

BEFORE THE STATE CORPORATION COMMISSION STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

MAR 18 2005

In the Matter of the Application of)
Kansas Gas Service, a Division of ONEOK, Inc.)
For Approval of a Hedge Program for Gas) Docket No. 05-KGSG-580-HED-
Purchased for the Winter Heating Season.) GAS

 Docket Room

**JOINT MOTION FOR AN ORDER APPROVING
STIPULATION AND AGREEMENT**

COMES NOW Kansas Gas Service, a Division of ONEOK, Inc. (“Kansas Gas Service” or “Company”), the Staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission”) respectively), and the Citizens’ Utility Ratepayer Board (“CURB”), collectively (“Joint Movants”) and request that the Commission issue its order approving the Stipulation and Agreement entered into among Kansas Gas Service, Staff and CURB, dated March 18, 2005 (“Stipulation and Agreement”), with respect to the Application described in paragraph 1 below. In support of their Joint Motion, Kansas Gas Service, Staff and CURB state as follows:

1. On January 14, 2005, Kansas Gas Service filed its Application for an order authorizing the Company to establish a Gas Hedge Program to enable the Company to take the necessary steps to limit the volatility of gas prices during the winter heating season. In its Application, the Company requested the authority to collect \$14.0 million dollars annually from its customers to purchase hedging instruments to limit the volatility of the price of gas to its customers during the winter heating months of November through March, to record such expenditures including interest in an account and to recover the balance of such account through the Company’s Cost of Gas Rider (COGR) and to make such report or reports as deemed necessary by the Commission regarding such account. In addition, Kansas Gas Service requested the Commission to make the Gas Hedge Program permanent.

2. Staff and CURB have reviewed and investigated the Application. In the course of Staff's and CURB's investigation of the Application and further discussions with the Company, the parties have determined that certain modifications concerning the Application are appropriate. These modifications and conditions are set forth in detail in paragraph 3 of the Stipulation and Agreement attached hereto as Attachment A. The Application, as modified pursuant to the terms set forth in the Stipulation and Agreement, will allow the Company to take actions, which may possibly mitigate the volatility of gas prices during the winter months. It is possible that these actions will mitigate price volatility, at a reasonable cost, relative to the Company's traditional operations. Therefore, the parties believe that the Commission could find the Application as amended is in the public interest.

3. Kansas Gas Service, Staff and CURB, being in agreement with conditions regarding the proposals contained in the Application, as contained in the terms and conditions of the Stipulation and Agreement, all agree that the Stipulation and Agreement is an appropriate and reasonable means of concluding this matter obviating the need for further proceedings.

WHEREFORE, Kansas Gas Service, Staff and CURB respectfully request the Commission to issue its order granting Joint Movants' Motion approving the Stipulation and Agreement; approving the Application as conditioned by the Stipulation and Agreement; and grant such other relief, as the Commission may deem appropriate.

Respectfully submitted



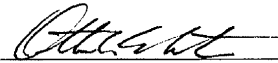
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**Attorney for Kansas Gas Service
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Attorney for Staff

VERIFICATION

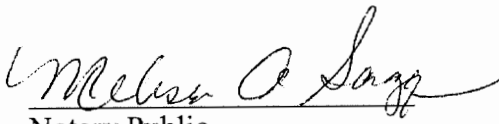
STATE OF KANSAS)
)ss.
COUNTY OF JOHNSON)

The undersigned, upon oath first duly sworn, states that he is the attorney for Kansas Gas Service, a Division of ONEOK, Inc., that he has read the foregoing Joint Motion for an Order Approving Stipulation and Agreement, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.


John P. DeCoursey

Subscribed and sworn to before me this 18th day of March, 2005.

MELISSA A. SAGGARS
Notary Public - **State of Kansas**
My Appt. Expires 3-2-06


Notary Public

My Appointment expires: 3-2-06

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **Joint Motion for an Order Approving Stipulation and Agreement** was mailed, via U.S. Mail, postage prepaid on the 18th day of March, 2005, to all parties listed below:

Otto A. Newton
Assistant General Counsel
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604

David Springe
Consumer Counsel
Citizens' Utility Ratepayer Board
1500 SW Arrowhead Rd
Topeka, KS 66604


John P. DeCoursey

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

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Kansas Gas Service, a Division of ONEOK, Inc.)	
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Purchased for the Winter Heating Season.)	GAS

STIPULATION AND AGREEMENT

COME NOW Kansas Gas Service, a Division of ONEOK, Inc. (“Kansas Gas Service” or “Company”), the Staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission” respectively) and the Citizens’ Utility Ratepayer Board (“CURB”) and stipulate and agree as follows:

1. Kansas Gas Service is a jurisdictional public utility as defined by K.S.A. 66-104 and is providing gas utility service in Kansas pursuant to grants of authority from the Commission.

2. On January 14, 2005, Kansas Gas Service filed its Application for an order authorizing the Company to establish a Gas Hedge Program to enable the Company to take the necessary steps to limit the volatility of gas prices during the winter heating season. In its Application, the Company requested the authority to collect \$14.0 million dollars annually from its customers to purchase hedging instruments to limit the volatility of the price of gas to its customers during the winter heating months of November through March, to record such expenditures including interest in an account and to recover the balance of such account through the Company’s Cost of Gas Rider (COGR) and to make such report or reports as deemed necessary by the Commission regarding such account. In addition, Kansas Gas Service requested the Commission to make the Gas Hedge Program permanent.

