

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

Pipeline Posting Requirements Under)
Section 23 of the Natural Gas Act) **Docket No. RM08-2-000**

**COMMENTS OF THE
KINDER MORGAN
TEXAS INTRASTATE PIPELINE GROUP**

Pursuant to the Federal Energy Regulatory Commission's ("FERC" or "Commission") Notice of Proposed Rulemaking ("Posting NOPR") issued in the above-referenced docket on December 21, 2007,¹ the Kinder Morgan Texas Intrastate Pipeline Group ("KM Intrastate Pipelines") submits the following comments regarding the Commission's proposed revisions to its regulations to implement section 23 of the Natural Gas Act ("NGA"), 15 U.S.C. § 717t-2, added by section 316 of the Energy Policy Act of 2005 ("EPAct 2005"). Like the Commission's April 19, 2007 NOPR ("Initial NOPR"),² which also addressed this subject, the new Posting NOPR would impose extensive federal regulatory requirements on non-interstate pipelines, resulting in significant costs and burdens to such entities and, as proposed, would not lead to improved price transparency in natural gas markets. Kinder Morgan owns both interstate and major non-interstate pipelines, as defined in the NOPR; however, these comments are limited to the Commission's proposal with respect to major non-interstate pipelines. Separate comments will be filed by the Kinder Morgan Interstate Pipelines addressing the NOPR's impact on such entities.

¹ Pipeline Posting Requirements Under Section 23 of the Natural Gas Act (2007), 73 Fed. Reg. 1116 (proposed Jan. 7, 2008).

² Transparency Provisions of Section 23 of the Natural Gas Act, 72 Fed. Reg. 20,791 (proposed Apr. 26, 2007).

The KM Intrastate Pipelines, which are members of the Texas Pipeline Association (“TPA”), adopt the comments filed by the TPA in this proceeding, including without limitation the TPA comments on jurisdiction, and offer these additional comments in response to the Commission’s Posting NOPR. For the reasons provided in the TPA’s comments and the additional comments set forth herein, the proposed rule, which seeks to require the posting of detailed information concerning gas flowing in intrastate commerce, is beyond the Commission’s jurisdiction, is unwarranted, and should not be adopted.

While reserving their arguments with respect to the Commission’s jurisdiction to issue the proposed rule, the KM Intrastate Pipelines support the alternative for daily posting that the TPA is proposing in its comments. At most, the Commission should require the posting of scheduled volumes at the major points identified by the Commission in the Posting NOPR. In support of their comments, the KM Intrastate Pipelines state as follows:

BACKGROUND AND SUMMARY OF POSTING NOPR

In the Initial NOPR, the Commission proposed revisions to its regulations to implement its new authority under EPCRA 2005 to facilitate market transparency in natural gas markets. Specifically, as relevant here, the Commission proposed to revise its regulations to require that intrastate pipelines post on a daily basis information on flowing volumes and capacities at their major receipt and delivery points and mainline segments.

The KM Intrastate Pipelines filed comments that generally supported the Commission’s efforts to promote price transparency, but opposed the proposed rule because, among other things, it (1) would impose excessive costs and burdens on intrastate pipelines; (2) would apply to entities such as intrastate pipelines that are not subject to the Commission’s jurisdiction, and (3) would not achieve the Commission’s goal of achieving

transparency.³ In its reply comments, the KM Intrastate Pipelines stated that, notwithstanding the jurisdictional issue, the Commission could reduce the financial burden on intrastate pipelines and obtain a more accurate picture of the interstate natural gas market if it simplified the proposed reporting rule. The KM Intrastate Pipelines further participated in the Commission's July 24, 2007 Workshop and discussed ways in which the Commission could reduce the burden of the proposed rule while improving price transparency. The KM Intrastate Pipelines hereby incorporate by reference their comments and reply comments to the Initial NOPR that it filed in Docket No. RM07-10-000 *et al.*

The Posting NOPR in many ways expands the scope of the proposed daily posting requirements. It would require: (1) certain "major non-interstate pipelines" to post daily information regarding their capacity, scheduled flowing volumes, and actual flowing volumes at major points and mainline segments; and (2) interstate pipelines to post daily information regarding actual flowing volumes at receipt points, on the mainline, at delivery points, and in storage fields.

The proposed rule thus no longer applies only to "intrastate pipelines." Instead, the new daily posting regulations would apply to entities referred to as "non-interstate pipelines," a term the Commission stated is intended to encompass intrastate pipelines, Hinshaw pipelines, and "any other type of pipeline that is not an interstate pipeline under the Natural Gas Act."⁴ The proposed rule features several prominent exceptions. First, the rule would apply only to "major" non-interstate pipelines, i.e., it would apply to all non-interstate pipelines that flow more than 10 million MMBtus of natural gas per year. Second, the proposed rule would not require posting by non-interstate pipelines that fall entirely upstream

³ Comments of the Kinder Morgan Texas Intrastate Pipeline Group, Docket No. RM07-10-000 *et al.* (filed July 11, 2007).

of a processing plant. Finally, the proposed rule would not require reporting by non-interstate pipelines that deliver more than 95 percent of the natural gas they flow directly to end users.

The KM Intrastate Pipelines note that the proposed rule does not require non-interstate pipelines to post information regarding storage fields. The KM Intrastate Pipelines will therefore not comment on this aspect of the proposed rule, but reserve the right to comment if the Commission issues a NOPR that would require non-interstate pipelines to post storage information.

According to the Posting NOPR, the purpose of the proposed rule is to allow “the Commission, market participants, and the public” to “obtain a picture of daily supply and demand conditions that directly affect U.S. wholesale natural gas markets”⁵ The Commission further stated that the proposed rule would “make available the information needed to track daily flows of natural gas adequately throughout the United States.”⁶

I.
**IDENTIFICATION OF PERSONS
TO RECEIVE COMMUNICATIONS**

All communications concerning these comments should be addressed to:

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⁴ Posting NOPR at P 23.

⁵ *Id.* at P 50.

⁶ *Id.* at P 3.

⁷ Indicates persons to be placed on the Commission’s Official Service List.

The KM Intrastate Pipelines request that copies also be sent to:

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II. DESCRIPTION OF THE KM INTRASTATE PIPELINES

Kinder Morgan Energy Partners, LP (“Kinder Morgan”) owns and operates the KM Intrastate Pipelines, which consist of major intrastate pipeline systems located primarily along the Texas Gulf Coast which transport, purchase and sell natural gas in the Texas intrastate market. Such intrastate pipelines include Kinder Morgan Border Pipeline LLC, Kinder Morgan Texas Pipeline LLC, and Kinder Morgan Tejas Pipeline LLC, as well as Kinder Morgan North Texas Pipeline LLC, which is a “Hinshaw” pipeline (collectively “KM Intrastate Pipelines”). The KM Intrastate Pipelines, which consist of more than 5,900 miles of pipe, provide firm and interruptible sales, purchase, transportation, storage, treating and processing services to their intrastate customers, which include local distribution companies, industrial end users, electric generating plants, gas marketing companies, producers and other intrastate pipelines. Unlike interstate pipelines, the KM Intrastate Pipelines continue to make bundled sales. In addition, the three (3) intrastate pipelines provide transportation service pursuant to Section 311 of the Natural Gas Policy Act of 1978 (“NGPA”) and Subparts C and D of Part 284 of the Commission’s Regulations, and the Hinshaw pipeline provides transportation service pursuant to an NGA Section 7(c) blanket certificate of public convenience and necessity.

