair share of the revenue as possible

12/11/2006

within their tariffs without making the retailers uncompetitive. The only thing I know for sure is that it is not working very well currently and that I need to be more involved in this process to develop a better economic picture for all of us. Please let me know what your collective thoughts are related to the above concept and questions.

Also I meant to ask you the other day, about HB 1402. I am told that this bill is intended to apply to LDC's but is worded so that it relates to gas corporations which would include MPC and MGC which obviously do not sell gas. Could you get someone to give me a read on whether this bill applies to the pipelines identified above? If so, what are we supposed to do?

Thanks for your help.

Dave Ries