

KERN RIVER GAS TRANSMISSION COMPANY
Description of Company Operations

Kern River Gas Transmission Company (“Kern River”) is a Texas general partnership organized in 1985 to develop, construct, own and operate a U. S. interstate pipeline system to transport natural gas from supply areas in the Rocky Mountains near Opal, Wyoming, to major gas consuming markets in Utah, Nevada and California. The original Kern River system was constructed pursuant to an optional certificate of public convenience and necessity issued January 24, 1990 in Docket No. CP89-2048 (50 FERC ¶ 61,019), which authorized Kern River to provide up to 700,000 Mcf per day of year-round firm transportation service from southwestern Wyoming receipt points to California markets. Construction commenced in early 1991 and service commenced in early 1992.

On March 27, 2002, MidAmerican Energy Holdings Company, a privately-owned global energy provider headquartered in Des Moines, Iowa, acquired Kern River from The Williams Companies, Inc.

The Kern River system originates at a receipt point interconnect with Williams Gas Processing Company’s Opal Plant, about six miles north of Kern River’s Muddy Creek Compressor Station in Lincoln County, Wyoming. In the general vicinity of Muddy Creek, Kern River has interconnects with other processing plants in the Rocky Mountain supply basin and with other interstate pipelines, including Northwest Pipeline Corporation, Colorado Interstate Pipeline Company and Questar Pipeline Company.

The Kern River system extends nearly 900 miles from receipt points in southwestern Wyoming, through Utah and Nevada, to the San Joaquin Valley near Bakersfield, Kern County, California. In the Kern County area, Kern River has a number of delivery points serving enhanced oil recovery and associated cogeneration markets. At its Daggett, Freemont Peak, Wheeler Ridge and Kramer Junction delivery points, Kern River interconnects with the two major California gas distributors, Pacific Gas & Electric Company and Southern California Gas Company. In addition to its primary delivery point markets in California, Kern River has delivery points accessing various markets in Utah and southern Nevada.

Kern River's transmission system consists of approximately 680 miles of 36-inch pipeline and 634 miles of 36-inch loop pipeline extending from Kern River's Muddy Creek Compressor Station in Lincoln County, Wyoming, to a point of convergence near Daggett, San Bernardino County, California ("Daggett Interconnect") with a pipeline system owned by Mojave Pipeline Company ("Mojave"). From the Daggett Interconnect, Kern River and Mojave jointly own a 42-inch mainline, two laterals (Eastside and Westside), and common delivery meters thereon, extending into the Bakersfield area. The jointly-owned facilities are referred to as the "Common Facilities." The Common Facilities are comprised of 219 miles of 42-, 30-, 16-, and 12-inch diameter pipe and 82.4 miles of 42-inch loop line. The maximum allowable operating pressure ("MAOP") of both the Kern River mainline and the Common Facilities mainline is 1,200 psig.

A Construction, Operation and Maintenance Agreement between Kern River, Mojave and Mojave Pipeline Operating Company (“MPOC”), dated August 29, 1989, as amended (“COM Agreement”), established the initial ownership interests in the Common Facilities as 63.636% for Kern River and 36.364% for Mojave. The ownership interests, based on investments made through December 31, 2003, are 76.8% for Kern River and 23.2% for Mojave. Under the COM Agreement, MPOC is responsible for constructing and operating the Common Facilities, and for any expansions/additions thereto, on the owners’ behalf.

Docket No. RP04-
Statement O(1)

KERN RIVER GAS TRANSMISSION COMPANY
System Map

KERN RIVER GAS TRANSMISSION COMPANY
Major Expansions and Abandonments

On November 15, 2000, in Docket No. CP01-31-000, Kern River submitted an application for a certificate of public convenience and necessity to construct, own and operate a compression-only expansion ("2002 Expansion Project"). However, due to an urgent need for natural gas supplies in California in 2000-2001, on March 15, 2001, in Docket No. CP01-106-000, Kern River submitted another application that proposed an expedited construction schedule for most of the facilities proposed in the 2002 Expansion Project. Kern River designated the new project as the "California Action Project." On May 11, 2002, Kern River filed an amendment to the 2002 Expansion Project to reduce the size of that expansion because of the California Action Project.

The California Action Project facilities, which increased the capacity of the Kern River system to 859,500 Dth per day of limited-term, incremental transportation capacity, were placed into service on July 1, 2001. The California Action Project consisted of both temporary and expedited facilities to render temporary services and the pre-construction of portions of the permanent facilities originally requested to be built in the 2002 Expansion Project certificate application. The California Action Project was supported by contracts for 135,000 Dth/d, 114,000 Dth/d of which expired on May 1, 2002 when certain of the facilities were rolled into the 2002 Expansion Project; and 21,000 Dth/d of which expired on May 1, 2003 when the remaining facilities were rolled into the 2003 Expansion Project. The California Action Project facilities consisted of upgrades to three

existing compressor stations and installation of three new compressor stations. The cost of the California Action Project was \$77,914,000.

The remaining 2002 Expansion Project facilities, which increased Kern River's capacity by an additional 10,500 Dth per day were placed into service on May 1, 2002, pursuant to certificate authority granted in Docket Nos. CP01-31-001 and CP01-31-001. The cost of the 2002 Expansion Project was \$33,846,000. The Commission approved incremental rates for the temporary California Action Project and granted rolled-in rate treatment for the 2002 Expansion Project, which included most of the permanent facilities constructed for the California Action Project.

On July 18, 2001, Kern River filed a certificate application requesting authority to construct, own and operate its High Desert Lateral Project (Docket No. CP01-405-000). The project facilities were completed on August 31, 2002 and consist of a 32-mile, 24-inch diameter lateral and three associated meter stations in San Bernardino County, California, designed to deliver up to 282,000 Dth per day. The cost of the High Desert Lateral was \$29,130,734, and the Commission approved incremental rates for service on the lateral.

On December 19, 2002, Kern River placed its Big Horn Lateral and Meter Station into service under automatic authority pursuant to its blanket certificate (Docket No. CP89-2048-000), as reported in Kern River's 2002 Annual Blanket Report. The Big Horn facilities consist of 3.3 miles of 12-inch diameter pipeline and an associated meter

station, at a total cost of \$3,564,222. Kern River was directly reimbursed for the cost of the Big Horn lateral under a facilities reimbursement agreement.

On August 1, 2001, Kern River filed a certificate application requesting authority to construct, own and operate its 2003 Expansion Project (Docket No. CP01-422-000). The 2003 Expansion facilities include approximately 634.3 miles of 36-inch pipeline to loop Kern River's existing Opal Lateral in Wyoming and approximately 92% of Kern River's existing mainline from Wyoming, through Utah and Nevada, to California; approximately 82.4 miles of 42-inch pipeline to loop part of the existing mainline that Kern River jointly owns with Mojave Pipeline Company ("Mojave") in California; three new mainline compressor stations; compressor unit additions, upgrades and/or modifications at four existing compressor stations; and other lesser modifications and appurtenances. The new facilities and modifications added a net total of 163,700 (ISO rated) horsepower to the Kern River system and more than doubled Kern River's existing summer day design capacity, increasing it from 870,000 Dth per day (upon completion of the 2002 Kern River Expansion Project approved in Docket No. CP01-31-001) to approximately 1,755,626 Dth per day. The 2003 Expansion facilities were placed into service on May 1, 2003. The final estimated cost of the 2003 Expansion Project is \$1.193 billion. Service is provided at incremental rates.

Kern River provides no gathering or storage services. All costs included in rates are transmission costs.