ATTACHMENT A

3. Pursuant to negotiations among all parties, this proposed Stipulation and Agreement has been reached to resolve the instant Application. Staff, Kansas Gas Service and CURB agree that the proposed Stipulation and Agreement could be found by the Commission to be in the public interest and, therefore, that the proposed Stipulation and Agreement, as set forth below, could be approved by the Commission. The parties stipulate and agree that the Gas Hedge Program as filed by Kansas Gas Service shall be modified and conditioned as follows:

- A. The budget for Kansas Gas Service's Gas Hedge Program shall not exceed \$13.3 million annually. All costs incurred by Kansas Gas Service, such as transaction costs, interest on margin accounts and the direct cost of financial derivatives are included in the approved budget. All payoffs, positive or negative, associated with the settlement of financial derivatives shall be passed-through to Kansas Gas Service's COGR customers in accordance with the rider's provisions. The rate of interest on margin accounts will be the prime rate as published in the *Wall Street Journal*. An interest charge will be assessed on the initial margin amount, starting from when the account is first established through the expiration of the swap or futures contract, as the case may be. Kansas Gas Service may file a Motion to adjust the approved budget depending on market conditions.
- B. Consistent with the findings from the Summer 2004 focus group sessions, Kansas Gas Service's preferred hedge strategy is the placement of a price cap. Kansas Gas Service will meet and consult with Staff and CURB prior to program implementation for the purpose of setting a planned program design, which includes specifying the following parameters:

1. quantity or volume of gas to hedge;
2. winter, and possibly summer months to be hedged;
3. price cap level;
4. hedge instruments to be used to set the cap;
5. timing of hedge placement.

For each of the listed parameters, Kansas Gas Service shall describe its decision-making process and the analysis it used to support that process.

- C. Kansas Gas Service shall have full discretion over selection of the final Gas Hedge Program parameters. Kansas Gas Service shall also meet with Staff and CURB throughout the implementation period, as needed, for the purpose of discussing significant changes from the planned hedge program.
- D. Kansas Gas Service shall recover the program costs for each Gas Hedge Program year from its COGR customers during the months of April through October on a volumetric basis. Kansas Gas Service shall maintain a monthly balance for amounts spent on hedge costs compared to amounts received from customers through the COGR. To the extent the net monthly balance shows that Kansas Gas Service's expenditures on hedges exceed the amounts received from customers through the COGR, Kansas Gas Service shall accrue interest on the excess amount during the following month at the prime rate as published in the *Wall Street Journal*. To the extent the monthly balance shows that Kansas Gas Service's expenditures on hedges are less than the amounts received from customers

through the COGR, Kansas Gas Service shall accrue interest on the shortfall during the following month at the Commission's approved rate for customer deposits. Kansas Gas Service shall recover or pay interest pursuant to the methodology above through a charge to or credit to the approved budget. The interest charges set forth in this paragraph D are separate from the interest on margin accounts described in paragraph A, which are treated separately. Kansas Gas Service shall show the amounts collected from customers through the COGR as a separate line item on the customer's bill during the months of April through October.

- E. Kansas Gas Service shall submit monthly hedge reports to Staff and CURB throughout the program year. Reports during the implementation months shall detail actual implementation of the program while reports during the winter months will detail actual program performance. Monthly reports will be submitted electronically and during the first week of each month. The implementation reports will describe all activity during the prior calendar month while the performance reports will summarize performance for the instant calendar month. At the end of each program year, Kansas Gas Service shall also submit a report on the cumulative, historical performance of its hedge program efforts.
- F. Kansas Gas Service shall retain all information and records necessary to verify derivative transactions performed on its behalf so that Staff or CURB may perform an audit of those transactions.

G. The parties agree that the Gas Hedge Program shall be made permanent. To the extent that the Company, Staff or CURB believe that modifications to the previously approved program are necessary, such as a change in the budget, it shall file a Motion in this Docket requesting such changes as it deems necessary.

4. Staff, Kansas Gas Service and CURB recognize that the Commission may require a hearing in this matter, and counsel for Staff, Kansas Gas Service and CURB will file a Joint Motion, along with this Stipulation and Agreement, setting forth a basis for the Commission's approval of the Stipulation and Agreement. At any such hearing, all parties shall support the approval of this proposed Stipulation and Agreement.

5. This proposed Stipulation and Agreement is entered into in good faith by the parties and is intended to avoid the time and expense of any further proceedings in this matter. If the Commission does not approve the proposed Stipulation and Agreement, or any part thereof or provides for terms and conditions which have not been included herein, then, at the option of any signatory party, this Stipulation and Agreement shall become null and void and not binding upon the parties.

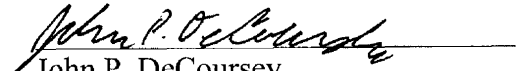
IN WITNESS WHEREOF, the signatory parties have executed and approved this Stipulation and Agreement, effective on the 18th day of March, 2005, by subscribing their signatures below.

**Staff of the State Corporation
Commission of the State of Kansas**

**Kansas Gas Service,
A Division of ONEOK, Inc.**



Otto A. Newton
Its Attorney



John P. DeCoursey
Its Attorney

Citizens' Utility Ratepayer Board



David Springe
Its Attorney