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Kansas Corporation Commission
/S/ Susan K. Duffy

BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

In the matter of the Complaint of) Aquila, Inc. against ONEOK Field) Services Company, requesting an) emergency order of the Commission) directing ONEOK Field Services to) continue to serve Aquila's customers if) gas supply is not in a dangerous) condition and requesting joinder of) this matter with Docket No. 05-CONS-) 214-CMSC

Docket No.: 05-00NS-22-CMSC

STATE CORPORATION COMMISSION

MAR 2 4 2005

COMPLAINT AGAINST ONEOK FIELD SERVICES COMPANY, MOTION FOR EMERGENCY RELIEF AND MOTION FOR JOINDER OF PROCEEDINGS

COMES NOW Aquila, Inc. ("Aquila"), pursuant to K.S.A. 77-536, and in support of its Complaint Against ONEOK Field Services Company, Motion for Emergency Relief and Motion for Joinder of Proceedings, alleges and states as follows:

- 1. Aquila is a corporation duly organized under the laws of the State of Delaware and is engaged, among other things, in the business of a natural gas public utility, as defined in K.S.A. 66-104, in certain areas within Kansas. Aquila holds certificates of convenience and authority issued by the State Corporation Commission of the State of Kansas ("KCC" or "Commission") authorizing it to engage in such utility business.
- 2. ONEOK Field Services Company ("OFS") operates a natural gas gathering system in Kansas, as defined by K.S.A. 55-1,101, *et seq.*, and as such is subject to jurisdiction of the Commission. OFS has offices located at 100 West Fifth Street, Tulsa, Oklahoma 74103-4298.

- 3. The Commission has full power, authority and jurisdiction to regulate natural gas public utilities operating in Kansas pursuant to K.S.A. 66-1,201, *et seq.*, and the Commission also has authority under K.S.A. 55-1,104 to examine the terms and practices of companies offering gas gathering services.
- 4. In addition, the Commission may use emergency proceedings in "a situation involving an immediate danger to the public health, safety or welfare" K.S.A. 77-536(a)(1).
- 5. OFS delivers natural gas to Aquila and such gas is sold by Aquila to various customers for irrigation, commercial and residential uses.
- 6. On February 3, 2005, OFS provided written notice to Aquila that "effective immediately they will cease delivery of gas and remove from service the Delivery Point taps listed on the attached Schedule. This action is being taken because of the continued deteriorations of the gas quality that could compromise the safety of Aquila's customers. OBPI [ONEOK Bushton Processing, Inc.] and OFS [collectively referred to as "OFS"] are unaware of any practical measures that can be taken to correct the gas quality that would permit any further deliveries." (February 3, 2005 letter attached hereto as **Exhibit 1**.)
- 7. On February 4, 2005, counsel for Aquila sent a letter to OFS stating that it would establish a replacement fuel supply to the customers but that this decision should not be seen as an admission of any liability on behalf of Aquila.
- 8. After numerous telephone conversations between Aquila and OFS, on February 8, 2005, Aquila sent a letter to OFS confirming the conversations. (February 8, 2005 letter attached hereto as **Exhibit 2.)** In pertinent part, that letter confirmed that

the concerns to the commercial and irrigation customers were less urgent but that OFS still labeled the residential customers as an urgent safety concern. Aquila reiterated in the letter that the parties needed to work together to identify the customers and the concerns so that "a more cohesive plan of action can be developed and implemented."

- 9. On February 9, 2005, Aquila received a letter from OFS stating that all residential customers were to be removed from service due to "further investigation and the development of new facts concerning the deterioration of gas quality." (February 9, 2005 letter from OFS attached hereto as **Exhibit 3.**)
- 10. Upon receipt of February 9 letter from OFS, Aquila immediately responded to OFS and confirmed in writing its numerous oral requests for documentation of the elevated levels of hydrogen sulfide, the further investigations, the new facts, and all information and analysis previously relied upon by OFS in its determination that 'the deterioration of gas quality...could compromise the safety of Aquila's customers." (February 9, 2005 letter from Aquila attached hereto as **Exhibit** 4).
- 11. On February 11, 2005, Aquila received a letter from counsel for OFS wherein OFS agreed "to provide Aquila with whatever information is available to them." To date, Aquila has not received documents or information to substantiate or justify OFS' determination that elevated hydrogen sulfide levels were or are present in their gathering system. (February 11, 2005 letter from OFS attached hereto as **Exhibit 5**).
- 12. Upon receipt of OFS' notice of potential elevated levels of hydrogen sulfide ("H₂S"), Aquila immediately took steps to ensure the safety, health and well-being of the customers in question. OFS disconnected all of the delivery point taps of

Aquila's residential customers. Ultimately, approximately 77 delivery points were disconnected affecting 99 customers. Although not required to do so, Aquila converted numerous residences to propane or electric service or otherwise obtained alternate energy sources for the residential customers.

