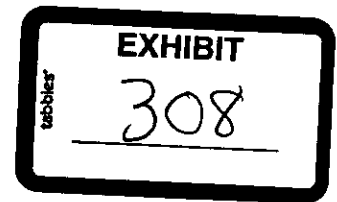


Schallenberg, Bob

From: Morrissey, Carmen
Sent: Wednesday, November 16, 2005 4:59 PM
To: Schallenberg, Bob
Subject: FW: FYI - Letter Sent to Dave Ries on MPC, MGC, MIG and Omega "Bundling"
Attachments: Ries Ltr 1_2_03.doc



From: Wood, Warren
Sent: Friday, January 03, 2003 7:04 AM
To: Sommerer, David; Morrissey, Carmen; Shernwell, Lera; Schwarz, Tim; Imhoff, Tom
Subject: FYI - Letter Sent to Dave Ries on MPC, MGC, MIG and Omega "Bundling"



Ries Ltr 1_2_03.doc
(27 KB)

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JAN 26 2007
Missouri Public
Service Commission

MPC
MGC Exhibit No. 308
Case No(s). GC-2006-0491
Date 12/13/06 Rptr MU

January 2, 2003

Mr. David J. Ries
Gateway Pipeline Company
7662 Davis Peak Road
Littleton, CO 80127

RE: MPC, MGC, MIG & Omega Relations & "Bundling" Question

Dear Mr. Ries:

This letter is in response to your phone call a few days ago regarding further discussion on the issue of "bundling" on your system. Bundling on your system has been in reference to combining interstate, intrastate, and possibly gas supply management in contract arrangements with customers receiving service from MPC, MGC and/or MIG. Staff has met with you previously by phone and in person to discuss the bundling issue and other issues. In previous conversations, Staff has expressed concern over the structure of these transactions and Staff's preference that an affiliate should make any "bundling" arrangements. Even if an affiliate engages in these transactions, however, Staff has concerns that separation between regulated and unregulated operations will not exist due to the structure of MPC, MGC, MIG and Omega. Although our state affiliate rules do not specifically prohibit shared employees, it is my understanding that FERC rules do. It is also my understanding that FERC requires waivers from these rules if an entity wishes to share employees as MIG and Omega do. While the Commission's affiliate rules do not specifically require separate employees, there are requirements that would apply to any affiliate transactions between the interstate pipeline and a marketing affiliate. The Commission affiliate rules also allow waivers to be granted if the Commission approves.

Staff views the relationship between MPC, MGC, MIG (regulated entities) and Omega (marketing affiliate) as an affiliate relationship and these relationships fall under MoPSC rules. To assist you in your review of Missouri's affiliate transaction rules, I have attached 4 CSR 240-40.015 "Affiliate Transactions" and 4 CSR 240-40.016 "Marketing Affiliate Transactions". The MoPSC's rules can also be accessed on the internet at www.psc.state.mo.us/rules.asp.

If any "bundling" arrangements are eventually determined to be acceptable, it will be important that the portions of these contracts associated with the intrastate pipelines and interstate pipelines be addressed separately in the contract(s). It will also be important that the provisions of this service are addressed in tariffs approved by the MoPSC. I believe that permission to pull together the scale of "bundling" service you have been describing may best be resolved by a tariff filing requesting approval of such service. This would provide a mechanism for Staff review of your proposal and Commission approval of the provisions you plan to offer to customers. To date, I don't believe that the structure nor provisions of service you plan to offer have been adequately described and defined for the Staff to make an informed recommendation to the Commission.

Staff has previously expressed a strong concern that customers served by MPC, MGC and/or MIG are being exposed to negotiations where natural gas purchases from Omega are necessary to avoid being charged maximum intrastate transportation rates. Staff has received phone calls indicating that this may be happening and this prompted the data requests to which you recently responded. We are reviewing the data request responses and hope to complete this effort shortly. Thus far, the responses provided have raised some additional questions.

If you have any questions on this or any other matter, please don't hesitate to e-mail me at warrenwood@psc.state.mo.us or call me at (573) 751-2978.

Sincerely,

Warren T. Wood, PE
MoPSC Staff, Energy Dept. Manager