

NEBRASKA
ORDINANCE NO. 418

AN ORDINANCE ESTABLISHING STANDARDS APPLICABLE TO THE UNBUNDLING OF NATURAL GAS SERVICE; SUPPLY COST ADJUSTMENT PROVISIONS WITH A BALANCING ACCOUNT TO PROVIDE FOR THE COLLECTION OF VARIOUS UNBUNDLED GAS SUPPLY COSTS OF K N ENERGY, INC., FROM RESIDENTIAL, COMMERCIAL AND NONCONTRACT CUSTOMERS AND REPEALING ORDINANCE NO. 382, AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CHAIRMAN AND BOARD OF TRUSTEES
OF THE VILLAGE OF ANSLEY, NEBRASKA

The rates associated with providing natural gas service to residential, commercial and noncontract customers located in the Village of Ansley, Nebraska, (Village), may be adjusted upward and shall be adjusted downward to reflect changes in K N Energy, Inc.'s (KNE) unbundled gas supply costs in accordance with the following provisions effective on and after the date KNE implements the unbundling of residential sales service under its Nebraska Choice Gas Transportation Terms and Conditions.

SECTION 1. Unrecovered Account 191 Charge (191 Charge)

A. The charges made by KNE for gas delivered to its customers shall be subject to adjustment to recover or refund the over- or under-collected deferred gas costs in FERC Account 191. Upon the effective date of this Ordinance and each year thereafter, KNE will establish an Account 191 Charge to be effective the following year. The applicable Account 191 Charge shall be computed using the following formula:

$$JA191 \div (PJAD \times TY) = \text{Account 191 Charge}$$

Where:

JA191 = Projected Nebraska total system FERC Account 191 Balance

PJAD = Projected Nebraska total system Annual Deliveries Stated in Therms

TY = Term of Account 191 Charge in Years which shall be two years for the first effective year under this Ordinance, and one year thereafter.

The Projected Nebraska total system FERC Account 191 Balance shall include such deferred costs that are incurred prior or subsequent to the effective date of this Ordinance, which resulted from the following:

- i. under - or over-collections of the cost of gas purchases made by KNE for the purpose of providing gas supply to customers prior to the implementation of the unbundling of residential sales service.
- ii. incurrence of gas supply costs after the implementation of the unbundling of residential sales service due to: (a) participating suppliers not performing per the Nebraska Choice Gas Transportation Terms and Conditions, (b) participating suppliers terminating their participation during the Nebraska Choice Gas Transportation program year, or (c) lack of full assignment of interstate pipeline transportation and storage capacity by KNE to suppliers. Such capacity shall have been acquired and retained in a prudent manner for the purposes of reliably serving customer's daily and annual load requirements and new capacity acquired or capacity retained shall be solely for the purpose of serving those customers for which firm upstream capacity is required under the residential and commercial unbundling program.

Such costs under (a) and (b) shall only be collected through this mechanism after recovery directly from the associated supplier has been reasonably pursued

The Projected Nebraska total system FERC Account 191 Balance shall also include interest, computed in accordance with paragraph 2 below.

The terms "gas purchases" and "gas supply costs" as used in this Ordinance include the total dollar demand and commodity cost of gas purchases made by KNE and all associated gathering, transporting, storing, treating, processing or any other services, fees and taxes related to such gas purchases. Such costs are typically recorded in FERC Accounts 800, 801, 802, 803, 804, 806, and 808 or other similar accounts.

B. Interest will be calculated on any over- or under-recovered amounts at a rate equal to the then current rate of interest on pipeline refunds, as published by the Federal Energy Regulatory Commission. Interest will be calculated monthly by applying the interest rate to the beginning of the month balance of over- or under-recovered gas costs as recorded in FERC Account 191 less Accumulated Deferred Income Taxes. Any accumulated interest amounts will be added to or subtracted from the Jurisdictional FERC Account 191 Balance and become a part of that balance to be collected through the Account 191 Charge.

C. The Account 191 Charge shall be reflected in rates only when it represents a dollar amount equal to at least \$.001 per delivered therm. Between annual filing periods, if KNE experiences a change or changes in projected delivered therms or Nebraska total system FERC Account 191 Balance, and the cumulative effect of those changes is to produce a projected increase or decrease in the effective Account 191 Charge of at least \$.001 per delivered therm for the remaining portion of the rate effective period, then an adjusted Account 191 Charge may be determined and charged.

D. The annual Account 191 charge shall become effective thirty days subsequent to the mailing of written notice. Such written notice shall include supporting work-papers which state the Nebraska total system FERC Account 191 balance and which support the calculation of the applicable Account 191 charge.

SECTION 2. Other Gas Supply Charges

A. The charges which KNE makes for gas delivered to its customers shall be subject to adjustment to recover certain costs associated with KNE's gas supply contract P-0802 (P-0802 Charge) and its Gas Supply Transition Agreement (GSTA Charge). The P-0802 Charge and the GSTA Charge shall be calculated in total for Nebraska and applied uniformly to all of KNE's Nebraska rate areas. Nothing herein precludes the municipality from exercising its statutory authority to approve an ordinance adopting revisions to KNE's unbundling program or this ordinance and the charges provided for herein.

