

KANSAS GAS SERVICE

A DIVISION OF ONEOK

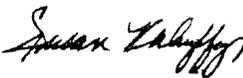
LARRY G. WILLER
Director, Rates and Regulations

March 24, 2005

Ms. Susan K. Duffy
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604-4027

STATE CORPORATION COMMISSION

MAR 25 2005

 Docket
Room

Re: KCC Docket No. 05-KGSG-580-HED

Dear Ms. Duffy:

The Commission's order in the referenced docket approved Kansas Gas Service's Gas Hedge Program. That approval necessitated certain changes to the Company's Cost of Gas Rider. The enclosed tariff pages are in compliance with the Commission's Order. While we have coordinated with Commission Staff as to the appropriate language, we are also providing a document showing the changes in redline format to assist their review.

I have enclosed one original and seven copies of the revised tariff sheets. Upon approval, please return a stamped copy of the original sheets to me for our records.

Sincerely,



Enclosure

cc: Dr. John Cita
Mr. Phil Sanchez

- c. Gas Hedge Program: Company shall operate its Gas Hedge Program pursuant to the Commission's orders in Docket No. ~~98-KGSG-475-CON~~ 05-KGSG-580-HED.
- (1) Cost and revenues associated with any purchase or sale of financial derivatives, the net balance of which shall not exceed ~~\$7.3 million per year~~ the approved annual hedge budget amount, shall be recovered as ~~an~~ the Hedge Recovery OC component during the months of April through October.
 - (a) The Hedge Recovery OC component ~~This charge shall be a volumetric charge~~ calculated by dividing the projected net balance by the sales volumes projected to occur in the months of April through October.
 - (b) Company shall show the amounts collected from customers through the Hedge Recovery OC component as a separate line item on the customer's bill.
 - (2) Costs and revenues generated from the settlement of financial derivatives related to Gas Hedge Program sales shall be flowed back as ~~an~~ the Hedge Settlement OC component during the months of ~~April~~ November through March. ~~The flow-back amounts by month shall be based on monthly settlement amount.~~
 - (a) The Hedge Settlement OC component shall be a volumetric charge or credit that is calculated each month from November through March by dividing the monthly estimated hedge payoff amount by the sales volumes projected to occur in that respective month. The estimated payoff amount shall be adjusted to the actual payoff amount in the following month's calculation.
 - (b) Company shall not be required to show the Hedge Settlement OC component as a separate line item on the customer's bill.
 - (3) The Hedge Program Year shall be the 12 months beginning with April and ending with March. Any variance remaining at the end of the Hedge Program Year shall be included in the subsequent Actual Cost Adjustment calculation. Costs and revenues generated from the settlement of financial derivatives related to storage injection shall be included in the weighted average cost of gas in storage.
 - (4) ~~Costs and revenues associated with the management and utilization of Company's storage by an outside party during the summer injection period shall be included in the OC component during the months of April through October.~~

KANSAS GAS SERVICE
A DIVISION OF ONEOK, INC.
(Name of Issuing Utility)

SCHEDULE COGR

All Rate Areas

(Territory to which schedule is applicable)

Replacing Schedule COGR Sheet 5
which was filed September 22, 2003

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 5 of 6 Sheets

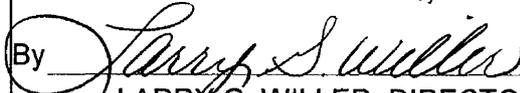
COST OF GAS RIDER

- b. Capacity Release: Company shall forecast the capacity release credits expected to be received during the Computation Year. Company shall then calculate an Estimated Capacity Release Factor by dividing 50% of the forecast by estimated sales during the same period. The Estimated Capacity Release Factor shall be a component of the OC. Company shall maintain a continuing monthly comparison of the actual capacity release credits received and the capacity release credits distributed. The differences of the comparisons shall be accumulated to produce an Accumulated Capacity Release Balance. An Accumulated Capacity Release Factor shall be calculated annually by dividing the accumulated balance of under/over distributed credits by the volume of actual sales during the Computation Year. The Accumulated Capacity Release Balance shall be adjusted by the monthly capacity release under/over disbursements.

- c. Gas Hedge Program: Company shall operate its Gas Hedge Program pursuant to the Commission's orders in Docket No. 05-KGSG-580-HED.
 - (1) Cost and revenues associated with any purchase or sale of financial derivatives, the net balance of which shall not exceed the approved annual hedge budget amount, shall be recovered as the Hedge Recovery OC component during the months of April through October.
 - (a) The Hedge Recovery OC component shall be a volumetric charge calculated by dividing the projected net balance by the sales volumes projected to occur in the months of April through October.
 - (b) Company shall show the amounts collected from customers through the Hedge Recovery OC component as a separate line item on the customer's bill.

 - (2) Costs and revenues generated from the settlement of financial derivatives related to Gas Hedge Program sales shall be flowed back as the Hedge Settlement OC component during the months of November through March.

Issued	<u>March</u>	<u>24</u>	<u>2005</u>
	Month	Day	Year
Effective	_____	_____	_____
	Month	Day	Year

By  _____
LARRY G. WILLER, DIRECTOR

KANSAS GAS SERVICE
A DIVISION OF ONEOK, INC.
(Name of Issuing Utility)

SCHEDULE COGR

All Rate Areas

(Territory to which schedule is applicable)

Replacing Schedule COGR Sheet 6
which was filed September 22, 2003

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 6 of 6 Sheets

COST OF GAS RIDER

- (a) The Hedge Settlement OC component shall be a volumetric charge or credit that is calculated each month from November through March by dividing the monthly estimated hedge payoff amount by the sales volumes projected to occur in that respective month. The estimated payoff amount shall be adjusted to the actual payoff amount in the following month's calculation.
- (b) Company shall not be required to show the Hedge Settlement OC component as a separate line item on the customer's bill.
- (3) The Hedge Program Year shall be the 12 months beginning with April and ending with March. Any variance remaining at the end of the Hedge Program Year shall be included in the subsequent Actual Cost Adjustment calculation.
- d. Gas Cost Assistance Program (GCAP): The cost of discounts provided under the GCAP authorized by the Commission in Docket No. 01-KGSG-494-TAR shall be recovered as an increase to the BGC. An amount equal to the GCAP discounts shall be transferred from the deferred account for Ad Valorem Tax Refunds as a reduction to the BGC.

DEFINITIONS AND CONDITIONS

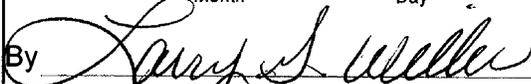
1. All provisions set forth in the rate schedule under which a customer takes service apply to the extent they are not superseded by provisions of this rider.
2. The Computation Year, consisting of the 12 month period ending June 30, shall be the base period for calculation unless otherwise specified.
3. Appropriate Net Gas Costs are those which are properly included in FERC Account Nos. 800, 801, 802, 803, 804, 805, 806, 808, 809, and 811.
4. A monthly report shall be filed with the Commission, describing the costs associated with gas and transportation services purchased by Company to meet sales service requirements and included in this rider. The report shall detail the calculations for Base Gas Cost and shall reflect all factors applicable to Net Gas Cost as well as any relevant current or deferred balances.

Issued March 24 2005

Month Day Year

Effective _____

Month Day Year

By 

LARRY G. WILLER, DIRECTOR