

**Exhibit No.:**

**Issues:**

**Witness:**

**Type of Exhibit:**

**Sponsoring Party:**

**Case No:**

**MKP/RPC Pipeline**

**Adjustment**

**Wendell C. Putman**

**Rebuttal Testimony**

**Mid-Kansas Partnership/Riverside  
Pipeline Company, L.P.**

**GR-96-450**

**MID-KANSAS PARTNERSHIP/RIVERSIDE PIPELINE COMPANY, L.P.**

**REBUTTAL TESTIMONY**

**OF**

**WENDELL C. PUTMAN**

**MISSOURI GAS ENERGY**

**A division of**

**Southern Union Company**

**CASE NO. GR-96-450**

**Jefferson City, Missouri  
December, 1998**

**FILED**

**DEC 16 1998**

**Missouri Public  
Service Commission**

# **REBUTTAL TESTIMONY OF**

## **WENDELL C. PUTMAN**

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1                                   **BEFORE THE PUBLIC SERVICE COMMISSION**  
2  
3                                   **OF THE STATE OF MISSOURI**  
4

5  
6   In the matter of Missouri Gas Energy's Gas Cost Adjustment   )  
7   Tariff Revisions to be reviewed in Its 1996-1997 Annual       )   Case No. GR-96-450  
8   Reconciliation Adjustment Account                               )

9  
10                               **REBUTTAL TESTIMONY OF**  
11                               **WENDELL C. PUTMAN**  
12

13  
14                               **I. Introduction**  
15

16   Q.     Please state your name and business address.

17  
18   A.     My name is Wendell C. Putman and my business address is 2027 2045 Drive,  
19           Cedaredge, CO 81413.

20  
21   Q.     Please state by whom you are employed and in what capacity.

22  
23   A.     I am Operations Engineer and Consultant for Kansas Pipeline Operating  
24           Company (KPOC). KPOC provides operating services on behalf of Kansas  
25           Pipeline Company (KPC). Kansas Pipeline Company is an interstate natural gas  
26           pipeline company regulated by the Federal Energy Regulatory Commission  
27           (FERC). Kansas Pipeline Company owns and operates about 1,400 miles of  
28           natural gas transmission pipelines in Oklahoma, Kansas and Missouri. Prior to  
29           May 11, 1998, Kansas Pipeline Company's assets were held by Kansas Pipeline  
30           Partnership (KPP), KansOk Partnership (KOP), and Riverside Pipeline Company,  
31           L.P. (Riverside). Previously, KPP had been an intrastate pipeline regulated by the

1 Kansas Corporation Commission. KOP was an Oklahoma intrastate regulated by  
2 the FERC. Riverside was an interstate pipeline also regulated by the FERC.

3  
4 Q. Please summarize your previous work experience.

5  
6 A. Beginning in 1966, I held several engineering related positions with Farmland  
7 Industries, Inc. In 1975 I became Chief Engineer at Farmland's refinery in  
8 Coffeyville, Kansas. In 1977, I became Director of Administration of Farmland's  
9 Manufacturing Division, and in 1979, I became Executive Director, Petroleum.  
10 As Executive Director, Petroleum my responsibilities included directing the  
11 planning, budgeting, and operations of Farmland's petroleum business, including  
12 exploration and production of oil and gas; refining; natural gas acquisition and  
13 processing; crude oil and product supply and movement; and petroleum  
14 marketing.

15  
16 In 1979, I was appointed Vice President, Petroleum Operations, managing  
17 Farmland's petroleum business with sales of \$1.3 Billion annually and with assets  
18 of more than \$400 Million.

19  
20 In 1983, I joined Kansas Pipeline Company and from 1983 to 1990 served as  
21 President of Kansas Pipeline Company with overall responsibility for managing  
22 the supply, transmission and marketing of natural gas. Between 1990 and 1995 I

1 was Executive Vice President of KPOC. Since 1995, I have been Operations  
2 Engineer and Consultant for KPOC.

3  
4 Q. Have you previously offered testimony before Regulatory Agencies?

5  
6 A. Yes, I have. On at least two prior occasions, I have testified before this  
7 Commission. I have provided testimony before other regulatory bodies, including  
8 the Kansas Corporation Commission (KCC) and the FERC, on at least six  
9 occasions. In each instance, my testimony was related to the rates, contracts,  
10 and/or operations of KPC and predecessor entities.

11  
12 Q. Would you please state the purpose of your testimony ?

13  
14 A. The purpose of my testimony is to describe how MGE demonstrated prudent  
15 management and decision making, considering the circumstances and facts  
16 existing at the time when Mid-Kansas Partnership (Mid-Kansas) entered into and  
17 executed the Mid-Kansas II (Interim) Firm Gas Purchase Contract on February  
18 24, 1995, with Missouri Gas Energy, a division of Southern Union Company  
19 (MGE) for the sale and transportation of natural gas from Oklahoma through  
20 Kansas and into Missouri at the delivery point in Platte County, Missouri known  
21 as the Riverside location for up to 46,332 MMBtu per day (hereafter Mid-Kansas  
22 II Agreement).