- 13. On March 14, 2005 Aquila received a courtesy copy of a letter from OFS to the Commission stating "[OFS] is continuing to evaluate whether it can safely supply gas from its gathering systems to Aquila and Midwest...because of the observed high levels of hydrogen sulfide...While [OFS] presently intends to continue to supply gas to Aquila and Midwest for service to their irrigation utility customers, it reserves the right to immediately discontinue supplying gas if it believes that there may be any hazard from the gas...Because of the uncertainties of the present situation, [OFS] encourages Aquila, Midwest, and their customers to continue to investigate alternate sources of energy." (March 14, 2005 letter attached hereto as **Exhibit 6**).
- 14. Although OFS is purporting to take such actions based on public safety concerns, OFS has not provided Aquila or the Commission any industry data concerning levels at which H₂S becomes unacceptably corrosive or harmful to human health.¹ However, it is the understanding of Aquila that the Occupational Safety and Health Administration (OSHA) has set an acceptable ceiling limit for hydrogen sulfide of 20 parts hydrogen sulfide per 1 million parts of air (20 ppm) in the workplace. The National Institute for Occupational Safety and Health (NIOSH) recommends a 10-minute ceiling limit of 10 ppm in the workplace.

¹ These issues, and others are currently the subject of several task forces that have been formed at a meeting of interested parties on March 1, 2005 to investigate issues arising from the notices that have been sent by OFS.

- 15. The foregoing federal standards are particularly noteworthy because the actions being threatened by OFS have been based on a benchmark maximum H_2S measurements of 4 ppm, which is below the governmental standards by a factor of several multiples.
- 16. Furthermore, the data supplied by OFS to Aquila that accompanied OFS' March 14, 2005 correspondence to Mr. Leo M. Haynos of the Commission Staff consists only of measurements that were taken at the wellhead over a three year time period, and such data does not appear to indicate any sudden or significant changes that would warrant the immediate imposition of measures that reflect a radical departure from the procedures and practices being followed by OFS during this entire period. (March 14, 2005 letter from OFS to Mr. Leo M. Haynos attached hereto as **Exhibit 7**.)
- 17. In addition, the March 14 correspondence from OFS to Mr. Leo M. Haynos states that OFS already follows a practice of immediately shutting in wells that exceed acceptable levels of H₂S, which practice, if actually implemented and followed, should make it unnecessary to implement the disconnections threatened by OFS. It is not clear from such correspondence whether OFS has the ability to implement or enforce any existing requirements for producers to monitor and control H₂S levels, which again could totally eliminate any need to implement disconnections of Aquila's customers.

- 18. The actions threatened by OFS represent a significant departure and change in its "practices in connection with such services" within the meaning of K.S.A. 55-1,103, which applies to persons offering gas gathering services, and such actions by OFS fail to meet the requirement for such practices to be "just, reasonable, not unjustly discriminatory and not unduly preferential" as required by K.S.A. 55-1,103.
- 19. Aquila is concerned that the "practices" being implemented by OFS are not only unreasonable and unjust, but that such practices might actually be based upon an unwillingness by OFS to implement or enforce monitoring and control requirements upon its producers at the wellhead which would be "unjustly discriminatory" and "unduly preferential" in violation of K.S.A. 55-1,103.
- 20. Moreover, the threat by OFS to cut off the natural gas for Aquila's irrigation and commercial customers represents a serious and adverse impact on the public welfare under K.S.A. 55-1,108 and also involves an immediate danger to the public health, safety or welfare under K.S.A. 77-536(a)(1). Aquila's commercial and irrigation customers are dependent upon the natural gas energy to run the commercial enterprises and irrigation pumps that are critical to the continuation of growing and farming operations. OFS' encouragement that Aquila and its commercial and irrigation customers investigate alternate sources of energy presents an imminent threat of the termination of such commercial and irrigation customers' natural gas service.
- 21. Midwest Energy, Inc. ("Midwest") filed with the Commission on March 15, 2005, a Complaint and Motion for Emergency Relief ("Midwest's Complaint") substantially similar in scope and requested relief as the complaint submitted and relief

requested by Aquila herein, and Midwest's Complaint has been docketed by the Commission as Docket No. 05-CONS-214-CMSC ("Docket No. 214").

