

Rebuttal Testimony
David J. Ries

Appendix E



Commissioners

STEVE GAW
Chair

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ROBERT M. CLAYTON III

Missouri Public Service Commission

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ROBERT J. QUINN, JR.
Executive Director

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENGER
Director, Utility Services

DONNA M. PRENGER
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

July 28, 2004

Ms. Magalie R. Salas, Secretary
Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1-A
Washington, D.C. 20426

Re: Docket No. TS04-259-000
Missouri Interstate Gas, L.L.C.

Dear Ms. Salas:

Enclosed for filing in the above-captioned case is an original electronically transmitted copy of the **REQUEST FOR REHEARING OF THE COMMISSION'S JULY 7, 2004 ORDER** by the Missouri Public Service Commission.

Thank you for your attention to this matter.

Sincerely yours,

A handwritten signature in cursive script, reading "Lera L. Shemwell".

Lera L. Shemwell
Senior Counsel
(573) 751-7431
(573) 751-9285 (fax)

LLS:la
Enclosure
cc: Counsel of Record

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Missouri Interstate Gas, LLC

)

Docket No. TS04-259-000

**REQUEST OF THE MISSOURI PUBLIC SERVICE COMMISSION
FOR REHEARING OF THE
COMMISSION'S JULY 7, 2004 ORDER**

Pursuant to Rule 713 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.713, the Missouri Public Service Commission ("MoPSC") submits its request for rehearing of the Commission's July 7, 2004 Order on Requests for Waivers from the Standards of Conduct.¹ In that Order, the Commission waived the pipeline's compliance with section 358.4 in its entirety, and sections 358.5 (a) and (b) (1), (2), and (3).

I. BACKGROUND

On November 25, 2003, the Commission issued Order No. 2004 updating the Standards of Conduct for transmission providers.² In Order No. 2004-A,³ the Commission detailed four parameters for granting waiver: 1) good cause, 2) the merits of each exemption request, 3) the size of the pipeline, and 4) independent storage companies that are not interconnected with facilities of affiliated pipelines and, therefore, cannot exercise market power, etc.

On March 31, 2004, Missouri Interstate Gas, LLC ("MIG") filed a petition for waiver of the Commission's updated Standards of Conduct. In its petition, MIG sought a waiver to exempt it from complying with all of the Commission's new Standards of

¹ 108 FERC ¶61,011.

² In Docket No. RM01-10, *Standards of Conduct for Transmission Providers*, the Commission issued Order No. 2004 Final Rule ("Order No. 2004"), 105 FERC ¶61,248 (November 25, 2003).

Conduct related to energy affiliates. MIG requested the application of the Standards be waived with respect to its intrastate pipeline affiliates, Missouri Pipeline Company ("MPC") and Missouri Gas Company ("MGC"), and to its unregulated local distribution affiliate, Omega Pipeline Company ("Omega"), which distributes gas at Fort Leonard Wood. MIG, MPC and MGC are wholly owned by United Pipeline Systems, LLC, which, in turn, is wholly owned by Gateway Pipeline Company, LLC. MPC (a Hinshaw pipeline) and MGC are both regulated by the MoPSC.⁴ MPC, MGC and Omega fall within the Commission's definition of Energy Affiliate.

In its petition, MIG stated it has a limited scope of operation and is a very small pipeline. MIG further stated that it has no direct employees and shares all of its employees with its affiliates, including field operators and administrative office staff. The same management and administrative personnel are shared by MIG, MPC, and MGC. MIG asserts that, given its extremely small operations and the fact that it has only one customer (its affiliate, MPC), it is more efficient for MIG to share the coordination of operations with its intrastate affiliates. MIG also noted that it shares some of the same employees with Omega, and that Omega does not hold capacity on either MIG, or on MPC, or MGC.

On April 12, 2004, the MoPSC filed a Notice of Intervention and Protest. While the MoPSC agreed that waiver of some of the Commission's updated Standards of Conduct is appropriate for pipelines the size of MIG, the MoPSC painstakingly detailed the real areas for abuse that are apparent in the a working relationship, such as the one maintained by MIG and its affiliates.