III. **COMMENTS**

A. Discussion of the Proposed Compromise Position

Notwithstanding their objection to the Commission's jurisdiction to issue the proposed rule, the KM Intrastate Pipelines support the alternative for daily posting that the TPA is proposing in its comments. The KM Intrastate Pipelines agree with the TPA that, at most, the Commission should require the posting of scheduled volumes at the major points identified by the Commission in the Posting NOPR. This alternative would permit the Commission to meet its perceived transparency objectives, while minimizing the extensive costs and burdens associated with the proposed rule. The KM Intrastate Pipelines expressly reserve, however, the right to seek review of the Commission's assertion of jurisdiction over non-interstate pipelines.

B. The Newly-Proposed Section 284.14 Will Impose Increased Burdens and Costs on the KM Intrastate Pipelines.

1. The Commission Must Consider the KM Intrastate Pipelines' Estimates of the Costs and Burdens of Complying With the Daily Posting Requirements.

The KM Intrastate Pipelines opposed the Initial NOPR because, among other things, it would have been excessively burdensome and costly for intrastate pipelines to comply with the proposed regulations. First, the Initial NOPR would have required intrastate pipelines to post certain information on a daily basis via an external Internet website in specific electronic formats. The KM Intrastate Pipelines showed that this requirement would have forced them to incur significant investment because intrastate pipelines, unlike interstate pipelines, do not have extensive Internet websites to provide updated daily pipeline information in a downloadable format as required by the Initial NOPR. Moreover, the Initial NOPR would have subjected intrastate pipelines to the reporting standards of the North American Energy

Standards Board (“NAESB”), despite the fact that intrastate pipelines have not participated in the creation of NAESB standards, do not follow NAESB standards, and do not have NAESB-compliant websites on which the proposed information would be posted. In sum, the KM Intrastate Pipelines estimated that they would have had to incur expenses in excess of \$200,000 to enhance their Internet websites, in addition to annual operating expenses of approximately \$90,000.

The KM Intrastate Pipelines further showed that the Initial NOPR was excessively burdensome because it would essentially have required intrastate pipelines to install numerous segment measurement facilities. The Posting NOPR did not address the cost and burden estimates provided by the KM Intrastate Pipelines or other intrastate pipelines. The Commission stated only that “[c]ertain non-interstate pipelines have asserted in the Initial NOPR [comments] that costs would be quite high if additional equipment was needed to meet quick posting deadlines. However, given that this information is used in their business within fairly quick periods, the Commission still believes that the burden that would be imposed by this proposed requirement is largely for the collection and posting of this information in the required format.”⁸ The Commission thus chose to ignore the record evidence and responds with only an unsupported assertion. Reasoned decision making requires that the Commission consider the costs and burdens of the proposed daily posting requirements faced by the KM Intrastate Pipelines, which are more fully set forth below.

2. The Posting NOPR’s Proposal to Require the Posting of Scheduled Quantities Would Impose Additional Costs and Burdens on the KM Intrastate Pipelines.

The Posting NOPR would require major non-interstate pipelines to post daily scheduled flow information in addition to the daily actual flow and capacity information

required by the Initial NOPR. This additional requirement would increase the costs and burdens of daily posting faced by the KM Intrastate Pipelines because they do not keep records of scheduling information on a segment basis. Thus, in order to report segment scheduling information, the KM Intrastate Pipelines would first need to create systems to collect such information, and would incur significant expense in doing so.

Even if the Commission required that non-interstate pipelines post only scheduled quantities for receipt and delivery points, the costs would be considerable. The KM Intrastate Pipelines' existing IT systems are unable to post scheduled capacity in the manner prescribed by the Posting NOPR. In order to post the information required by the Commission, the KM Intrastate Pipelines would have to update their IT systems to allow for the posting of scheduled quantities at major points. The cost to KM Intrastate Pipelines would be approximately \$250,000 in start-up expenses, above and beyond the costs related to the posting of information related to actual flowing volumes and capacity, which would be an additional \$250,000.

Moreover, the fact that the KM Intrastate Pipelines would have to significantly update their IT systems would affect the time frame for any implementation of the proposed rule. As the TPA's comments point out, it took many years for interstate pipelines to update their IT systems following Order No. 637, despite the fact that interstate pipelines had developed their IT systems over an extended period of time through a series of regulations. It would almost certainly take intrastate pipelines a longer amount of time to complete implementation, because they would have to start from a point much closer to scratch. The KM Intrastate Pipelines therefore estimate that it would take approximately 1 year from the date of a Final Rule to complete the necessary IT upgrades and data reorganization.

⁸ Posting NOPR at P 79.

3. The Posting NOPR's Proposal to Require the Posting of Information at Segments Would Impose Substantial Additional Costs and Burdens on the KM Intrastate Pipelines.

The Posting NOPR contains two requirements for the posting of information related to segments. First, it would require non-interstate pipelines to post scheduling information at major points and mainline segments whenever capacity is scheduled. Second, the Posting NOPR retains the requirements from the Initial NOPR that non-interstate pipelines post information related to capacity on mainline segments and information regarding actual flowing volumes at major mainline segments. Like the Initial NOPR, the Posting NOPR does not define what is a “major” point or segment. The vagueness of this term makes estimating the costs and burdens of the proposed rule a matter of estimation. Nevertheless, the KM Intrastate Pipelines have set forth their best estimates of the costs and burdens associated with posting data at “major” points and segments.

The KM Intrastate Pipelines would be forced to incur substantial costs to comply with the proposal that non-interstate pipelines post scheduled quantities for mainline segments. As discussed in their comments to the Initial NOPR, the concept of segments does not readily translate from interstate pipelines to intrastate pipelines. The KM Intrastate Pipelines, like many intrastate pipelines, do not have clearly defined mainline segments. Instead, they are comprised of a combination of large and small diameter pipes that are used for a variety purposes, including dual flows and backhauls. In many cases, both supply interconnects and market deliveries co-exist in close proximity which means that supply points are intertwined with delivery points. The concept of “segment” makes no sense on intrastate pipelines, and the Commission cannot presume that simply because interstate pipelines post extensive information that an intrastate pipeline can easily post the same or similar information. Indeed, the concept of segments has little operational significance on their systems, and the

KM Intrastate Pipelines do not compile segment-related information for their systems. The KM Intrastate Pipelines thus could not provide segment information to the Commission without extensively restructuring their pipeline systems.