23

1 Q. Would you please summarize your major findings and conclusions?

2

3 A. Yes. Based upon information known at the time the contracts were executed, I  
4 believe MGE's decision to execute the Mid-Kansas II Agreement was clearly  
5 prudent and reasonable because the renegotiated contract has significantly more  
6 favorable terms to both MGE and Missouri ratepayers. In addition, MGE was able  
7 to use the renegotiation process to expand competition and diversify its supply  
8 portfolio by negotiating a new transportation contract with Riverside for 150,000  
9 MMBtu per day at a point of interconnection between Panhandle Eastern Pipeline  
10 Company's pipeline, south of Kansas City, to an interconnection with MGE's  
11 distribution facilities near 107<sup>th</sup> and Elm in Kansas City, Missouri (Riverside II  
12 Agreement). This new contract ultimately led to the construction of a new lateral  
13 pipeline between Panhandle and MGE that also interconnects with KN Interstate  
14 Gas Transmission Co.'s Pony Express line. As a result of the Mid-Kansas II  
15 Agreement and Riverside II Agreement, both executed on February 24, 1995,  
16 MGE improved the terms of an existing contract and diversified its gas supply  
17 portfolio while creating alternate sources of transportation into Kansas City. In  
18 short, I believe that:

- 19 • The renegotiation of the Mid-Kansas I Agreement was prudent in that it  
20 resulted in new agreements that increased competitive transportation options  
21 while diversifying MGE's gas procurement portfolio
- 22 • The renegotiation of the Mid-Kansas I Agreement was prudent in that it  
23 resulted in the Riverside I Agreement. This Agreement eliminated Mid-

1 Kansas' merchant function, thereby allowing MGE to gain autonomy over  
2 gas purchasing practices.

- 3 • The execution of the Mid-Kansas II Agreement was prudent because: (i) it  
4 provided MGE with a more favorable commodity price based upon the  
5 Transok spot index instead of a Mid-Continent spot; (ii) it lowered the index  
6 from 114% to 105%; (iii) it eliminated the risk of increased transportation  
7 costs by setting a fixed rate for upstream transportation; (iv) it eliminated  
8 surcharges and transition charges of any kind that would result in charges in  
9 excess of the fixed contractually specified rates; (v) it gave MGE an  
10 opportunity for increased operational flexibility by providing them with the  
11 option to take assignment of the Transok lease; and (vi) it allowed MGE to  
12 maximize their opportunity to purchase less expensive Transok gas by  
13 eliminating the 4 BCF annual gas take limitation that existed under Mid-  
14 Kansas I.

15  
16 **II. Renegotiation of Mid-Kansas I Was Prudent**

17 Q. Have you reviewed the testimony of Mr. Michael J. Wallis on behalf of the MPSC  
18 Staff in this docket?

19  
20 A. Yes, I have and I believe Mr. Wallis' testimony is entirely reliant upon improper  
21 hindsight analysis that ignores the circumstances and facts known to MGE in  
22 early 1995 when MGE entered into the Mid-Kansas II Agreement.  
23

1 Q. Prior to executing the Mid-Kansas II Agreement, could you explain the contractual  
2 relationship between Mid-Kansas/Riverside and Western (predecessor to MGE)?  
3

4 A. The relationship between Mid-Kansas/Riverside and Western, prior to Mid-  
5 Kansas II, in the context of Missouri markets, was governed by one sales  
6 agreement and one transportation agreement. First, the parties operated under a  
7 sales agreement dated January 15, 1990, as amended on October 3, 1991 with a  
8 maximum daily quantity of 46,332 MMBtu, hereinafter referred to as the Mid-  
9 Kansas I Sales Agreement (Attached as **Schedule WCP 1**).<sup>1</sup> Second, the parties  
10 operated under a transportation agreement dated January 15, 1990, as amended on  
11 October 3, 1991, with a maximum daily quantity of 46,332 MMBtu (with a 4  
12 BCF limitation), hereinafter referred to as the Riverside Transportation  
13 Agreement (Attached as **Schedule WCP 2**).<sup>2</sup> Under these agreements, Mid-  
14 Kansas provided a bundled sales service to Western (and subsequently to MGE,  
15 after their acquisition of Western's facilities), with Riverside providing  
16 transportation service across the Kansas-Missouri border and into an  
17 interconnection with the Western distribution system.  
18

19 Q. Could you briefly summarize the transportation and commodity pricing  
20 components in those agreements as they applied to MGE?  
21

---

<sup>1</sup> The Mid-Kansas I Agreement terminated on May 31, 1995, and was replaced by the Mid-Kansas II Agreement executed on February 24, 1995.

<sup>2</sup> The Riverside Transportation Agreement terminated on May 31, 1995, and transportation service was acquired via Mid-Kansas II effective June 1, 1995.