³ 107 FERC ¶ 61,032 (2004), *reh'g. pending*.

⁴ *Missouri Interstate Gas, LLC*, 100 FERC ¶61,312 at 62,401.

On July 7, 2004, the Commission issued the order being discussed here, which addressed the waiver request of MIG, as well as six other pipelines.

II. SPECIFICATION OF ERRORS AND REQUEST FOR REHEARING

A. The Commission erred in granting MIG a waiver from identifying affiliates on the internet. (18 CFR 358.4 (b))

The fact that MIG is a small interstate pipeline does not provide sufficient justification for MIG to be relieved from posting required affiliate information in a public forum. MIG readily admits it has no direct employees and shares all of its employees with its affiliates, including field operators and administrative office staff. Although MIG currently has only one customer *now*, i.e. its affiliate MPC, there are other potential customers, all of whom are captive to MPC. Therefore, making information regarding MIG's affiliations and shared employee information available to the public is warranted given that: (1) MPC and MGC employees manage the day-to-day business of MIG, (2) MIG's only delivery point is its interconnection with MPC, and (3) nearly all of MPC's shippers and potential customers of MIG are captive to MPC. Additionally, meeting this requirement is not costly or time consuming.

Furthermore, in this same order the Commission did not grant a waiver of this same requirement to another small pipeline, Total Peaking Services, L.L.C.⁵

➤ The MoPSC urges the Commission to reconsider and deny MIG's request for waiver of 18 CFR 358.4 (b) and require MIG to post: (1) the names and addresses of its sales and marketing units and Energy Affiliates, (2) a complete list of the facilities shared by the MIG and its marketing or sales units or any Energy Affiliates, including the types of facilities shared and their addresses, and (3) comprehensive organizational charts, as

⁵ 108 FERC ¶61,011 at ¶50-51.

detailed in the rule, either on an internet website, in its FERC tariff, or other suitable, publicly accessible forum.

B. The Commission erred in granting MIG a waiver from maintaining separate books and records. (18 CFR 358.4 (d))

Again, MIG's case, that it is a small, interstate pipeline and shares all of its employees with its affiliates does not justify its request for a waiver from keeping separate accounts and records from its affiliates. To comply with MoPSC's existing affiliate transaction rules, MIG should already be doing this so there would be no additional cost associated with its implementation of this standard. And, again, the Commission, did not grant a waiver of this same requirement to another small pipeline, Total Peaking Services, L.L.C.

➤ The MoPSC recommends the Commission reconsider and deny MIG's requested waiver of 18 CFR 358.4 (d).

C. The Commission erred in granting MIG a waiver from non-discriminatory access to information. (18 CFR 358.5 (a))

As detailed above, the very nature of MIG's system, its relationship to its affiliates, and that an affiliate's employees manage MIG's day-to-day operations, make it unreasonable to grant MIG a waiver from this requirement. This requirement ensures that any energy affiliate employee may only have access to information that is publicly available to all of the pipeline's potential and existing customers. All other potential shippers on MIG's system must also be shipping customers of MPC, or both MPC and MGC. MIG's small size does not prevent harm to these potential shippers caused by denying those potential shippers the information that the affiliates have. MIG's small size does not mean that it should be permitted to engage in discriminatory conduct. Since

the employees managing MIG's day-to-day operations are privy to pertinent information regarding MIG's system and operations, that same information should be made available to all potential customers of MIG.