As set forth in the TPA's comments, the Commission does not have jurisdiction to require intrastate pipelines to restructure their systems, but, even if the Commission did have such jurisdiction, the costs and burdens of the proposed daily posting requirements would far outweigh any benefit to be gained from such regulations. Based on a rough cut analysis of its system, the KM Intrastate Pipelines believe they would be forced to install segment measurement facilities at approximately 22 locations, and perhaps more, in order to provide the Commission with the mandated segment information. The costs of these meters would be substantial. The Table below, which is based on Kinder Morgan's extensive experience with meter installation, shows the estimated costs for installing meters of different sizes.

<u>Meter Size</u>	<u>Cost</u>
50,000	\$1,000,000
100,000	\$1,800,000
200,000	\$2,600,000
300,00	\$3,100,000
400,000	\$3,500,000
500,000	\$3,800,000
600,000	\$4,000,000
700,000	\$4,200,000
800,000	\$4,400,000
900,000	\$4,600,000
1,000,000	\$4,800,000
1,100,000	\$5,000,000
1,200,000	\$5,200,000
1,300,000	\$5,400,000
1,400,000	\$5,600,000
1,500,000	\$5,800,000
1,600,000	\$6,000,000
1,700,000	\$6,200,000
1,800,000	\$6,400,000

To demonstrate the accuracy of the cost estimate, the KM Intrastate Pipelines have attached as Exhibit A an itemization showing the costs of installing a single 500,000 MMBtu/d meter, along with associated equipment. This data is from a recent meter installation by an affiliated company and the meter is substantially identical to the meters that the KM Intrastate Pipelines would have to install in order to comply with the proposed rule. Attached as Exhibit B is an itemization of the cost for a single 400,000 MMBtu/d meter. The costs to the KM Intrastate Pipelines of installing 22 appropriately-sized meters would be approximately \$62.7 million. These costs far outweigh any benefit the Commission would gain from the proposed rule.

The KM Intrastate Pipelines' estimates of cost and burden have increased since the Initial NOPR. Since that time, construction costs have increased significantly as a result of competition for construction resources resulting from the large number of pipeline construction projects currently under way nationwide. Moreover, the scarcity of construction resources would affect the Commission's time frame for any implementation of the proposed rule because it has created a long lag time in scheduling contractors. This lag time would particularly affect meter installation projects because contractors are less willing to take on these relatively small, short-term projects when they can more profitably take on larger pipeline construction projects. The KM Intrastate Pipelines estimate that it would take at least 2 years from the date of any Final Rule to complete the necessary meter installations.

The addition of segment meters would also have an efficiency impact on the KM Intrastate Pipelines. One side effect of meter installation is that they cause a pressure drop on the line on which they are installed. This pressure loss would lead to either a decrease in pipeline capacity available to intrastate customers, or cause a decrease in efficiency as

additional compression, with accompanying fuel use, is used to compensate for the loss in pressure. The table below shows a summary of the approximate costs of the proposed rule to the KM Intrastate Pipelines.

Installation Estimate

\$250,000	IT Modifications To Enhance Website To Accommodate Posting of Scheduled Flows (at Major Points Only).
\$250,000	IT Modifications To Enhance Website To Accommodate Posting of Actual Flowing Volumes and Capacity
\$62,700,000	Segment Measurement (Approximate for 22 Installations)
\$63,200,000	Total

Annual Operation Estimate

\$90,000	Operate Volume Grid
\$110,000	Additional Measurement and Communications
\$200,00	Total

The high costs associated with the proposed daily posting of segment information thus far outweigh any benefits of the proposed regulations.

Moreover, the Commission's proposal ignores the question of who will bear the cost of this new investment. Whatever cost is incurred will be to comply with a federal mandate to benefit the interstate market and the Commission has no authority to permit the recovery of these costs in intrastate rates. Even if the costs are recovered in intrastate rates, the intrastate consumers will be forced to bear the cost impact of a program under a statute that is explicitly targeted at the interstate market.

C. Posting of Actual Flowing Volumes by Intrastate Pipelines Will Not Result in Improved Price Transparency.

In both the Initial NOPR and the Posting NOPR, the Commission stated that the daily posting of flow information "would improve market participants' ability to assess supply and

demand and to price physical natural gas transactions.”⁹ In their comments to the Initial NOPR, the KM Intrastate Pipelines pointed out that the actual flow at a particular point or segment of an intrastate pipeline does not necessarily reflect the supply on the system.¹⁰ To demonstrate this, the KM Intrastate Pipelines listed ten factors which affect actual flow on intrastate systems, none of which reflect the supply and demand picture. The Commission did not address this point in the Posting NOPR. Therefore, for the Commission’s convenience, KM Intrastate Pipelines restates that actual flows can be affected by the following:

- 1) The inclusion of exaggerated hourly activity from a salt dome storage field. For example, an intrastate pipeline may need to inject gas into a storage field for the first 12 hours of the gas day, and then withdraw the same amount of gas for the remaining 12 hours to meet the ramp up or down in load from power plants and industrial direct connects. The net result at the end of the day may be zero, but the reported volumes at any given time could be quite large.
- 2) The close proximity of storage facilities used to make large market deliveries may distort volumes involved in gas commodity market activity. If storage facilities are used to make deliveries to a 200,000 Dth/d market and the gas does not flow through a segment meter due to the close proximity of the storage facility to the delivery point, the actual volumes on the affected segment on a given day would not accurately reflect the volumes being delivered to the market. The KM Intrastate Pipelines have salt dome storage fields that can deliver in excess of 500,000 Dth/d.
- 3) The effect of back-hauls on the system, which regularly occur on intrastate pipelines. For example, a segment may flow in a given direction for the first 12 hours of the gas day and in the opposite direction for the remaining 12 hours because a large gas fired power plant at the end of the segment is running. Under this example, the net segment flow could theoretically be zero.
- 4) Gas flow adjustments at both points and segments to meet no-notice obligations for anticipated weather and demand changes on the system such as impending heat waves, winter storms or hurricanes. Intrastate pipelines will increase line pack and/or storage inventory levels to meet anticipated, increasing market demand, or decrease line pack and/or storage inventory levels to meet anticipated, decreasing market demand.

⁹ Initial NOPR at P 33; Posting NOPR at P 60.

¹⁰ Initial Comments at 12-13.

