



2008.12.22 11:11:31
Kansas Corporation Commission
/S/ Susan K. Duffy

Midwest Energy, Inc.

December 18, 2008

Susan Duffy
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604-4027

STATE CORPORATION COMMISSION

DEC 22 2008

RE: Progress Report in Docket No. 08-MDWG-486-MIS

Dear Ms. Duffy:

The October 17, 2008 Order in Docket No. 08-MDWG-486-MIS required Midwest Energy to file a progress report on the status of negotiations. Enclosed with this letter are three communications related to matters in this docket:

- December 2, 2008 letter from Bud Becker, KMIGT to David Scharf, Oneok
- December 11, 2008 email from Joe Sterrett, KMIGT
- December 17, 2008 letter from Midwest Energy to KMIGT

Sincerely,

Patrick Parke
VP Customer Service

Enclosures

Copies: Service List

1330 Canterbury Road
P.O. Box 898
Hays, Kansas 67601-0898
(785) 625-3437
1-800-222-3121
Fax (785) 625-1494
www.mwenergy.com



Kinder Morgan Interstate Gas Transmission LLC

December 2, 2008

Mr. David R. Scharf
ONEOK Field Services Company
100 West Fifth Street
Tulsa, OK 74103-4298

Sent Via Email and FedEx

Dear Mr. Scharf:

This letter responds to your e-mail to me of November 17, 2008 in which you, on behalf of Oneok Field Services Company ("OFS"), request that Kinder Morgan Interstate Gas Transmission LLC ("KMIGT") accept low Btu natural gas delivered by OFS into KMIGT's Holcomb pipeline for ultimate consumption, in part, by downstream customers including Midwest Energy ("MWE"), a local distribution company. Specifically, OFS is proposing to deliver natural gas into KMIGT at receipt points with a Btu content substantially below KMIGT's minimum Btu level of 950 Btu per cubic foot as specified in Section 4.1 of the General Terms and Conditions ("GT&C") of KMIGT's FERC-approved tariff. Although it is not clear from your e-mail the exact Btu content of the gas that OFS wants to deliver, the e-mail states that the delivery of the gas would "reduce the Btu content" in the Holcomb system to "between 840 and 850 Btu."

As you know, KMIGT, OFS, and MWE have discussed this matter previously on numerous occasions. Most recently, by letter of June 4, 2008, KMIGT advised OFS of the process that KMIGT must follow in considering a request to accept gas that does not meet KMIGT's gas quality tariff specifications. Simply put, KMIGT's ability to allow receipt of gas supplies that do not meet its Btu tariff specifications must balance the reliability and other concerns of downstream customers with the goal of maximizing available gas supplies. KMIGT, MWE and OFS have worked to find that balance.

As you are aware, MWE's state-approved tariff provides a minimum level of 900 Btu. MWE has, however, received a waiver from the Kansas Corporation Commission that temporarily allows it to accept gas with a minimum level of 870 Btu. MWE has advised KMIGT that it will not accept deliveries from KMIGT of gas with a Btu content lower than 870. Thus, KMIGT will not accept gas into the Holcomb pipeline from OFS that would reduce the Btu content in the line to between "840 and 850 Btu."

You state that the difference between 840 and 850 Btu and MWE's minimum of 870 Btu is "minute" and not "significant" to users. The determination of whether non-conforming gas supplies meet the minimum standards for reliability and other considerations is a matter for MWE to determine, however, and not KMIGT or OFS. In any case, you are aware that KMIGT has previously received complaints from industrial customers downstream of the Scott City Plant concerning operational problems caused by low Btu gas. MWE has also received complaints from customers concerning gas with a Btu content below 870. Section 4.1 of the GT&C of KMIGT's tariff requires that the natural gas delivered by KMIGT shall be of "merchantable quality." MWE has advised KMIGT that it will not accept deliveries of gas from KMIGT containing less than 870 Btu per cubic foot. Accordingly, KMIGT cannot accept OFS' gas absent the willingness of MWE to obtain waiver and accept below the 870 Btu threshold now in place.

You also state in the e-mail that KMIGT's insistence on a minimum of 870 Btu delivered by OFS to Holcomb is "unjustified" and contrary to the December 1, 2004 "Agreement for Facility Connections and Gas Processing Operations" ("Agreement"). Adherence to KMIGT's tariff provisions and procedures is entirely consistent with the Agreement; in fact, it is required. Section I of the Agreement provides:

"KMIGT shall operate the KMIGT system consistent, at all times, with its applicable FERC Gas Tariff, applicable FERC policies and regulations, service agreements and/or contracts between KMIGT and its customers and other operating Agreement between KMIGT and its customers, including this Agreement."