- 22. The Commission entered its Order Granting Motion For Emergency Relief and Setting Matter For Hearing in Docket No. 214 on March 16, 2005, enjoining OFS from curtailing gas supply to the 48 affected Midwest customers, until further order of the Commission, and subject to certain stated conditions. Aquila submits that the relief afforded Midwest by this Order would be appropriate relief for Aquila, in response to its request herein.
- 23. Aquila submits that, due to the substantial similarity of the facts and issues presented in Docket No. 214 and the facts and issues presented herein, it is in the public interest that these proceedings should be joined for hearing on a common record, as authorized by K.A.R. 82-1-224(b). Such joinder will promote the efficient and effective administration of both proceedings, to the benefit of all parties to these proceedings.

WHEREFORE, Aquila respectfully requests: (1) an emergency order from the Commission enjoining OFS from disconnecting any additional customers until a hearing can be held in this matter to more fully determine if the measured levels of hydrogen sulfide are at a dangerous level, and the appropriate means, methods and practices that OFS may implement to address such concerns in a reasonable and just manner without being unjustly discriminatory or unduly preferential toward OFS producers, Aquila or others; and (2) an order by the Commission directing the joinder of the proceeding initiated by this pleading with the proceeding under Docket No. 05-CONS-214-CMSC, pursuant to the authority of K.A.R. 82-1-224.

Respectfully submitted,

By: <u>/</u>

W. Robert Alderson (#6629)

ALDERSON, ALDERSON, WEILER, CONKLIN,

BURGHART & CROW, L.L.C.

2101 SW 21st Street

Topeka, Kansas 66604-3174

(785) 232-0753

Fax No. (785) 232-1866

Patrick J. Joyce BLACKWELL SANDERS PEPER MARTIN, LLP 1620 Dodge Street, Suite 2100 Omaha, Nebraska 68105 (402) 964-5012 Fax No. (402) 964-5050

ATTORNEYS FOR COMPLAINANT AQUILA, INC

VERIFICATION

STATE OF NEBRASKA)
) ss
COUNTY OF DOUGLAS)

I, Steven M. Jurek, being duly sworn, on oath state that I am the Vice President of Regulatory Services at Aquila, Inc., named in the foregoing Complaint that I have read the foregoing Complaint and know the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge and belief.

AQUILA, INC.

By: Name: Steven M. Jurek

Title: Vice President Regulatory Services

SUBSCRIBED AND SWORN TO before me this 24th day of March, 2005.

Notary Public

My Commission Expires:

7/4/2005

RICHARD G PETERSEN
GENERAL NOTARIAL
SEAL
STATE OF NEBRASKA
COMMISSION EXTRES
JULY 4, 2005

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing pleading has been faxed, hand-delivered and/or mailed, First Class, postage prepaid, this day of March, 2005, to:

Don Low Director Utility Operations Kansas Corporation Commission 1500 SW Arrowhead Road Topeka, KS 66604-4027

Thomas R. Chitwood Director, Gas Supply ONEOK Field Services 100 West Fifth Street Tulsa, OK 74103-4298 Susan Cunningham General Counsel Kansas Corporation Commission 1500 SW Arrowhead Road Topeka, KS 66604-4027

W. Robert Alderson



February 3, 2005

Aquila, Inc. 1815 Capital Avenue, 4th Floor Omaha, NE. 68102 Attention: Christie Carlson

Re: NOTICE OF DISCONTINUANCE OF GAS DELIVERIES

Dear Ms. Carlson:

Pursuant to Sections 5.3 and 12.2 of the Gas Sales Agreement dated February 1, 2004, between Aquila, Inc. (Aquila), ONEOK Bushton Processing, Inc. (OBPI) and ONEOK Field Services Company (OFS), OBPI and OFS hereby give notice that effective immediately they will cease delivery of gas and remove from service the Delivery Point taps listed on the attached schedule. This action is being taken because of the continued deterioration of the gas quality that could compromise the safety of Aquila's customers. OBPI and OFS are unaware of any practical measures that can be taken to correct the gas quality that would permit any further deliveries.

If you have questions or would like to discuss this notice in greater detail, please contact me at 918.588.7643.

Sincerely,

ONEOK Bushton Processing, Inc.

ONEOK Field Services Company

Thomas R. Chitwood

Director, Gas Supply

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February 8, 2005

Via Facsimile and Regular Mail

Larry Fisher
ONEOK Field Services Company
100 West Fifth Street
P.O. Box 871
Tulsa, OK 74102-0871

Re: Confirmation of Telephone Communication And Information Required by Aquila

Dear Mr. Fisher:

This letter is in confirmation of the telephone call that occurred this morning, February 8, 2005, at approximately 8:45 a.m. between you and me regarding gas quality issues. Specifically, our conversation related to Hydrogen Sulfide (H2S) issues identified by ONEOK Bushton Processing, Inc. ("OBPI") and ONEOK Field Services Company ("OFS") in a letter dated February 3, 2005 from Thomas Chitwood, Director of Gas Supply for OBPI and OFS ("February 3 Letter"). The purpose of this letter is to identify and confirm certain representations and requests for information.