- 5) The application of operational balancing agreements at pipeline interconnects. Pipelines on a routine basis coordinate with operators of connecting pipelines in order to accomplish routine maintenance on the pipeline grid without reducing service. This can significantly increase or decrease the physical flow on an intrastate pipeline on any given day.
- 6) The impact of equipment outages. For example, if a mainline compressor station trips offline for 12 hours, flows on the affected portion of the pipeline may decrease significantly during a gas day.
- 7) The impact of isolating out-of-specification gas during a gas day. For example, if a processing plant is underperforming and the downstream pipeline shuts in the point during the gas day, both physical point and segment flow rates may decrease on the intrastate pipeline's system.
- 8) The effect of richer or leaner gas entering the system. On a particular gas day, an intrastate pipeline may transport 1000 Btu/scf gas, and then, on the next day, transport 1110 Btu/scf gas due to the decisions of a processing plant operator based on its economics. This change in heating value of the gas entering the intrastate pipeline's system could equate to a 10% increase or decrease in capacity from the first day to the second.
- 9) The effect of pressures of interconnecting pipelines. If an upstream interconnecting pipeline is delivering gas into the intrastate pipeline at 1000 psig and a downstream interconnecting pipeline is receiving gas at 500 psig, then gas will flow on the intrastate pipeline's system at a certain rate, as determined by the hydraulics in the affected portion of the pipeline. If, however, the pressure of the upstream interconnecting pipeline decreases to 800 psig and/or the pressure of the downstream interconnecting pipeline increases to 700 psig (both of which are determined by 3rd party pipelines), then a much smaller volume will flow on the intrastate pipeline's system on the next gas day due to the reduced pressure differential between the upstream and downstream pipelines.
- 10) Other operating conditions can affect daily gas flow such as the effect of a malfunctioning valve. If an automated valve malfunctions and closes, then the flow in the affected portion of the pipeline may be zero for the time period required to open the valve, and then may be double the intended flow during the recovery period, which may occur in an entirely different gas day.

These factors show that the posting of actual flow volumes could be counterproductive to the Commission's objective of promoting price transparency. Moreover, the posting of flow information would likely prove misleading because such

information would reflect the complexity of pipeline operations rather than supply and demand fundamentals.

The Commission's proposed time frame for posting is especially problematic regarding the posting of actual flow volumes. The Posting NOPR would require that the required information "be posted within 24 hours from the close of the gas day on which gas flows, i.e., on or before 9:00 a.m. central clock time for flows occurring on the gas day that ended 24 hours before."¹¹ The Posting NOPR does not take into consideration that pipeline flow measurement is just one part of a complicated and time-consuming process that pipelines undertake to ensure accuracy for billing purposes. This process involves the correlation of pipeline flows, pressures, temperatures and estimated takes, which is then subject to corrections occurring anywhere up to 30-35 days after the gas day. The NOPR's short time-frame for posting will result in non-interstate pipelines posting unedited flow estimates that are subject to adjustment and correction. Although pipelines exchange such "raw" data with connected point operators, who understand what such data represents and are in regular communication with the pipeline regarding updates, this raw data would be inaccurate and not useful for price transparency purposes because it is subject to such extensive correction.

Further, given the inaccuracies in the postings of actual flow measurement within the 24-hour posting period, actual flow volumes will not tie neatly to other posted pipeline information, including scheduled volumes from the previous day, causing increased confusion among market participants and potentially hindering the Commission's oversight efforts.

¹¹ Proposed 18 C.F.R. § 284.14(a).

In addition, it is not clear based on the NOPR whether interstate pipelines would be required to revise actual flow information that subsequently has changed. Revised postings with respect to actual flow information for the same gas day would more likely lend confusion to the market, as opposed to clarity, and would impose greater burdens on pipelines. Moreover, such a requirement is at odds with the existing NAESB standard which provides for prior period corrections within six months. Accordingly, revised actual flow information should not be required by the Commission under any transparency rule.

D. Posting of Capacity Data Would Provide the Market With Misleading Information.

In their reply comments to the Initial NOPR, the KM Intrastate Pipelines demonstrated that the posting of capacity data, including design and available capacity, would be misleading to the market.¹² The Commission did not address this point in the Posting NOPR.

Intrastate pipelines are different from interstate pipelines in configuration, in operation, and in the services they provide to customers. Rules, such as the posting of capacity data, which work for interstate pipelines, would not help to facilitate price transparency on intrastate systems. For example, intrastate pipelines, unlike interstate pipelines, provide a bundled sales function, and Texas law requires the KM Intrastate Pipelines to stand ready to meet peak load requirements for human needs customers for city gate deliveries. The KM Intrastate Pipelines are required to give these human needs customers the highest service priority. This service, however, is highly variable due to changes in demand and weather patterns. The capacity information posted by the KM Intrastate Pipelines would thus reflect this operational reality. Therefore, a snapshot of

available capacity on a given pipeline at a given time would not necessarily reflect pricing fundamentals. Moreover, pipeline estimates of available capacity would require a number of assumptions based on the pipeline's specific operational circumstance. This would lead to non-uniform reporting of capacity, which would confuse, rather than aid, the market.

In addition, the KM Intrastate Pipelines provide no-notice service to many industrial users, including refineries and petrochemical plants in Texas. The pipelines must reserve physical capacity to serve increases in this no-notice service, which means that this capacity is not available for other customers. As a result, the posting of capacity information would send the wrong signals to the market because it would reflect the complexity of pipeline operations rather than the overall supply situation in the market.

Since posted information would reflect pipeline operations rather than supply and demand fundamentals, the data posted by intrastate pipelines would not necessarily match what was happening in the market. For example, an intrastate pipeline could, as a result of flow reversal on a segment of pipeline during the course of a day, post a net segment flow of zero because forward-hauls and backhauls cancelled each other out. This could lead market participants to suspect price manipulation when only routine pipeline operations are occurring. Such discrepancies between posted information and other market information could lead the Commission to commence unnecessary investigations. Intrastate pipelines could be placed in the position of justifying their actions, and forced to undergo costly audits and respond to data requests. The Commission should avoid requiring pipelines to post potentially misleading information regarding capacity and actual flows, because this would lead to market confusion and an increase in unwarranted enforcement actions.

¹² Reply Comments of the Kinder Morgan Texas Intrastate Pipeline Group at 10-11, Docket No. RM07-10-000 *et al.* (Aug. 23, 2007) ("Reply Comments").

E. The Commission Should Limit Any Posting Requirement to Information About Scheduled Quantities.

In its reply comments to the Initial NOPR, the KM Intrastate Pipelines proposed that the Commission limit any posting requirements to scheduled quantities at receipt and delivery points *instead of* requiring the posting of actual flowing volumes and capacities.¹³ The KM Intrastate Pipelines explained that this data reflects current gas commodity activity and is a more appropriate means of achieving price transparency. Rather than adopt the KM Intrastate Pipelines' suggestion, the Posting NOPR would require that major non-interstate pipelines post scheduled quantities information *in addition to* actual flow and capacity information.

