

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

Before Commissioners:        Brian J. Moline, Chair  
                                     Robert E. Krehbiel  
                                     Michael C. Moffet

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

**SUSPENSION ORDER**

The above captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being duly advised in the premises, the Commission makes the following findings.

1.        On January 14, 2005, Kansas Gas Service, a Division of ONEOK, Inc. (“Kansas Gas Service” or “Company”), filed its Application seeking an Order from the Commission approving its request to establish a Gas Hedge Program that will enable the Company to take the necessary steps to limit the volatility of gas prices during the winter heating season. In support of its Application the Company filed the direct testimony of Mr. Richard H. Tangeman, its Director, FERC Regulatory & Strategy.

2.        The Company’s Application seeks authority to implement a permanent Gas Hedge Program permitting Kansas Gas Service to: (1) purchase, sell or otherwise arrange financial derivatives for the purpose of establishing a price ceiling for its COGR customers; (2) expend no more than \$14.0 million annually for the purpose of establishing that ceiling; (3) record those monies expended by Kansas Gas Service in an account to accrue interest at the rates and pursuant to the methodology set forth in paragraph 6 of its Application; (4) recover the balance of such account through the Company’s COGR for gas sold in the months of April

through October; (5) pass through all the derivative payoffs, both positive and negative, through the COGR during the winter months of November through March; and (6) make monthly reports throughout the Program year to apprise the Commission of both the Program's implementation and performance. According to Kansas Gas Service, the authorization requested will allow the Company to take actions that are reasonably designed to mitigate the volatility of gas prices during the winter heating season, at a reasonable cost, relative to Kansas Gas Service's traditional operations.

3. A full investigation of the Company's Application, which may result in a hearing, is deemed necessary and proper. Staff is without sufficient time to fully review, consider and analyze whether the Company's request is just and reasonable.

4. Suspension of the actions proposed in Kansas Gas Service's Application for establishing the requested Gas Hedge Program is required in order to allow sufficient time for a full investigation of this matter, which may result in a hearing.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

(A) Pursuant to K.S.A. 66-117, implementation of the actions proposed and requested for establishing a Gas Hedge Program as set forth in Kansas Gas Service's Application are suspended and their effective date deferred not more than two-hundred-forty (240) days from the date of filing the Application, January 14, 2005, until September 11, 2005, subject to further order or orders of the Commission.

(B) A party may file a petition for reconsideration of this Order within fifteen (15) days from the date of service of this Order. If service is by mail, service is complete upon mailing and three (3) days shall be added to the above time frame.

(C) The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders as it may deem necessary and proper.

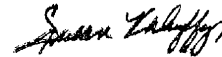
**BY THE COMMISSION IT IS SO ORDERED.**

Moline, Chr.; Krehbiel, Com.; Moffet, Com.

Dated: JAN 21 2005

ORDER MAILED

JAN 21 2005

 Executive  
Director

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Susan K. Duffy  
Executive Director

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