The February 3 Letter notified Aquila of the decision of OBPI and OFS to immediately cease delivery of gas and remove from service certain delivery point taps. Based on our conversation this morning, however, OBPI and OFS indicate the safety concern with respect to the commercial and irrigation customers is less urgent and will not necessitate an immediate removal of those delivery point taps. OBPI and OFS communicated to Aquila their desire to work with Aquila to find reasonable alternatives to removing the meters, educate customers on the situation, and maintain gas flow to as many commercial and irrigation customers as possible. Aquila requires written verification 1) of the retraction of the claim of OBPI and OFS that you would immediately cease delivery and remove the delivery points identified in the February 3 Letter and 2) that Aquila's commercial and irrigation customers will receive delivery of OBPI and OFS gas supplies and remain in service until further notice. Please provide this at your earliest convenience.

OBPI and OFS indicate that an urgent safety concern docs, however, remain with respect to the residential customers. Aquila is also confirming the representations made by OBPI and OFS in a telephone call yesterday at approximately 9:45 a.m. that the H2S issues are now more encompassing than OBPI and OFS indicated in the February 3 Letter. In order for OBPI and OFS to quantify the geographical range or extent of the impact of the higher H2S content, you require a listing from Aquila of customers that are provided service off of the OBPI and OFS system. This listing will be provided to you and Mr. Chitwood today and will identify customers as residential, commercial or irrigation.

OM-191661-I

EXHIBIT 2



After OBPI and OFS have had an opportunity to review Aquila's customer listing, Aquila requires further written direction and guidance from OBPI and OFS identifying the residential customers that will be affected by the higher H2S content as soon as possible so that the appropriate action taken. By working together rather than separately trying to identify areas of concern, a more cohesive plan of action can be developed and implemented.

Respectfully,

Chuck Loomis

Operating Vice President KS and CO Gas

Aquila, Inc.

110 E. 9th St.

Lawrence, KS 66044

Ph. (785) 832-3911

Fax (785) 832-3905

CC: Thomas R. Chitwood, Director, Gas Supply, OBPI and OFS Shawn Gillespic, Director, Gas Supply, Aquila Kathryn Flaherty, Blackwell Sanders Peper Martin



February 9, 2005

Aquila, Inc. 1815 Capital Avenue, 4th Floor Omaha, NE. 68102 Attention: Christie Carlson

Re: FURTHER NOTICE ON DISCONTINUANCE OF GAS DELIVERIES

Dear Ms. Carlson:

Pursuant to the request of Chuck Loomis of Aquila, Inc. ("Aquila"), this letter is to provide further notice and to clarify the previous notice of ONEOK Bushton Processing, Inc. ("OBPI") and ONEOK Field Services Company ("OFS") of the discontinuance of Delivery Points under Sections 5.3 and 12.2 of the Gas Sales Agreement dated February 1, 2004 (the "Agreement"), between Aquila, OBPI, and OFS.

In the previous notice of February 3, 2005, OBPI and OFS gave notice that effective immediately they would cease delivery of gas and remove from service the Delivery Point taps listed in the enclosed schedule. As a result of subsequent discussions with Aquila as communicated to the Kansas Corporation Commission on February 4, 2005, OBPI and OFS agreed with Aquila that the Delivery Point taps would be removed from service in the following order of priority: (1) residential customers; (2) commercial customers; and (3) irrigation customers. It was the understanding of OBPI and OFS that gas deliveries to Aquila's residential customers would cease immediately along with the removal of those Delivery Point taps. Gas deliveries to Aquila's remaining customers identified in the schedule would cease in accordance with the order of priority and as quickly as reasonably possible under the circumstances.

Based upon further investigation and the development of new facts concerning the continued deterioration of the gas quality, OBPI and OFS hereby give further notice that they intend to cease delivery of gas without undue delay to <u>all</u> residential customers of Aquila along with the removal of their Delivery Point taps. Aquila has agreed to immediately provide to OBPI and OFS a list of all of its residential customers in order that their Delivery taps and meters can be located to terminate any further gas deliveries. OBPI and OFS will continue to coordinate the shut-off and removal of Delivery Point taps with Aquila in a manner consistent with the procedures that have been employed over the past few days.

OBPI and OFS are, however, temporarily withdrawing their notice of the discontinuance of gas deliveries to Aquila's commercial and irrigation customers. OBPI and OFS will immediately further investigate whether they can continue to safely deliver gas to Aquila for its commercial and irrigation customers. Notwithstanding the further investigation,

100 West Fifth Street • Tulsa, OK 74103-4298 P.O. Box 871 • Tulsa, OK 74102-0871 (918) 732-1373

EXHIBIT

OBPI and OFS reserve the right to discontinue gas deliveries at any time to any of Aquila's customers for safety reasons.