The KM Intrastate Pipelines restate their position that any posting requirement should be limited to scheduled quantities only. As demonstrated above, capacity and actual flow posting would provide the market with useless and misleading information. In contrast, the posting of scheduled quantities would provide the market with the information that is actually used in price formation. The market makes pricing decisions based on what it expects to happen in the market place, e.g., volumes that are *expected* to flow, not on what volumes actually flowed on the prior day at a particular point. In other words, it is expectations that drive price movements as opposed to what actually occurs after the fact on any pipeline system. The Commission should thus limit any posting requirement to the posting of scheduled quantities.

The Posting NOPR, like the Initial NOPR, requires the posting of scheduling data within 24 hours from the close of the gas day on which the gas flows. This requirement requires non-interstate pipelines to post information 7 days a week. As the KM Intrastate

¹³ Reply Comments at 7-8.

Pipelines noted in their reply comments to the Initial NOPR, the scheduling process on intrastate pipelines is based on the 5-day business week.¹⁴ There is no basis for the Commission to require that intrastate pipelines post information on a more frequent basis, because the current intrastate scheduling process coincides with how gas is traded and how index prices are set. Gas trades in the morning, is scheduled in the afternoon, and prices are reported to index publishers based on the morning trades for use on the next gas business day. Published index prices are not set during the evenings or weekends, and they are based on scheduled quantities, not actual volumes or capacity. The reporting of scheduled quantities, as opposed to actual volumes or capacity, is consistent with how index prices are set.

F. The Proposed Posting Requirements Would Harm the KM Intrastate Pipelines' End-Use Customers Because It Would Cause the Release of Confidential Information.

In their comments to the Initial NOPR, the KM Intrastate Pipelines showed that the proposed posting requirement would harm their end-user customers because the posted information would reveal sensitive confidential information about the customers' fuel use.¹⁵ The KM Intrastate Pipelines explained that, unlike interstate pipelines, a much higher proportion of the market served by intrastate pipelines is to directly connected end users, e.g., electric power generators and industrial customers such as petroleum refineries, chemical plants, etc. For example, the KM Intrastate Pipelines have 160 delivery point interconnections with industrial end users. In addition, the KM Intrastate Pipelines serve numerous electric power generators, with over 50 delivery point interconnections to such customers. These deliveries to industrial end users and power plants together make up

¹⁴ *Id.* at 9.

¹⁵ Initial Comments at 16-17.

approximately 76% of the KM Intrastate Pipelines' total load. Given the highly competitive environment in which these entities operate, such customers have negotiated confidentiality agreements with the KM Intrastate Pipelines as permitted by Texas regulations. Such agreements ensure that sensitive fuel use information is not released to competitors that could jeopardize the economic viability of the customer's business. The Commission's proposed regulations would allow competitors to glean sensitive data about fuel use at these facilities, information that is currently kept confidential.

The Posting NOPR includes an exemption from the daily posting requirements for non-interstate pipelines that deliver more than 95% of the natural gas volumes they flow directly to end-users.¹⁶ This exemption would not suffice to protect the confidentiality of the KM Intrastate Pipelines' end-use customers. As it stands, the benefits of any increased price transparency resulting from the Posting NOPR is significantly outweighed by the potential detriment these entities would face in competing in today's marketplace. In order to protect the confidentiality of the KM Intrastate Pipelines' customers, the Commission should exempt non-interstate pipelines that deliver more than 80% of natural gas volumes to end-users. In the alternative, the Commission should adopt regulations that protect the confidentiality of *all* information regarding deliveries to end-users.

G. The Commission Should Phase In Any Posting Requirements and Create a Safe-Harbor.

In their reply comments to the Initial NOPR, the KM Intrastate Pipelines stated that the Commission should phase in any posting requirements to allow time for intrastate pipelines to implement enhanced websites and modify their IT systems.¹⁷ The KM Intrastate Pipelines further requested that the Commission include a safe harbor for inadvertent errors

¹⁶ Proposed 18 C.F.R. § 284.14(b)(2).

in reporting without assessing civil penalties. The Commission did not address either of these issues in the Posting NOPR. The KM Intrastate Pipelines therefore reassert their position on these issues here.

H. Answers to the Commission’s Specific Questions

- 1. For the volume criterion, are average flows of 10 billion cubic feet of natural gas per year too low a threshold for non-interstate pipelines to require posting at major points and mainline segments? Too high?¹⁸**

The Commission should adopt the same threshold that it uses for reporting by “major” natural gas companies on FERC Form No. 2. Thus, only those non-interstate pipelines whose combined gas transported or stored for a fee exceeded 50 million Dth in each of the three previous calendar years should be required to report.

- 2. Regarding the proposed exemption of a non-interstate pipeline that lies entirely upstream of processing plants, if these non-interstate pipelines were excluded from the pipeline posting requirement, would significant information useful for determining price and availability of natural gas likely be lost?¹⁹**

This exception would not exempt many gathering facilities because many of these facilities lie downstream of processing plants or do not transport gas that requires processing. Moreover, the exception does not exempt facilities that lie upstream of treating plants, which remove contaminants prior to delivery of the gas to a pipeline. Therefore, if the Commission’s intention is to exempt gathering facilities, it must broaden this exemption. The Commission should exempt facilities that satisfy the “primary function test,” which the Commission has traditionally used to distinguish gathering facilities from transmission facilities.

¹⁷ Reply Comments at 14-15.

¹⁸ Posting NOPR at P 67.

¹⁹ *Id.* at P 68.

3. Regarding the proposed exemption for major non-interstate pipeline that makes greater than ninety-five percent (95%) of its deliveries directly to end-users, if these non-interstate pipelines were excluded from the pipeline posting requirement, would significant information useful for determining price and availability of natural gas likely be lost? Overall, are there any other categories of major non-interstate pipelines that should be exempt from the daily posting requirements?²⁰

The Commission should modify the exemption so that major non-intrastate pipelines that make greater than 80% of their deliveries directly to end-users are exempt from the posting requirements. Only the remaining 20% of the volumes these pipelines flow would thus be available to the non-end user market; it is therefore doubtful that these volumes would have any meaningful effect on interstate prices. This would further reduce the costs and burdens associated with the proposed rule by eliminating posting by parties that are unlikely to affect market prices in any meaningful way.

The Commission should exempt the reporting of information regarding deliveries made to power generators and local distribution companies (“LDCs”), and industrial customers. This would eliminate the confidentiality concerns, discussed above, regarding transactions with end use customers. This exemption would further eliminate the reporting of information regarding deliveries by intrastate pipelines directly to LDCs within the same state. Such transactions are in no way part of interstate commerce and are far outside the Commission’s jurisdiction. In the alternative, the Commission should require the posting of only aggregate deliveries to certain classes of customers. Thus, non-interstate pipelines would post a single number for their deliveries to all industrial customers, a single number for all deliveries to all generation customers, and a single number for deliveries to all LDC customers.