B. Upon the first effective day of this Ordinance and each year thereafter, the P-0802 Charge shall be computed on a unit-of-delivery methodology, based on the Nebraska portion of the projected difference between the purchase costs associated with contract P-0802 purchase obligations and the revenues recovered by KNE, or a subsidiary of KNE, through resale of such volumes at market prices, divided by projected Nebraska customer delivered volumes for the upcoming twelve month period. P-0802 purchase costs shall include costs associated with contract P-0802 which are transferred out of Account 165 due to physical deliveries associated with such costs. In the alternative, the P-0802 Charge shall be computed on a unit-of-delivery methodology based on the Nebraska portion of a negotiated P-0802 contract buyout amount divided by projected total Nebraska customer delivered volumes for a period to be determined by KNE.

In addition, an amount shall be added to or subtracted from the P-0802 Charge to represent a reconciliation from the prior twelve-month period between revenues KNE collected under the P-0802 Charge and actual net costs incurred by KNE for Contract P-0802.

C. Upon the first effective date of this Ordinance continuing for a three year period, the GSTA Charge shall be computed on a unit-of-delivery methodology, based on the Nebraska portion of the projected difference between the purchase costs associated with the GSTA contract and the revenues recovered by KNE, or a subsidiary of KNE, through resale of such volumes at market prices, and projected total Nebraska customer delivered volumes for the upcoming twelve month period. In the alternative, the GSTA Charge shall be computed on a unit-of-delivery methodology based on the Nebraska portion of a negotiated GSTA contract buyout divided by projected total Nebraska customer delivered volumes for a period to be determined by KNE.

In addition, an amount shall be added to or subtracted from the GSTA Charge to represent a reconciliation from the prior twelve month period between revenues KNE collected under the GSTA Charge and actual net costs incurred by KNE for the GSTA contract. This adjustment for reconciliation shall also apply one year following the completion of the GSTA Charge application.

D. The portion of Contract P-0802 and the GSTA Contract which is applicable to Nebraska will be calculated as an allocated share of such contracts based upon annual projected volumes delivered to Nebraska divided by projected applicable systemwide delivered volumes.

E. The P-0802 and GSTA Charges shall be reflected in rates only when they represent a dollar amount equal to at least \$.001 per delivered therm. Between annual filing periods, if KNE experiences a change or changes in the projected costs or revenues, and the cumulative effect of these changes is to produce a projected increase or decrease in the effective rate of at least \$.001 per Therm for the remaining portion of the projected period, then an adjusted P-0802 or GSTA Charge may be determined and charged.

F. The annual P-0802 and GSTA Charges shall become effective thirty days subsequent to the mailing of written notice. Such written notice shall include supporting work-papers which state the projected P-0802 and GSTA purchase costs and sale revenues or buyout costs, and which support the calculation of the applicable P-0802 and GSTA Charges.

SECTION 3. Discounting

If and when KNE discounts its service in order to maintain or increase system load, the components of the currently applicable Rates shall be discounted in the following order: first, Account 191 Charge, P-0802 Charge and GSTA Charge; and second, Base Rates. In providing discounts, KNE shall not grant any undue preference or unjustly discounts.

SECTION 4.

Ordinance No. 382 and all other ordinances and parts of ordinances in conflict with this ordinance are hereby repealed as of the date KNE implements unbundling of residential sales customers

SECTION 5

KNE's unbundling program will provide all customers with gas supply choice at the customer level. All residential customers shall be served with upstream firm transport and storage. Suppliers who wish to participate in the unbundling program must qualify under and sign the Supplier Participation Agreement. KNE will give no undue preference as to rates or services, make or grant any unreasonable preference or advantage to any person or subject any person to any unreasonable prejudice or disadvantage. A Municipal Oversight Committee shall be created to assist in an advisory capacity. Such committee may make recommendations regarding changes and the administration of KNE's unbundling program and shall have the capacity to audit KNE's compliance with its unbundling program. Nothing herein precludes the municipality from exercising its statutory authority to approve an ordinance adopting revisions to KNE's unbundling program.

SECTION 6

This section is adopted pursuant to Neb. Rev. Stat. 84-712.05 and declares that all records received by any representative from the municipality serving on the Municipal Oversight Committee which are proprietary in nature and which would give advantage to business competitors, or personally identified citizen account payment information, credit information, or

customer lists or any other nonpublic information received shall be information withheld from the public.

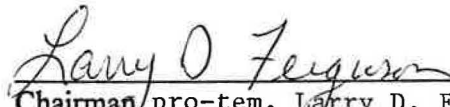
SECTION 7

This section is adopted pursuant to Neb. Rev. Stat. 84-712.05 and declares that all records received by any representative from the municipality for purpose of exercising its regulatory responsibilities pursuant to its statutory authority, which are reasonably determined by the municipality to be proprietary in nature and which would give advantage to business competitors, or personally identified citizen account payment information, credit information, or customer lists or any other nonpublic information received, shall be information withheld from the public.

SECTION 8

This ordinance shall be in full force and effect and after its final passage and publication as required by law.

PASSED AND APPROVED this 16th day of February, 1998.


Chairman pro-tem, Larry D. Ferguson


ATTEST:

Clerk - Lanette C. Doane

(SEAL)

CERTIFICATION

I, Lanette C. Doane, Clerk of the Village of Ansley, Nebraska hereby certify that the foregoing is a true and complete copy of Ordinance No. 418 of said Village passed by the Chairman and Board of Trustees of the Village of Ansley, Nebraska, this 16th day of February, 1998.


Clerk - Lanette C. Doane

(SEAL)