

ORDINANCE NO. 1988

CITY OF LEXINGTON, NEBRASKA

NEBRASKA

ORDINANCE NO. 1988

AN ORDINANCE ESTABLISHING A GAS SUPPLY COST ADJUSTMENT PROVISION WITH A BALANCING ACCOUNT TO PROVIDE FOR THE COLLECTION OF ACTUAL GAS SUPPLY COSTS OF K N ENERGY, INC. FROM RESIDENTIAL COMMERCIAL AND NON-CONTRACT USERS AND REPEALING ORDINANCE NO. 1734.

BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF LEXINGTON, NEBRASKA

SECTION 1.

The rates associated with providing natural gas service to residential, commercial and noncontract customers located in the City of Lexington, Nebraska, (City), may be adjusted upward and shall be adjusted downward to reflect changes in K N Energy, Inc.'s (Company) gas supply costs in accordance with the following provisions effective on and after May 2, 1993.

SECTION 2.

Gas Supply Cost Adjustment (GSCA) Clause

- A. The charges which the company makes for gas sold to its customers shall be subject to adjustment for changes in the systemwide average cost of gas (Base Gas Supply Cost).

Effective October 1 of each year, GSCA under this provision shall be computed on a unit-of-sales methodology, consisting of a projected annual filing based on the ensuing twelve month period ending September 30. Between annual filing periods, if the company experiences a change or changes in supplier rates or in sources of supply, and the cumulative effect of these changes is to produce a projected increase or decrease in the effective rate of at least \$0.001 per Therm for the remaining portion of the projected period, then an adjusted Base Gas Supply Cost may be determined.

The annual GSCA shall be filed at least thirty (30) days prior to the effective date and shall state the projected Base Gas Supply Cost and the Adjustment to Actual. Except for the Adjustment to Actual, a gas supply cost adjustment shall be reflected in rates only when it represents a dollar amount equal to at least \$0.001 per Therm of jurisdictional sales. The projected Base Gas Supply Cost projection and any revised projections throughout the year as well as the

actual Base Gas Supply Cost used for monthly deferrals to FERC account 191 will be computed using the following formulas:

Step 1:

$$(GC+DC+E+S-P)*JC\% = \text{Commodity Jurisdictional Gas Supply Costs (CJC)}$$

$$(GD*JD\%)+DD = \text{Demand Jurisdictional Gas Supply Cost (DJC)}$$

$$CJC+DJC = \text{Total Jurisdictional Gas Supply Cost (TJC)}$$

Step 2:

$$TJC \div JS = \text{Base Gas Supply Cost}$$

Where:

GC = The total dollar commodity cost of purchased gas supply for the period. Commodity purchased gas costs are those costs which are properly includable in the following FERC accounts:

- 800 Well Head Purchases
- 800.1 Well Head Purchases Intracompany Transfers
- 801 Field Line Purchases
- 802 Gasoline Plant Outlet Purchases
- 803 Transmission Line Purchases
- 804 Natural Gas City Gate Purchases

DC = The total dollar commodity delivery cost of purchased gas supply for the period. Commodity delivery costs include all commodity charges incurred for delivery and storage of gas except those charges specifically excluded in Section 6 of this ordinance. Such costs shall be recorded in the same accounts as those used to record costs under GC.

GD = The total dollar demand cost of purchased gas from each supplier for the period. Demand purchased gas costs are those costs which are properly includable in the same FERC accounts as for GC.

DD = The total dollar demand delivery cost for the rate area for the period. Demand delivery costs include all demand charges incurred for delivery and storage of gas except those charges specifically excluded in Section 6 of this

ordinance. Such costs shall be recorded in the same accounts as those used to record costs under GC.