OBPI and OFS will share with Aquila the results of their further investigation of continuing gas deliveries to Aquila's commercial and irrigation customers. OBPI and OFS will also assist Aquila in its efforts to communicate to and educate its commercial and irrigation customers as to the safe handling and use of natural gas that may contain elevated levels of hydrogen sulfide. In addition, OBPI and OFS will assist Aquila in its efforts to locate alternate sources of natural gas from suppliers other than OBPI and OFS to serve its customers.

If you have questions or would like to discuss this notice in greater detail, please contact me at 918.588.7643.

Sincerely,

ONEOK Bushton Processing, Inc. ONEOK Field Services Company

Thomas R. Chitwood Director, Gas Supply

c: Leo Haynos

Chuck Loomis

BLACKWELL SANDERS PEPER MARTIN

1620 Dodge Street, Suite 2100 Omaha, NE 68102-1593 Tel (402) 964-5000 Fax (402) 964-5050 WEBSITE: www.blackwellsanders.com

Kathryn A. Flaherty Partner DIRECT: (402) 964-5034 DIRECT FAX: (402) 964-5050 E-MAIL: kflaherty@blackwellsanders.com

February 9, 2005

VIA FACSIMILE (918) 595-4900 AND ELECTRONIC MAIL

Mr. Thomas J. Kirby, Esquire Gable & Gotwals 1100 ONEOK Plaza 100 West Fifth Street Tulsa, OK 74103-4217

Re: Ga

Gas Supply Issue

Dear Mr. Kirby:

This letter is in response to Mr. Thomas Chitwood's letter to Ms. Christie Carlson of Aquila, Inc. ("Aquila") dated today, February 9, 2005. The letter purported to clarify the current state of the position of ONEOK Bushton Processing, Inc. ("OBPI") and ONEOK Field Services Company ("OFS") with respect to gas quality issues and communicate the intention of OBPI and OFS to cease certain deliveries of gas to Aquila.

In the letter, OBPI and OFS notified Aquila that they intend to cease delivery of gas to all residential customers of Aquila along with the removal of the Delivery point taps. The letter specifically states "Aquila has agreed to immediately provide to OBPI and OFS a list of its residential customers." This statement is confusing to Aquila. Based upon conversations between Aquila, OBPI and OFS during the last couple days, it was Aquila's understanding that in order for OBPI and OFS to specifically identify the additional residential customers that were to be affected by the higher Hydrogen Sulfide ("H₂S") content, OBPI and OFS required a comprehensive customer listing from Aquila. This list was transmitted by me via electronic mail on February 8, 2005 at 3:25 p.m. to Mr. Chitwood and Mr. Larry Fischer.

Aquila requires further written direction and guidance from OBPI and OFS identifying the residential customers that will be affected by the higher H₂S content as soon as possible so that the appropriate action can be taken. If it is necessary for a representative of OBPI and OFS to get together with a representative from Aquila to go over Aquila's customer listing and finalize identification of additional affected residential customers, this should be done as soon as possible. Mr. Gary Wise from Aquila is available to meet with Mr. Bill Halliburton or anyone OBPI and OFS selects to accomplish this task on February 10th. Simply stating all residential customers will be affected, without providing results or backup in a format consistent with that provided by OBPI and OFS as an attachment to the February 3, 2005 letter, is not acceptable and

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MC

BLACKWELL SANDERS PEPER MARTIN

February 9, 2005 Page 2

is inconsistent with our agreement of the procedures to be followed with respect to additional meter shut-ins and Delivery point removals.

Furthermore, Mr. Chitwood indicated the decision of OBPI and OFS to cease delivery of gas to all residential customers of Aquila was "based upon further investigation and the development of new facts concerning the continued deterioration of the gas quality." Aquila hereby requires that OBPI and OFS provide, in writing, the results of the further investigation and new facts upon which OBPI and OFS relied in coming to the conclusion that delivery of gas will cease to all residential customers. In addition, and as repeatedly requested, Aquila requires, in writing, any and all information and analysis previously relied upon by OBPI and OFS in its determination that "the deterioration of gas quality...could compromise the safety of Aquila's customers," as indicated in the February 3, 2005 letter from Mr. Chitwood to Ms. Carlson.

With respect to service to Aquila's commercial and irrigation customers, OBPI and OFS have withdrawn their notice of the discontinuance of gas deliveries. OBPI and OFS, however, indicate the withdrawal is temporary. In order for Aquila to effectively communicate to commercial and irrigation customers the current reliability of gas service, Aquila requires a more definite timetable for the determination of whether OBPI and OFS expect to continue to deliver gas to Aquila for commercial and irrigation customers. Please provide accordingly.