²⁰ *Id.* at P 69.

The Commission should further create an exemption for major non-intrastate pipelines that deliver more than 80% of their volumes directly to points that serve only 1 or 2 customers. For example, if a pipeline delivers 80% of its volumes at a particular point to an LDC, that pipeline should be exempt from the reporting requirements -- the volumes delivered to the LDC do not have an effect on interstate pricing because those volumes are not sold at a hub where prices are determined, and the remaining 20% of volumes are unlikely to have a significant effect on intrastate commerce.

- 4. Would the proposal rule: (1) provide a more complete picture of supply and demand fundamentals and improve market participants' ability to assess supply and demand and to price physical natural gas transactions; (2) provide, during periods when the U.S. natural gas delivery system is disturbed, for instance due to hurricane damage to facilities in the Gulf of Mexico, a clearer view of the effects on infrastructure, the industry, and the economy as a whole; and (3) allow the Commission and other market observers to identify and remedy potentially manipulative activity? Alternatively, would these three purposes be met if the Commission limited the pipeline posting proposal to those non-interstate pipelines with receipt or delivery points connected to the 13 major market hubs served by both interstate and intrastate pipelines?²¹**

See the KM Intrastate Pipelines' discussion above in support of the TPA's proposed alternative to the posting requirement.

CONCLUSION

For the reasons discussed herein and in the comments of the TPA, the Commission should not attempt to regulate intrastate pipelines in the far-reaching manner proposed by the Posting NOPR. The Commission lacks the necessary jurisdiction over such entities and the significant costs and burdens outweigh the value of such regulation. Further, as demonstrated herein, such regulation will not improve price transparency due to the operational nature of intrastate pipelines. If the Commission acts at all, it should adopt the

²¹ *Id.* at P 71.

alternative proposed by the TPA, and require only the reporting of scheduled volumes at the hubs identified in the Posting NOPR.

Respectfully submitted,

/s/ Paul Korman

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Group

March 13, 2008

EXHIBIT A

500
Mar 19

KINDER MORGAN

COST ESTIMATE REQUEST

Instruction: The form is required to be complete prior to beginning an estimate. Please make a best effort to complete all available information. The minimum required information shown in red. See Instructions Tab for additional details.

REQUESTER:	Norman Watson	DATE:	April 30, 2007	Form	PM20
TO:	Steve Bevers	<i>For Project Management Usage Only</i>			
CC LIST:	Ken Grubb	CE NUMBER	PS070411		
	SHECKEITA EAGLIN	DATE RECEIVED			
	Debbie Cone	DATE EXPECTED			
PROJECT NAME/DESCRIPTION *	Texas Gas Fayetteville Shale				
TYPE OF PROJECT	INTERCONNECT - GREATER THAN 25 MMCFD				
WHAT KINDER MORGAN SYSTEM DOES THE PROJECT TIE TO?*	NGPL Receipt - Gulf Coast Sys. Mile Post 714				
ESTIMATED DATE REQUIRED FOR START UP*	08/01/08				
ARE MAPS/DRAWING AVAILABLE*	Map of the proposed location				
CUSTOMER INFORMATION			GAS VOLUMES		
CUSTOMER NAME *	Texas Gas	AVERAGE DAILY*	500,000	MMBTU per Day	
CONTACT NAME *	Derrick Thompson	MINIMUM	tbd	MMBTU per Hour	
PHONE *	270-688-6875	MAXIMUM*	500,000	MMBTU per Hour	
FAX	270-688-6816	SWING		MMBTU per Hour	
EMAIL ADDRESS	Derrick.Thompson@Boardwalkpipelines.com	ESTIMATE			
STATE	Arkansas	LEVEL*		AFE (+/- 10%)	
COUNTY/PARISH	White	REGULATORY REQUIREMENTS *			
DELIVERY/SUPPLY PRESSURE(psig)		FERC - 7(C) SUBPART F (BLANKET)			
NORMAL*	1100	GAS QUALITY			
MINIMUM	tbd	ACCEPTABLE	YES		
MAXIMUM	1167	DEHY REQ'D	NO		
OVER PRESSURE REQ'D	YES	FILTER/SEP REQ'D	YES		
CONTROL/REGULATION		TREATING REQ'D	NO		
FLOW	YES	H2S PPM	Gas Quality attached		
PRESSURE	YES	CO2 %	Gas Quality attached		
100% BACKUP*	TO BE DETERMINED	ODORIZATION REQ'D	NO		
TELEMETRY	YES	ANY DEVIATION FROM COMPANY QUALITY REQUIREMENTS WILL NEED TO BE APPROVED BY OPERATIONS REGIONAL DIRECTOR			
KINDER MORGAN WILL		KINDER MORGAN WILL PROVIDE			
FUND	NO	SITE*	YES		
OWN	YES	ROW*	YES		
OPERATE	TO BE DETERMINED	POWER	YES		
MAINTAIN	TO BE DETERMINED	COMMUNICATIONS	YES		
BE REIMBURSED	YES	SCADA INFO	YES		
INCLUDED OVERHEAD	YES				
INCLUDED TAX GROSS-UP	YES				
SYSTEM DESIGN INFORMATION (IF AVAILABLE)					
SYSTEM DESIGN ENGINEER		COMPRESSOR TYPE			
COMPRESSOR SIZING (HP REQ'D)		LATERAL SIZE			
DRIVER TYPE		ANY ADDITIONAL INFORMATION INCLUDE IN REMARKS			
REMARKS: (include any additional information regarding the project)					
Proposed Lat/Long: Lat: 35 20' 40.20"N Long: 91 31' 54.28"W Section 3, T8N, R5W Delivery Capacity Requested:500 MMcf/d Operating Pressure:1100 psig MAOP: 1167 psig I need the Cost Estimate to be brock down into 1) the EFM and Side Tap(s) and 2) the meter facility					

* ANY FIELDS FOLLOWED BY AN ASTERISK MUST BE COMPLETED.

Kinder Morgan, Inc.

TITLE:	Texas Gas Fayetteville Sh		
Company Name:	NGPL	Company Number:	501
Requested by:	Norman Watson	Prepared by:	Rudy Carreon
Estimate Number:	PS070411	Orig. Estimate Date:	6-14-07
Revision Number:	002	Revision Date:	
Project Manager:			

Scope: Kinder Morgan will install: Two (2) 12" hot taps (one each on GC # 2 and GC # 3), approximately 600' of 16" pipe, dual runs of 12" control valves and monitor valves, two (2) 12" ultrasonic meters, a horizontal filter separator with by-pass and 210 bbl condensate tank, gas chromatograph with building, flow computer, and telemetry devices. A 150' x 150' site will be acquired, rock base installed and fenced. The design flow rate = 500 MMCFD and customer MAOP = 1,167 psig. The estimate does not include installation of line heater, H2S or water analyzers. The estimate excludes AFUDC (reimbursable project) and tax gross up.
 Minimum flow rate using one 12" meter at 1100 psig = 40 MMCFD; Maximum flow rate using both 12" meters at 1100 psig = 800 MMCFD.