The substance of this letter was provided by my letter dated November 24, 2008. However, that document contained a factual error in the first paragraph relating to the flow of OFS-delivered gas, which this letter corrects.

If you have any further questions concerning this matter, please do not hesitate to contact me.

Sincerely,



Bud J. Becker
Vice President, Business Management
Kinder Morgan West Region Gas Pipelines

From: Sterrett, Joe [mailto:Joe_Sterrett@kindermorgan.com]
Sent: Thursday, December 11, 2008 4:57 PM
To: Riedel, Dixie - Midwest Energy
Cc: Holstlaw, Randy;Becker, Buddy;Barrett, Paula;Evanoff, Stefan
Subject: FW: Update for MWE - ONEOK/KMIGT Discussions

Dixie -

As we discussed, listed below please find KMIGT's update regarding our discussions with ONEOK Field Services ("OFS") and the low Btu issue on the Holcomb line.

- KMIGT denied OFS' request to accept gas with a thermal content of ~ 840 - 850 Btu/cf in a letter dated 11/24/08. This letter contained a factual error and this error was corrected in a follow up letter dated 12/2/08, which is attached.

- KMIGT has provided a number of proposals to OFS regarding facility solutions to this issue. KMIGT has received no additional input from OFS regarding these proposals.

- KMIGT is not aware of any updates regarding OFS' proposal to provide service technicians to Midwest Energy's customers who would receive the lower thermal content gas.

Joe Sterrett
(303) 763-3246



Midwest Energy, Inc.

December 17, 2008

Bud Becker
Kinder Morgan Interstate Gas Transmission
West Region Gas Pipelines
370 Van Gordon Street
Lakewood, CO 80228

Dear Mr. Becker:

The Garden City Company (GCC) has reiterated with Midwest Energy (Midwest) the obligations contained in an agreement dating from December 1, 2000. Midwest and GCC entered into that agreement whereby Midwest would construct a natural gas distribution system and deliver natural gas to GCC. Midwest is required to meet the terms and conditions in Midwest's Natural Gas Tariff approved by the Kansas Corporation Commission (KCC) and in effect on the date of delivery. The tariff states "... the Gross Dry Heating Value of such gas shall not be less than 900 BTU's nor more than 1020 BTU's per cubic feet."

GCC and Midwest entered into this agreement with the intent of solving several issues. GCC was receiving gas from gathering systems or well head. The quality was not sufficient and the reliability was poor. GCC needed gas that would meet its quality needs and was willing to pay Midwest to construct a pipeline that would supply gas meeting GCC requirements, i.e., merchantable gas. Midwest agreed to construct the distribution system that would be connected to a Kinder Morgan Interstate FERC jurisdictional pipeline so quality issues would be resolved. Midwest purchased this tap from KMITG in the same manner that it purchased two other taps in 1999 to construct distribution systems south of Garden City and Lakin. (Those two taps are located on the KMITG Ulysses pipeline.)

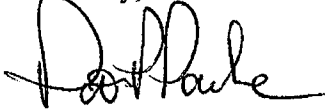
While GCC is the largest customer with 43 meters on the affected distribution system, it is by no means the only customer. GCC's interest in pipeline quality gas led to initial construction in the area, but since that time, many other former gathering system customers have also been connected. Presently the system serves a total of 114 irrigation meters, 24 commercial accounts and 140 homes.

1330 Canterbury Road
P.O. Box 898
Hays, Kansas 67601-0898
(785) 625-3437
1-800-222-3121
Fax (785) 625-1494
www.mwenergy.com

Mr. Bud Becker
December 17, 2008
Page 2

Quality issues arose when ONEOK moved low quality gas production from the Northern Natural Gas pipeline to KMIGT's pipeline, and the BTU content dropped significantly. Midwest, GCC and all the other customers connected to the system have been tolerating natural gas that does not meet the tariff standards to allow time for Kinder Morgan and ONEOK to permanently resolve the issue. Two years have passed, and the quality issues remain. Repeated waivers of the existing quality standards are not an acceptable solution. With this letter, Midwest again requests that KMIGT meet the quality standards specified in Midwest's KCC-approved Natural Gas Tariff by April 1, 2009.

Sincerely;

A handwritten signature in black ink, appearing to read "Patrick Parke". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Patrick Parke
Vice President Customer Service