Aquila appreciates the promise of OBPI and OFS to share the results of their further investigation and offers of assistance to Aquila in its efforts to communicate safety issues to its customers. Aquila's primary concern is the safety of its customers. In order to accomplish this objective, Aquila, OBPI and OFS must work together.

Due OBPI's and OFS's representations of public safety concerns regarding the elevated levels of H₂S, information must be exchanged to verify the extent of the problem and to prepare an appropriate and expedited course of action. The information that has been previously requested by Aquila and identified again in this letter is the essential information required. Please provide a response to the proposals and the information requested herein by the close of business tomorrow, February 10th.

Sincerely, Lathyn Afletine

Kathryn A. Flaherty

Attorney for Aquila, Inc.

cc:

Leo Haynos, KCC Chuck Loomis, Aquila

COMMUNICATION RESULT REPORT (FEB. 9.2005 6:42PM) * * *

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TRANSMITTED/STORED : FEB. 9. 2005 6:35PM FILE MODE

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REASON FOR ERROR

E-1) HANG UP OR LINE FAIL
E-3) NO ANSWER

E-2) BUSY E-4) NO FACSIMILE CONNECTION

BLACKWELL SANDERS PEPER MARTIN

1620 DODGE STREET, SUITE 2100 OMAHA, NEBRASKA 68102 TEL: (402) 964-5000 FAX: (402) 964-5050 WEBSITE: www.blackwellsandcrs.com

FACSIMILE COVER SHEET

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EXT #:	BILLING CODE: 8000 - 7006	3
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1100 ONEOK PLAZA 100 WEST FIFTH STREET TULSA, OKLAHOMA 74103-4217 TELEPHONE (918) 595-4800 FAX (918) 595-4990 www.gablelaw.com

February 11, 2005

OF COUNSEL

FRANK J. CATALANO† RICHARD W. GABLE CHARLES P. GOTWALS, JR. PAUL H. JOHNSON† LINDA A. KING MICHARL E. SELLERS† JOSEPH T. TILAI

†also registered in the U.S. Patent/Trademark Office

G. ELLIS GABLE

FIFTEENTH FLOOR
ONE LEADERSHIP SQUARE
211 NORTH ROBINSON
OKLAHOMA CITY, OK 73102-7101
TELEPHONE (405) 235-5509
FAX (405) 235-2875

VIA FACSIMILE (402)964-5050 AND ELECTRONIC MAIL

Kathryn A. Flaherty, Esq. Blackwell Sanders Peper Martin LLP 1620 Dodge Street, Suite 2100 Omaha, NE 68102-5050

Re:

Aquila, Inc. Gas Supply Issue

Dear Ms. Flaherty:

This letter is in response to your letter received on the evening of February 9 concerning the previous notices sent by ONEOK Bushton Processing, Inc. ("OBPI") and ONEOK Field Services Company ("OFS") to Aquila, Inc. ("Aquila") for the removal of the Delivery Points for Aquila's residential and domestic customers under Sections 5.3 and 12.2 of the Gas Sales Agreement dated February 1, 2004 (the "Agreement"), because of safety concerns.

OBPI and OFS are at a loss to understand what is so "confusing" to Aquila about their statement that Aquila had agreed to provide to OBPI and OFS a list of its residential customers. The residential and domestic customers of Aquila are those most at risk from elevated levels of hydrogen sulfide and only Aquila can identify those customers. Further, OBPI and OFS only requested that Chuck Loomis identify Aquila's residential and domestic customers from a list of Aquila's customers that he previously provided to OBPI and OFS. Instead, Mr. Loomis volunteered in his February 8 letter to provide a comprehensive list of Aquila's customers. OBPI and OFS then requested that Aquila study its own comprehensive list of its customers in order to make certain that all residential and domestic customers of Aquila were identified. This request was the direct result of Aquila having difficulty in being able to identify its own residential and domestic customers and their meter locations last weekend.

OBPI and OFS did appreciate receiving the comprehensive list of Aquila's customers from you on February 8. However, OBPI and OFS were also subsequently advised by Aquila's field personnel that the list could not be relied upon to identify all of Aquila's residential and domestic customers. After several telephone discussions with Chuck Loomis and discussions

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EXHIBIT

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GABLE & GOTWALS

Kathryn A. Flaherty, Esq. February 11, 2005 Page 2

with Aquila's field personnel, OBPI and OFS were supplied with a supplemental list by Aquila on February 10 that identifies additional residential and domestic customers.