Asset Capabilities:	Volumes		Pressure	
	Minimum	TBD MMSCFD	Design	1,167 psig
	Maximum	500 MMSCFD	MAOP	1,167 psig
			Normal Operating	1,100 psig
			Delivery Pressure	850 psig

ESTIMATE SUMMARY

Description	TOTAL	16" Hot Taps	EFM, Chromatograph & Bldg	Control Valves & OPP and Piping	12" Ultrasonic
					Meters and Filter Separator
Material	\$ 1,377,705	\$ 52,740	\$ 134,503	\$ 366,402	\$ 824,061
Installation	\$ 1,017,360	\$ 83,307	\$ 57,640	\$ 334,502	\$ 541,911
		\$ -	\$ -	\$ -	\$ -
Taxes - Materials	\$ 113,661	\$ 4,351	\$ 11,097	\$ 30,228	\$ 67,985
Taxes - Labor	\$ 60,243	\$ 4,998	\$ 3,458	\$ 20,070	\$ 31,716
Freight	\$ 55,108	\$ 2,110	\$ 5,380	\$ 14,656	\$ 32,962
Company Labor	\$ 12,000	\$ 685	\$ 968	\$ 3,531	\$ 6,815
Company Payroll Burden	\$ 5,520	\$ 315	\$ 445	\$ 1,624	\$ 3,135
3rd Party Detailed Eng. - %	\$ 119,088	\$ 6,802	\$ 9,607	\$ 35,045	\$ 67,633
Inspection	\$ 90,000	\$ 5,141	\$ 7,261	\$ 26,485	\$ 51,113
Gas Purge and Pack	\$ 2,500	\$ 143	\$ 202	\$ 736	\$ 1,420
Survey	\$ 15,000	\$ 857	\$ 1,210	\$ 4,414	\$ 8,519
Xray	\$ 25,000	\$ 1,428	\$ 2,017	\$ 7,357	\$ 14,198
ROW - Easements & Access	\$ 20,000	\$ 1,142	\$ 1,613	\$ 5,886	\$ 11,359
ROW Agents & Expenses	\$ 5,000	\$ 286	\$ 403	\$ 1,471	\$ 2,840
Contingency	\$ 291,818	\$ 16,576	\$ 23,411	\$ 85,399	\$ 166,432
Overhead - Reimbursable	\$ 513,601	\$ 29,174	\$ 41,203	\$ 150,302	\$ 292,921
ELEMENTAL TOTALS	\$ 3,723,604	\$ 210,056	\$ 300,419	\$ 1,088,109	\$ 2,125,020

ASSUMPTIONS

- 1) 16% overheads included in estimate.
- 2) Business Development is required to contact PM and provide project details prior to executing an agreement using these Facility Costs.
- 3) Project Management will provide any revisions to the above (based on actual conditions) in an expeditious manner.
- 4) This estimate assumes all work to be performed by Company & Contract personnel.
- 5) ROW is assumed easily accessible, flat, and easily acquired at a reasonable cost and in a timely manner.
- 6) Assume taps will be typical, standard soil conditions, side taps with no encroachments, 3' to 4' in depth.
- 7) Assume producer will install all facilities upstream of meter.
- 8) Assume no more than a 100' road is needed
- 9) Use pricing for pipe, valves and fittings from Wilson online w/discounts (6-14-07) with about 10% increase
- 10) Use PECO quote #QF079853 & QF079854 for filter separator w/ 10% escalation
- 11) Use Instromet, Inc. quote #0022333 for ultrasonic meters w/10% escalation
- 12) I&E Contractor costs based on recent experience on similar job w/10% escalation
- 13) Cost estimate is considered preliminary until Rev 1 design and at least one contractor has provided pricing
- 14) Use TDW quote # 651-0701-032 for Hot Tap services w/25% escalation
- 15) Assume that pressure in GC # 2 and GC # 3 can be reduced to perform hot tap

400 meter / day

EXHIBIT B

KINDER MORGAN

COST ESTIMATE REQUEST

Instruction: The form is required to be complete prior to beginning an estimate. Please make a best effort to complete all available information. The minimum required information shown in red. See Instructions Tab for additional details.

REQUESTER:	Norman Watson	DATE:	April 3, 2007	Form PM20
TO:	Debbie Cone	For Project Management Usage Only		
CC LIST:	Steve Beavers	CE NUMBER	PS070410	
	Sheckeita Eaglin	DATE RECEIVED		
	Johnny Kunkel	DATE EXPECTED		
PROJECT NAME/DESCRIPTION *	Tres Palacios Gas Storage			
TYPE OF PROJECT	INTERCONNECT - GREATER THAN 25 MMCFD			
WHAT KINDER MORGAN SYSTEM DOES THE PROJECT TIE TO?*	NGPL - Gulf Coast M/L - P/L mile 183-183 Wharton, Co., TX			
ESTIMATED DATE REQUIRED FOR START UP*	04/01/08			
ARE MAPS/DRAWING AVAILABLE*	Maps			
CUSTOMER INFORMATION		GAS VOLUMES		
CUSTOMER NAME *	Tres Palacios Gas Storage	AVERAGE DAILY*	tbd	MMBTU per Day
CONTACT NAME *	Goef Storey	MINIMUM	tbd	MMBTU per Hour
PHONE *	203-557-4264	MAXIMUM*	400,000	MMBTU per Hour / Day
FAX		SWING	tbd	MMBTU per Hour
EMAIL ADDRESS	gstorey@ngsenergy.com	ESTIMATE		
STATE	Texas	LEVEL*	AFE (+/- 10%)	
COUNTY/PARISH	Wharton	REGULATORY REQUIREMENTS *		
DELIVERY/SUPPLY PRESSURE(psig)		FERC - 7(C) SUBPART F (BLANKET)		
NORMAL*	tbd	GAS QUALITY		
MINIMUM	tbd	ACCEPTABLE	YES	
MAXIMUM	1450	DEHY REQ'D	NO	
OVER PRESSURE REQ'D	YES	FILTER/SEP REQ'D	YES	
CONTROL/REGULATION		TREATING REQ'D	NO	
FLOW	YES	H2S PPM		
PRESSURE	YES	CO2 %		
100% BACKUP*	TO BE DETERMINED	ODORIZATION REQ'D	NO	
TELEMETRY	YES	ANY DEVIATION FROM COMPANY QUALITY REQUIREMENTS WILL NEED TO BE APPROVED BY OPERATIONS REGIONAL DIRECTOR		
KINDER MORGAN WILL		KINDER MORGAN WILL PROVIDE		
FUND	NO	SITE*		
OWN	YES	ROW*		
OPERATE	YES	POWER		
MAINTAIN	YES	COMMUNICATIONS		
BE REIMBURSED	YES	SCADA INFO		
INCLUDED OVERHEAD	YES	16%		
INCLUDED TAX GROSS-UP	NO	n/a		
SYSTEM DESIGN INFORMATION (IF AVAILABLE)				
SYSTEM DESIGN ENGINEER		COMPRESSOR TYPE		
COMPRESSOR SIZING (HP REQ'D)	n/a	LATERAL SIZE		
DRIVER TYPE		ANY ADDITIONAL INFORMATION INCLUDE IN REMARKS		
REMARKS: (include any additional information regarding the project)				
This will be a bi-directional 400,000 Mcf/d meter to be located adjacent to the Transco meter in Wharton, Co., TX. In addition we need to include 2 side taps into each of the mainlines. See Attached PDF Maps. Tres Palacios Storage would like this interconnect available for service the 1st of April 2008. this project is 100% reimbursable.				

