


MEMORANDUM

To: Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

From: Don Low 
Leo Haynos

Date Submitted to Legal: 5/1/08
Date Submitted to Commissioners: 5/1/08
DOCKET NUMBER: 08-MDWG-486-MIS

Re: Recommendation to Approve the Application of Midwest Energy for the Temporary Waiver of its 900 Btu/scf Gas Quality Standard Contained in its Distribution Transportation Terms and Conditions

Summary:

On April 29, 2008, Midwest Energy, Inc. (Midwest) submitted a request for an extension of the temporary waiver of the minimum natural gas heat content value found in Section 5(B)(3) of its Distribution Transportation Terms and Conditions for gas deliveries supplied from the Kinder Morgan Interstate Gas Transportation Company's (KMIGT) Holcomb to Scott City pipeline. The original waiver was granted in this docket on November 21, 2007, and expires May 1, 2008. Midwest is requesting an extension of the waiver for five months, until October 1, 2008. However, Midwest seeks two modifications to the original waiver: That the heat content be no lower than 850 Btu/scf, rather than the original waiver to 840 Btu/scf and that Midwest reserves the right to unilaterally and in its sole discretion refuse to accept natural gas with less than the tariff requirement of 900 Btu/scf if it receives customer complaints of operation issues associated with the lower heat content. Midwest may accept natural gas with less than 900 Btu/scf but greater than 850 Btu/scf if, in its judgment, such heat content meets customer needs. Staff recommends approval of the extension request.

Background

The full background of this matter is set forth in Staff's original memorandum of November 20, 2007. In brief, OneOK Field Services, (OFS) reconfiguration of its gas gathering system to transport additional gas to its Scott City gas plant resulted in gas of lower heating value being transported on the Holcomb to Scott City pipeline. Midwest made its original waiver request in

order to assist OFS in delivering unprocessed gas from its gas gathering system to the Scott City gas plant. By lowering the heat content to 840 british thermal units per standard cubic foot, (Btu/scf), OFS was able to return approximately 10 million cubic feet of gas/day, (MMCFD) to production.

Staff, (Staff), recommended approval of the waiver in order to allow OFS and KMIGT sufficient time to reconfigure the gas gathering and transmission system. The system reconfiguration was expected to provide Kansas producers and OFS a long term solution for delivering low quality unprocessed gas to the Scott City gas plant while providing the end use customers connected to the Holcomb/Scott City KMIGT pipeline with processed gas of consistent heat quality at or above 900 Btu/scf. Staff has monitored the situation and is informed that no agreement for reconfiguration of the system or other solution has been reached.

Analysis

Midwest's request states its belief that KMIGT and OFS continue to work on a solution but that the extension of the waiver will provide additional time to devise a workable long-term solution to the decline in the heat content of the unprocessed gas. Staff supports the extension of the waiver to allow more time for the affected entities to reach a solution and to avoid disruption of current production. Staff will explore whether another Staff sponsored meeting of the parties would be helpful. In addition, Staff believes the two modifications to the original waiver are reasonable.

Recommendation

Staff recommends the Commission take immediate action to approve the request for extension since the original waiver expires May 1, 2008. Although this waiver is not literally a change in the written tariffs, it does affect the application of the tariff. Consequently, Staff believes that this situation is covered by K.S.A. 66-117 but that there is sufficient good cause to allow the change in tariffs on less than 30 days notices, as permitted by that statute.