OBPI and OFS provided Aquila with further written direction today that the Delivery Point taps for all of Aquila's residential and domestic customers must be removed and also identified the meter locations from the lists supplied by Aquila to OBPI and OFS. The determination by OBPI and OFS that the Delivery Point taps for all of Aquila's residential and domestic customers must be removed is not based upon a measurement of an elevated level of hydrogen sulfide at the cusstomers'meters, but based on the condition of the wells connected to the gathering system and the dynamics of the gathering system itself. Waiting until an elevated level of hydrogen sulfide is actually measured at Aquila's customer's meter before removing a delivery point could mean that it will be too late to protect the customer.

As we have previously emphasized to Aquila, the principal and only reason why OBPI and OFS are removing Delivery Point taps under the Agreement is because of safety concerns to Aquila's customers. Elevated hydrogen sulfide levels have been observed throughout the gathering system. As OBPI and OFS have repeatedly explained to Aquila in previous conference calls, the gathering system is a common system, which means that the various segments of the gathering system are all interconnected so that areas of the gathering system that have elevated levels of hydrogen sulfide cannot be isolated from other areas. In addition, the conditions of the more than 3200 wells connected to the gathering system, as well as the dynamics of the gathering system itself, are constantly changing. The fact that an elevated level of hydrogen sulfide may not be observed at a Delivery Point tap at one point in time does not mean that days, hours or even minutes later, that the hydrogen sulfide levels cannot increase to an extremely dangerous level. The proximity of the location of an Aquila customer to a well with an elevated level of hydrogen sulfide is not determinative of the potential danger to the customer. OBPI and OFS are not willing to risk the safety of any of Aquila's residential and domestic customers in view of the uncertainties of the situation. It is for these reasons that OBPI and OFS have notified Aquila that all Delivery Point taps for its residential and domestic customers are being removed.

In regard to Aquila's request that it be provided with documentation showing that there are elevated levels of hydrogen sulfide in the gathering system, OBPI and OFS provided Aquila with a map of an affected part of their gathering system on February 4 which showed where they believed there may be elevated levels of hydrogen sulfide at Aquila's customer meter locations. After further research and investigation, OBPI and OFS prepared a new map showing that elevated levels of hydrogen sulfide had been observed on their gathering system in a larger area than originally thought. This map was shared with Aquila field personnel in a meeting with OBPI and OFS field personnel. Although the furnishing of documentation is not required under the Agreement, OBPI and OFS are willing to provide Aquila with whatever information is available to them. OBPI and OFS will not, however, agree to delay the removal of the Delivery Point taps for all of Aquila's residential and domestic customers until Aquila receives and examines that documentation. Because of the extremely hazardous and poisonous nature of

GABLE & GOTWALS

Kathryn A. Flaherty, Esq. February 11, 2005 Page 3

hydrogen sulfide, there is more than sufficient evidence to support the decision of OBPI and OFS that no residential or domestic customer of Aquila should remain connected to the system.

OBPI and OFS cannot give Aquila a definite timetable for when a determination will be made whether they will continue to deliver gas to Aquila's commercial and irrigation customers. OFS and OBPI are moving as quickly and prudently as possible with their investigation to determine whether they can safely continue to serve those customers of Aquila. As soon as that determination is made, Aquila will be notified.

OBPI and OFS have and will continue to work with Aquila to insure the safety of its customers. However, Aquila has not, at times, been willing to cooperate and even asked OBPI and OFS's field personnel to leave Aquila's offices. Finally, your letter contains a number of statements concerning what Aquila "demands," "requires," or "has previously requested," all of which are either inaccurate or intended to distort OBPI and OFS's attempts to cooperate with Aquila in a responsible manner to protect innocent customers of Aquila.

Should you have any questions concerning the above, please feel free to contact us.

Yours very truly,

Thomas J. Kirby
For the Firm

TJK:pm Enclosure

cc: Leo Haynos, KCC



Larry Fischer Vice President

March 14, 2005

VIA FACSIMILE (785-271 -3354)

Chair Brian J. Moline
Commissioner Robert E. Krebbiel
Commissioner Michael C. Moffet
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Re: H2S Impact on Southwest Kansas Natural Gas Consumers

Dear Commissioners:

In response to the question raised at the Working Group Meeting in Topeka held on March 1, 2005, as to whether ONEOK Field Services Company ("Field Services") would be able to continue to supply gas to Aquila, Inc. ("Aquila") and Midwest Energy, Inc. ("Midwest") to serve their irrigation utility customers, this letter is to advise the Commission that it is Field Services' present intention to continue to supply gas to Aquila and Midwest at the delivery points for utility service to those customers.

Field Services is continuing to evaluate whether it can safely supply gas from its gathering systems to Aquila and Midwest for service to their utility customers because of the observed high levels of hydrogen sulfide contained in the gas. While Field Services presently intends to continue to supply gas to Aquila and Midwest for service to their irrigation utility customers, it reserves the right to immediately discontinue supplying gas if it believes that there may be any hazard from the gas. Field Services's ability to deliver gas to Aquila and Midwest will also depend upon there being adequate supplies and pressure to continue deliveries.

