

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

Missouri Interstate Gas, LLC) Docket No. TS04-____-000

**PETITION OF
MISSOURI INTERSTATE GAS, LLC
FOR WAIVER OF ORDER NO. 2004
STANDARDS OF CONDUCT**

Pursuant to Section 358.1(d) of the Commission's Regulations, 18 C.F.R.

§ 358.1(d), Missouri Interstate Gas, LLC (Missouri Interstate) hereby petitions for waiver

of the Standards of Conduct for Transmission Providers (the Standards) adopted by the

Commission in Order No. 2004,¹ to the extent those standards would apply to Missouri

Interstate and its affiliates given their current relationships.

Missouri Interstate, a small, six-mile pipeline, with no current full-time employees, requests that 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). Missouri Interstate has a limited scope of operation. It has only one delivery point -- an interconnection with MPC -- its affiliate. MPC is the only firm

¹ 105 FERC ¶ 61,248 (2003).

customer of Missouri Interstate, even though there is currently (and since the beginning of its operation there always has been) firm capacity available on Missouri Interstate.²

A waiver from the Commission's regulations in this instance is warranted, because the benefits to shippers associated with allowing the continued joint operation of Missouri Interstate and MPC and MGC, and sharing of administrative duties among Missouri Interstate, MPC and MGC and Omega, are substantial. The potential for harm to any shippers, or to competition is *de minimus*. Without the granting of such waivers, shippers and natural gas consumers will be harmed by the loss of economies and efficiencies of scale.

Background

Missouri Interstate and two intrastate pipelines, MPC and MGC, are wholly-owned by United Pipeline Systems, LLC, which, in turn, is wholly owned by Gateway Pipeline Company, LLC. Both MPC and MGC are regulated by the Missouri Public Service Commission. Missouri Interstate is also affiliated through common ownership with Omega, an unregulated distribution company, which distributes gas on Fort Leonard Wood, Missouri.

Missouri Interstate was certificated by the Commission in an Order issued September 25, 2002³ Missouri Interstate commenced operation in February 2003, and

² Missouri Interstate is capable of transporting up to 20,000 Mcf/d, but capacity has never been fully subscribed.

³ Missouri Interstate Gas, LLC, Order Issuing Certificates, 100 FERC ¶ 61,312 (2002); Order on Clarification and Rehearing, 102 FERC ¶ 61,172 (2003).

has been engaged in the transportation of natural gas in interstate commerce for only one year. Missouri Interstate has no direct employees and shares employees with its affiliates, including field operators and administrative office staff.

Missouri Interstate is a very small pipeline, extending from an interconnection with Mississippi River Transmission Corporation (MRT) in Illinois, approximately six miles under the Mississippi River, and connects with the western end of MPC at MPC's eastern terminus in Missouri. Missouri Interstate's only transportation customer is its affiliate, MPC, which provides only transportation service for its intrastate customers. MPC does not sell gas to its transportation customers.

Missouri Interstate was constructed to provide MPC's customers with additional sources of gas and transportation.⁴ In the first year it has been in operation, Missouri Interstate has transported less than 30,000 MMBtu of natural gas, with total revenues in 2003 below \$25,000.

Exemption for Intrastate Affiliates

Missouri Interstate's intrastate affiliates, MPC and MGC, fall within the Order No. 2004 definition of Energy Affiliate, because of their status as intrastate pipelines. Missouri Interstate requests a waiver to exempt MPC and MGC from the Energy Affiliate definition.

⁴ At the time of the construction of Missouri Interstate, St. Charles County, Missouri and the western portion of St. Louis had access to natural gas only through the Panhandle Gas Pipe Line Company (Panhandle) system. The capacity on MPC for gas delivered through the Panhandle system was and is fully subscribed.

The waiver requested herein is in the public interest. Given the extremely small operations of Missouri Interstate and the fact that it has one customer -- its affiliate MPC -- makes it more efficient for Missouri Interstate to share the coordination of operations with its intrastate affiliates. This coordination ensures the most efficient and lowest cost of service to both the customers of Missouri Interstate and MPC.

The integrated operations do not provide an opportunity for undue preference or undue discrimination against any other potential Missouri Interstate shipper.

Similarly, Missouri Interstate shares some of the same employees with Omega, a distribution system, providing distribution services on Fort Leonard Wood army base. The same management and administrative personnel are shared with Missouri Interstate and MPC and MGC. Omega does not hold capacity on either Missouri Interstate, or on MPC or MGC.

Costs of Implementing Order No. 2004 Would be Burdensome

Failure to grant Missouri Interstate a waiver would impose burdensome costs on it and would result in a duplication of services, in a situation where Missouri Interstate's existing customer would not benefit from the increased cost. Missouri Interstate estimates that it would incur incremental costs well in excess of \$200,000 per year for additional personnel (general manager, secretary, field technician and gas scheduler) and office facilities. Missouri Interstate operates on a \$2.5 million cost of service, determined by the Commission in Docket No. CP02-399, *et al.*

Missouri Interstate submits that a grant of the requested waiver is appropriate and in the public interest. The communications and operations shared among Missouri

Interstate and its affiliates are of a technical or operational nature, and not for the promotion of a business advantage for any affiliate in the competitive marketplace. The chances of Missouri Interstate gaining an undue competitive advantage in the energy markets in which its affiliates operate is effectively non-existent.

Missouri Interstate submits that its extremely small size, no full time employees, low revenues, the fact that it transports gas for only one customer that takes gas at Missouri Interstate's only delivery point, combined with the enormous costs of complying with Order No. 2004, argue strongly in favor of the waiver.

Respectfully submitted,

MISSOURI INTERSTATE GAS, LLC

Dated: March 31, 2004

By:

Michael A. Stosser
Jane E. Stelck
Heller Ehrman White & McAuliffe, LLP
Suite 300
1666 K Street, N.W.
Washington, D.C. 20006
Attorneys for Missouri Interstate Gas, LLC