- E = The net cost arising from exchange gas transactions during the period. Exchange gas expense is the cost which is properly includable in FERC account 806 "Exchange Gas".
- S = The net cost of stored gas for the period using the inventory accounting method adopted by the Company. Stored gas expense are those costs which are properly includable in FERC account 808.1 "Gas Withdrawn From Storage" and 808.2 "Gas Delivered To Storage".
- P = The net revenues associated with the processing of natural gas. Such revenues shall be net of all costs required to process the gas, including the cost of fuel and shrink, and shall be net of all costs associated with disposal of the resulting processed byproducts.
- JC% = The rate area jurisdictional sales volume divided by system-wide sales volumes stated in MMBTU's for the period.
- JD% = The rate area contract demand level as last approved by the City divided by the Company's system-wide contract demand level.
- JS = The rate area jurisdictional billing determinants stated in therms for the period.

In the event the FERC or its successor modifies the Uniform System of Accounts for recording gas supply costs, such modifications are incorporated herein by reference and will be adopted by the Company.

SECTION 3.

In addition to the Base Gas Supply Cost described above, the annual GSCA filing shall also include an Adjustment to Actual. The purpose of this rate adjustment will be to true-up any over or underrecoveries of Jurisdictional Gas Supply Cost as calculated under Section 2 above arising from a prior accumulation period. The accumulation period for computing the Adjustment to Actual will be the twelve month period ending June 30.

The Adjustment to Actual shall be calculated by determining the difference between the actual Jurisdictional Gas Supply Cost experienced and the projected Jurisdictional Gas Supply Cost recovered in rates each month during the accumulation period as reflected in FERC account 191, "Unrecovered Purchased Gas Costs". The difference will be the amount over or underrecovered for the accumulation period. This amount, plus any remaining

unamortized amount at June 30 relating to prior periods, plus interest as provided in Section 5, will be amortized over projected normalized sales volumes for the twelve-month period commencing October 1 ("Adjustment to Actual").

SECTION 4.

Frequency Of Change. The Gas Supply Cost and Adjustment to Actual will be subject to revision annually on October 1, or at other times as appropriate. Changes will become effective upon thirty (30) days written notice.

SECTION 5.

Interest will be calculated and recorded in FERC account 191 on any over or underrecovered amounts at a rate equal to the then current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission. Interest will be calculated monthly by applying the interest rate to the current accumulation period over or underrecovered gas cost beginning of month balance less related accumulated deferred income taxes reflected in FERC account 283 "Accumulated Deferred Income Taxes - Other". Any accumulated interest amounts will be added to or subtracted from the accumulated deferred gas costs and become part of the Adjustment to Actual calculation as described under Section 3 above.

SECTION 6.

Certain gas supply costs will be not be tracked through this ordinance. These costs can only be changed through the general rate case procedures contained in the Municipal Natural Gas Regulation Act. Specifically, costs which are not tracked as a result of the provisions of this ordinance are as follows:

- 1). Costs incurred as a result of the Company changing its mix or level of FERC regulated services.
- 2). Costs incurred as a result of Order No. 636 surcharges, excluding non-affiliated third party surcharges.

SECTION 7.

The Company shall file three copies of the following information with the largest municipality in the Rate Area at the same time the Company files the information with the appropriate regulatory body:

- 1) The Federal Energy Regulatory Commission Form 2 of the Company or any of the Company's affiliates providing gathering, transmission and storage services to the Company.
- 2) All filings with the Federal Energy Regulatory Commission reflecting changes in rates or tariffs for gathering, transmission, and storage services by the Company or by any of the Company's affiliates providing any such service to the Company.

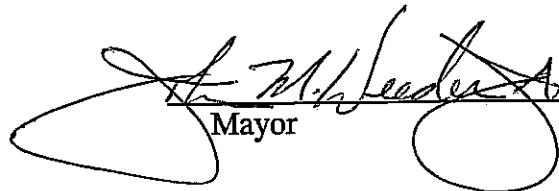
SECTION 8.

Ordinance No.1734, and all other ordinances and parts of ordinances in conflict with this ordinance are hereby repealed.

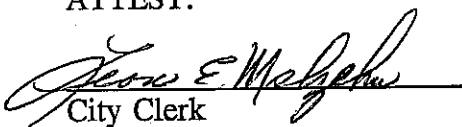
SECTION 9.

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

Passed and approved this 12th day of October, 1993.


Mayor

ATTEST:


City Clerk