Because of the uncertainties of the present situation, Field Services encourages Aquila, Midwest, and their customers to continue to investigate alternative sources of energy. Field Services will not continue to supply gas to Aquila and Midwest if it believes that it would place the safety of their utility customers at risk.

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Should you have any questions in regard to the above or the enclosed information, please feel free to contact Larry Fischer at 918-588-7944.

Very truly yours,

Larry L. Fischer

c: Leo M. Haynos Chief of Pipeline Safety Kansas Corporation Commission 1500 SW Arrowhead Road Topeka, KS 66604-4027

Lany L. Tosch

Mike Cochran Chief, Geology Section Kansas Department of Health and Environment 1000 S.W. Jackson Topeka, KS

Chuck Loomis Aquila, Inc. 110 E. 9th Street Lawrence, KS 66044

Bob Muirhead Midwest Energy, Inc. P.O. Box 898 Hays, KS 67601

Kirk Heger Southwest Kansas Irrigation Association P.O. Box 100 Hugoton, KS 67951



Larry Fischer Vice President

March 14, 2005

Leo M. Haynos Chief of Pipeline Safety Kansas Corporation Commission 1500 SW Arrowhead Road Topeka, KS 66604-4027

Re: H2S Impact on Southwest Kansas Natural Gas Consumers

Dear Mr. Haynos:

In response to the Items for Immediate Action contained in your Minutes for the March 1, 2005, meeting, ONEOK Field Services Company ("Field Services") is submitting the following information.

In regard to Item No. 1, Field Services does not have available to it the requested information on closed gathering systems served by its gathering systems. Field Services is researching that information and will furnish the requested information to the Commission as soon as it is available.

In regard to Item No. 2, Field Services does not have complete information currently available to it for all consumers (residential, irrigation, commercial) that may be connected to its gathering systems. As you know, Field Services does not supply gas to any consumers connected to its gathering systems. Field Services does, however, supply gas to Aquila, Inc. ("Aquila") and Midwest Energy, Inc. ("Midwest") at various delivery points who then supply gas to their utility customers. Field Services believes that Aquila and Midwest would be the best sources for the requested information.

In regard to Item No. 3, Field Services is submitting a spreadsheet that reflects all readings taken by Field Services over the last 3 years for which the levels of hydrogen sulfide in wells connected to its gathering systems were 4 ppm or greater. The spreadsheet also contains pressure data on the wells with high levels of hydrogen sulfide.

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Mr. Leo M. Haynos Page 2 March 14, 2005

In reviewing this information, the Commission must take into consideration that the readings taken by Field Services contain only point in time levels for hydrogen sulfide. As a normal practice, Field Services takes readings along with gas samples from each well connected to its gathering systems only on an annual basis unless a purchase contract specifies otherwise. Any additional readings were taken as a result of interstate pipelines notifying Field Services that they were receiving gas from Field Services' gathering systems that contained hydrogen sulfide levels in excess of 4 ppm.

Field Services has more than 2600 miles of pipeline on its gathering systems that have over 3200 meters at wellheads and other collection points. When an interstate pipeline notifies Field Services that it is receiving gas with high levels of hydrogen sulfide, field personnel are required to work backward from the interstate connection point to try to identify the well or wells that are the source of the hydrogen sulfide gas. Once the well or wells with high levels of hydrogen sulfide are identified, Field Services immediately shuts in the well and will not allow it back on the system until the producer has corrected the problem causing the high levels of hydrogen sulfide.

Because of the method that Field Services must use to try to identify wells that may be the source of hydrogen sulfide gas, the reading is not indicative that a well could not have potentially higher levels of hydrogen sulfide if its treating equipment was not working properly. Further, the readings taken by Field Services are for a point in time and the duration of flow for readings at high levels of hydrogen sulfide are not known. Field Services is aware that many of the wells connected to its gathering systems have treating equipment or have otherwise been treated for hydrogen sulfide gas.

Field Services has repeatedly notified producers with wells connected to its gathering systems of the continuing problems with hydrogen sulfide gas. Field Services has had readings for hydrogen sulfide levels as high as 486 ppm. Field Services has not taken readings at utility customer meters. Field Services understands, however, that when Aquila was disconnecting its residential and domestic use utility customers from Field Services' gathering system that some meter locations had readings for hydrogen sulfide as high as 19 to 48 ppm.

Should you have any questions in regard to the above or the enclosed information, please feel free to contact Larry Fischer at 918-588-7944.

Very truly yours,

Janes Lascher