➤ The MoPSC urges the Commission to reconsider and deny MIG's request for waiver of 18 CFR 358.5 (a) and require MIG to provide access to necessary system information (such as available capacity, curtailments, maintenance activity, capacity expansion plans or similar information) to all potential shipping customers through a website.⁶

WHEREFORE, the MoPSC requests the Commission give due consideration to the concerns expressed above, reconsider its findings, and grant MIG only limited waivers of 18 CFR 358.4 (a), 18 CFR 358.4 (c), and 18 CFR 358.5 (b), and deny MIG's request for waiver of 18 CFR 358.4 (b), 18 CFR 358.4 (d), 18 CFR 358.5 (a), 18 CFR 358.5 (c), and 18 CFR 358.5 (d). The MoPSC also requests the Commission require MIG to file a separate Standards of Conduct as required by 18 CFR 161.3.

Respectfully submitted,

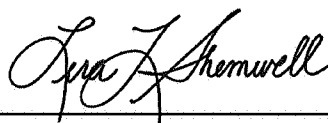


Lera L. Shemwell
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P.O. Box 360
Jefferson City, Missouri 65102
573-751-7431
575-751-9285 (fax)

⁶ In 1998, the Commission required Total Peaking to post on its telephonic bulletin board transactional information for each transaction with its marketing affiliate. 84 FERC ¶ 61,189 at 61,963 (1998). In the instant order at ¶51, the Commission required Total Peaking to post information on an Internet website.

CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served a copy of the foregoing document on all persons designated on the official service list compiled by the Secretary in this proceeding dated at Jefferson City, Missouri, this 28th day of July 2004.

A handwritten signature in cursive script, reading "Lera L. Shemwell", is written over a horizontal line.

Lera L. Shemwell

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Schallenberg, Bob

From: Morrissey, Carmen
Sent: Wednesday, November 16, 2005 4:53 PM
To: Schallenberg, Bob
Subject: FW: Missouri Gas Company and Cuba, MO

Attachments: CubaFreePress.com 6-25-03- Cuba,MO.doc



CubaFreePress.com
6-25-03- Cub...

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

From: Morrissey, Carmen
Sent: Thursday, June 26, 2003 8:54 AM
To: Anson, Laura
Subject: FW: Missouri Gas Company and Cuba, MO

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

From: Sommerer, David
Sent: Thursday, June 26, 2003 8:41 AM
To: Morrissey, Carmen
Cc: Lock, Phil*
Subject: FW: Missouri Gas Company and Cuba, MO

fyi

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

From: Schwarz, Tim
Sent: Thursday, June 26, 2003 8:15 AM
To: Shemwell, Lera; Sommerer, David; Wood, Warren; Imhoff, Tom
Subject: FW: Missouri Gas Company and Cuba, MO

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

From: Joyce, Dan
Sent: Wednesday, June 25, 2003 8:49 PM
To: Schwarz, Tim
Subject: FW: Missouri Gas Company and Cuba, MO

See Duncan's comment below on the attached article. Low transportation costs?

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

From: Duncan Kincheloe
To: danjoyce@psc.state.mo.us; Wood, Warren
Sent: 6/25/03 5:33 PM
Subject: Fw: Missouri Gas Company and Cuba, MO

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

From: Duncan Kincheloe
To: Joyce, Dan ; wwood@mail.state.mo.us

Cc: Eve Lissik
Sent: Wednesday, June 25, 2003 4:30 PM
Subject: Missouri Gas Company and Cuba, MO

Thought you might be interested in the attached website version of an article in the Cuba Free Press. The article is by a Christy Hahn of that newspaper. I thought the second sentence of the final paragraph was especially interesting.

Duncan Kincheloe
General Manager and CEO
Missouri Public Utility Alliance
573-445-3279

<<CubaFreePress.com 6-25-03- Cuba,MO.doc>>

Subject: FW: Missouri Gas Company and Cuba, MO

See Duncan's comment below on the attached article. Low transportation costs?

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

From: Duncan Kincheloe
To: danjoyce@psc.state.mo.us; Wood, Warren
Sent: 6/25/03 5:33 PM
Subject: Fw: Missouri Gas Company and Cuba, MO

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

From: Duncan Kincheloe
To: Joyce, Dan ; wwood@mail.state.mo.us
Cc: Eve Lissik
Sent: Wednesday, June 25, 2003 4:30 PM
Subject: Missouri Gas Company and Cuba, MO

Thought you might be interested in the attached website version of an article in the Cuba Free Press. The article is by a Christy Hahn of that newspaper. I thought the second sentence of the final paragraph was especially interesting.

