Imhoff, Tom

From: Imhoff, Tom
Sent: Friday, August 30, 2002 12:57 PM
To: Wood, Warren; Schwarz, Tim; Sommerer, David; Morrissey, Carmen
Subject: RE: Bundled transactions

I could meet.

-----Original Message-----
From: Wood, Warren
Sent: Friday, August 30, 2002 12:36 PM
To: Schwarz, Tim; Sommerer, David; Imhoff, Tom; Morrissey, Carmen
Subject: FW: Bundled transactions

Would any of you be available to meet with Dave Reis if he came by at 8:00 on Thursday, 9/5??

-----Original Message-----
From: David J. Ries [mailto:riesdj@msn.com]
Sent: Friday, August 30, 2002 12:28 PM
To: Wood, Warren
Subject: RE: Bundled transactions

I could be there at 8:00 AM if you want to get started before the hearings. Just let me know.

I'm not planning to bring a lawyer as this is still conceptual discussion.

Dave

-----Original Message-----
From: Wood, Warren [mailto:wwood@mail.state.mo.us]
Sent: Friday, August 30, 2002 10:47 AM
To: 'David J. Ries'
Subject: RE: Bundled transactions

The Laclede hearings will probably be continuing but some people could probably make it - including me. Earlier would be better. What's your availability, I'll send an e-mail to check on other folks.
Thanks

-----Original Message-----
From: David J. Ries [mailto:riesdj@msn.com]
Sent: Friday, August 30, 2002 11:01 AM
To: Wood, Warren
Subject: RE: Bundled transactions

How about the following morning on the 5th?

-----Original Message-----
From: Wood, Warren [mailto:wwood@mail.state.mo.us]
Sent: Friday, August 30, 2002 9:31 AM
To: 'David J. Ries'
Subject: RE: Bundled transactions

The Laclede rate case hearings start up at 10:00 on September 4th. A number of the people we would want will be there (including me if possible - I have several witnesses in the case). Do you have some other times earlier or later that might work?
Thanks,
Warren

-----Original Message-----
From: David J. Ries [mailto:riesdj@msn.com]
Sent: Friday, August 30, 2002 8:41 AM
To: Wood, Warren
Subject: RE: Bundled transactions

Warren, I have a meeting on Fort Leonard Wood on Wednesday afternoon and could come through Jefferson City on Wednesday morning. How about 10:00 AM on Wednesday, the 4th?

Dave

-----Original Message-----
From: Wood, Warren [mailto:wwood@mail.state.mo.us]
Sent: Thursday, August 29, 2002 5:03 PM
To: 'David J. Ries'
Subject: RE: Bundled transactions

Dave,
Sorry I haven't responded yet. Thus far I'm getting a list of concerns from different people. Bundling transportation and gas supply is somewhat troubling and may cause some problems with FERC. Transportation alone may offer some possibilities but I'm not clear on this yet. The Omega approach sounds like something that would fall under PSC jurisdiction pretty quickly - or be an unregulated affiliate. The affiliate route may provide for some options but equal access and non-discriminatory treatment of all marketers interested in the market would be important. The PSC has some affiliate rules that you would want to read. Hope to be able to provide better information shortly. Next time you are in the area we may need to have a meeting with interested Staff. I'm out tomorrow but will back on Tuesday.
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

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 will 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 weather 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 from 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 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