* ANY FIELDS FOLLOWED BY AN ASTERISK MUST BE COMPLETED.

Revision 2.1 - Date 03/30/05

Kinder Morgan, Inc.

TITLE:	Tres Palacios Gas Storage		
Company Name:	NGPL	Company Number:	501
Requested by:	Norman Watson	Prepared by:	Rudy Carreon
Estimate Number:	PS070410	Orig. Estimate Date:	6-15-07
Revision Number:	001	Revision Date:	
Project Manager:			

Scope: Kinder Morgan will install: Two (2) 12" hot taps (one each on GC # 1 and GC # 2), dual runs of 10" control valves and monitor valves, two (2) 10" ultrasonic meters, a horizontal filter separator with by-pass and 210 bbl condensate tank, gas chromatograph with building, flow computer, and telemetry devices. Pipe and valves will be installed to run the meter station bi-directional. A 150' x 150' site will be acquired, rock base installed and fenced. The design flow rate = 400 MMCFD and customer MAOP = 1,450 psig. The estimate does not include installation of line heater, H2S or water analyzers. The estimate excludes AFUDC and tax gross up.
Minimum Flow Rate at 1450 psig using only one 10" ultrasonic meter = 30 MMCFD; Maximum Flow Rate at 1450 psig with both 10" meters = 600 MMCFD.

Asset Capabilities:	Volumes		Pressure	
	Minimum	TBD MMSCFD	Design	1450 psig
	Maximum	400 MMSCFD	MAOP	xxxx psig
			Normal Operating	xxxx psig
			Delivery Pressure	xxxx psig

ESTIMATE SUMMARY

Description	TOTAL	12" Hot Taps	EFM, Chromatograph & Bldg	Control Valves and I&E	10" Ultrasonic Meters and Filter Separator
Material	\$ 1,320,096	\$ 44,480	\$ 138,203	\$ 293,542	\$ 843,871
Installation	\$ 1,058,315	\$ 83,688	\$ 74,640	\$ 311,002	\$ 588,986
		\$ -	\$ -	\$ -	\$ -
Taxes - Materials	\$ 108,908	\$ 3,670	\$ 11,402	\$ 24,217	\$ 69,619
Taxes - Labor	\$ 62,720	\$ 5,021	\$ 4,478	\$ 18,660	\$ 34,560
Freight	\$ 52,804	\$ 1,779	\$ 5,528	\$ 11,742	\$ 33,755
Company Labor	\$ 12,000	\$ 650	\$ 1,080	\$ 3,067	\$ 7,203
Company Payroll Burden	\$ 5,520	\$ 299	\$ 497	\$ 1,411	\$ 3,313
3rd Party Detailed Eng. - %	\$ 130,098	\$ 7,049	\$ 11,706	\$ 33,250	\$ 78,093
Inspection	\$ 95,000	\$ 5,147	\$ 8,548	\$ 24,280	\$ 57,025
Survey	\$ 20,000	\$ 1,084	\$ 1,800	\$ 5,112	\$ 12,005
Xray	\$ 27,000	\$ 1,463	\$ 2,429	\$ 6,901	\$ 16,207
ROW Agents & Expenses	\$ 5,000	\$ 271	\$ 450	\$ 1,278	\$ 3,001
ROW - Easements & Access	\$ 20,000	\$ 1,084	\$ 1,800	\$ 5,112	\$ 12,005
Contingency	\$ 291,746	\$ 15,722	\$ 26,108	\$ 74,156	\$ 175,760
Overhead - Reimbursable	\$ 513,473	\$ 27,670	\$ 45,950	\$ 130,514	\$ 309,338
ELEMENTAL TOTALS	\$ 3,722,680	\$ 199,077	\$ 334,620	\$ 944,241	\$ 2,244,743

ASSUMPTIONS

- 1) 16% overheads included in estimate.
- 2) Business Development is required to contact PM and provide project details prior to executing an agreement using these Facility Costs.
- 3) Project Management will provide any revisions to the above (based on actual conditions) in an expeditious manner.
- 4) This estimate assumes all work to be performed by Company & Contract personnel.
- 5) ROW is assumed easily accessible, flat, and easily acquired at a reasonable cost and in a timely manner.
- 6) Land is assumed rural non-cultivated, non-laser leveled, reasonable landowner (without an attorney) and outside Harris County.
- 7) This estimate does not include ROW at Sites situated on King Ranch (Dist 341), Welder Ranch (Dist 300), Pierce Ranch (Dist 301), or the Harris County area.
- 8) Assume tap will be typical, standard soil conditions, side tap with no encroachments, 3' to 4' in depth.
- 9) Assume producer will install all facilities upstream of meter.
- 10) Assume that no roads are necessary since meter site will be adjacent to existing Transco meter
- 11) Use pricing for pipe, valves and fittings from Wilson Online w/KM discounts (6/14/07) with ~10% escalation
- 12) Use PECO quote # QF079853 & QF079854 for the filter separator w/ 10% escalation
- 13) Use Instromet Inc. quote # 0022333 for ultrasonic meters w/10% escalation
- 14) I&E contractor costs are based on recent experience with similar job
- 15) Cost estimate is considered preliminary until Rev 1 design and at least one contractor has provided pricing
- 16) Use TDW quote #651-0701-032 for Hot Tap services w/25% escalation
- 17) Assume the pressure in GC # 1 and GC # 2 can be reduced sufficiently to install the hot taps

Document Content(s)

KM Intrastate Pipelines Comments to Posting NOPR.PDF.....1-24

Exhibit A.PDF.....25-26

Exhibit B.PDF.....27-29