Duncan Kincheloe
General Manager and CEO
Missouri Public Utility Alliance
573-445-3279

<<CubaFreePress.com 6-25-03- Cuba,MO.doc>>

Winter natural gas rates 'aren't good'

The city approved two separate agreements regarding natural gas at Monday's city council meeting.

Missouri Gas Company was approved for transportation of gas at no cost increase to the city. An agreement between the city and Missouri Gas Company was also approved for the company to use the city's pipeline to deliver gas to Georgia Pacific.

The city's contract for natural gas expires with Amron on July 1. Gary Engelmeier, of the city's natural gas department, presented the council with current information and options for their consideration.

"I've called around to get prices and they aren't good. We could float prices for the next few months and catch a price going down and lock it in for winter, so the customers can get a decent price," Engelmeier said.

"We did that last year and the year before and it paid off," Alderman Brad Bouse said.

Engelmeier said Dave Ries, owner of Missouri Gas Company and two pipelines, is willing to work with the city by matching or beating any other price.

"After talking with the Attorney General's Oversight Committee, the only problem is, by law he can raise the rate and there's nothing anybody can do about it," Mayor John Koch said.

The recommendation was approved to move forward with Ries, waiting for the best prices before locking in. Ries was approved because of his low transportation costs. He will be going through the New York Maximum Exchange (NYMX) to determine gas prices. Last year, prices were locked in in September, but it will depend on the market when prices will be locked in this year.

Schallenberg, Bob

From: Morrissey, Carmen
Sent: Wednesday, November 16, 2005 4:58 PM
To: Schallenberg, Bob
Subject: FW: MoPSC Marketing Affiliate Transaction Rule

From: Morrissey, Carmen
Sent: Wednesday, October 30, 2002 9:15 AM
To: 'Eve Lissik (E-mail)'
Subject: MoPSC Marketing Affiliate Transaction Rule

<http://www.sos.state.mo.us/adrules/csr/current/4csr/4c240-40a.pdf>

See 4 CSR 240-40.016(2)

Eve,

I've done some reading & talking w/ Tom Imhoff & Warren Wood. If Ries is threatening to remove the transportation discounts from customers who don't buy gas from Omega, then it looks like he's violating **4 CSR 240-40.016(2)**.

I believe we intend to send some data requests to Ries. Someone from here, probably Warren, will likely be calling you to see if MGUA has any further info.

Schallenberg, Bob

From: Morrissey, Carmen
Sent: Wednesday, November 16, 2005 4:57 PM
To: Schallenberg, Bob
Subject: FW: Further info from Eve

From: Morrissey, Carmen
Sent: Wednesday, October 23, 2002 1:28 PM
To: Wood, Warren
Subject: Further info from Eve

I had left Eve a voicemail explaining you & I would discuss further (& also try to talk w/ FERC staff) early next week.

I offered a suggestion (explaining it was just a personal thought...which since I'm not an attorney ought to be weighted accordingly). That suggestion was to try to negotiate w/ the city re: release from their contract by saying --- that no release would be considered unless the city provides documented details of Ries' deal and allows the Alliance/ONEOK to provide comments on that deal. Hope that was OK.

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

From: Eve Lissik [mailto:elissik@mpua.org]
Sent: Wednesday, October 23, 2002 1:11 PM
To: cmorrissey@psc.state.mo.us
Subject: Got your message...Thanks.

I spoke with our contact at ONEOK that has our contract to supply St. James. He was in the process of checking with his legal department concerning Gateway contacting cities that are under contract. Before St. James can be released from its contract, our gas commission board members are going to want the details of Gateway's deal with St. James.

Thanks for you help with this.

Eve

7/3/2006

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