1 A. The transportation service was provided at the maximum established rate of each  
2 of the upstream pipelines. In order to deliver gas to MGE, Mid-Kansas utilized  
3 the upstream facilities of Riverside, KPP, and KOP. The FERC established the  
4 just and reasonable transportation rates of Riverside and KOP, while the KCC  
5 established the just and reasonable transportation rates of KPP. The commodity  
6 price under the contract was based upon Mid-Kansas' actual weighted average  
7 cost of gas, which was acquired at 114% of the weighted average cost of six mid-  
8 continent pipelines' spot price.

9  
10 Q. Did MGE attempt to renegotiate their obligations under the terms of those  
11 agreements?

12  
13 A. Yes. Soon after acquiring the contracts (along with the distribution facilities)  
14 from Western on January 31, 1994, MGE initiated their campaign to renegotiate  
15 the terms of those agreements. By February 1995, MGE and Mid-  
16 Kansas/Riverside had renegotiated three (3) agreements, all of which materially  
17 benefited MGE and Missouri ratepayers. One of these contracts, Mid-Kansas II  
18 (Attached as **Schedule WCP 3**), contains the charges that are being challenged by  
19 Staff in GR-96-450.

20  
21 Q. Please continue.

22

1 A. First, on February 24, 1995, MGE and Mid-Kansas/Riverside executed the Mid-  
2 Kansas II Agreement, which replaced the Mid-Kansas I Agreement and the  
3 Riverside Transportation Agreement, for the supply of 46,332 MMBtu per day.  
4 The Mid-Kansas II Agreement went into effect on June 1, 1995, as a firm gas  
5 purchase agreement, whereby Mid-Kansas was responsible for acquiring natural  
6 gas in Oklahoma and delivering the gas to the Riverside delivery point in Platte  
7 County, Missouri. However, MGE desired to eliminate Mid-Kansas' merchant  
8 function and, instead, wanted to receive unbundled service from Riverside. As  
9 such, MGE and Riverside executed another contract on February 24, 1995,  
10 entitled "Riverside I Firm Gas Transportation Agreement" (hereafter, Riverside I  
11 Agreement), attached as **Schedule WCP 4**. This agreement provided that  
12 Riverside and its affiliates would transport up to 46,332 MMBtu per day from  
13 Oklahoma to MGE in Missouri, as soon as Riverside and its affiliates had FERC  
14 authority to charge rates for this transportation-only service. The Riverside I  
15 Agreement became effective on June 1, 1998. The Mid-Kansas II Agreement and  
16 the Riverside I Agreement provided significant concessions and benefits to MGE  
17 and Missouri ratepayers, but maintained MGE's long-term contractual obligation  
18 that existed by virtue of the Mid-Kansas I Agreement and Riverside  
19 Transportation Agreement. MGE and Riverside also executed a third agreement  
20 on February 24, 1995, entitled "Riverside II (150,000) Firm Gas Transportation  
21 Service Agreement", (hereafter "Riverside II Agreement") attached as **Schedule**  
22 **WCP 5**. The Riverside II Agreement contemplated transportation service for up  
23 to 150,000 MMBtu per day, commencing on October 1, 1996 or 1997, contingent

1 upon Riverside's construction of a pipeline from Panhandle Eastern Pipe Line's  
2 facilities south of Kansas City, to MGE's local distribution system near 107<sup>th</sup> and  
3 Elm in Kansas City, Missouri.

4  
5 Q. Was the Mid-Kansas II Agreement in effect between MGE and Mid-Kansas  
6 during the subject ACA period of July 1, 1996 through June 30, 1997?

7  
8 A. Yes, it was.

9  
10 Q. Did MGE's negotiation and execution of the Mid-Kansas II Agreement reduce  
11 their cost of natural gas supply?

12  
13 A. Yes. By negotiating a more favorable price index basis, which will be discussed  
14 more completely in subsequent testimony, MGE's cost of gas is lower under the  
15 Mid-Kansas II Agreement as compared to the cost of gas under the original Mid-  
16 Kansas I Agreement. MGE's witness, Michael Langston agrees with this  
17 assessment. (See **Schedule WCP 6-1**, Deposition Transcript of Michael T.  
18 Langston, page 28, lines 20-25).

19  
20 Q. Do you believe MGE was prudent in renegotiating the Mid-Kansas I Agreement?

21  
22 A. I believe MGE was prudent in renegotiating the Mid-Kansas I Agreement. In  
23 addition to reducing its cost for gas supply, MGE effectively increased the

1 diversity of its gas supply portfolio, and decreased its reliance on Williams  
2 Natural Gas (now known as Williams Gas Pipelines Central, hereafter, Williams).

3  
4 Q. How do you believe MGE was able to renegotiate the Mid-Kansas I Agreement  
5 on such favorable terms?

6  
7 A. MGE had significant leverage in those negotiations.<sup>3</sup> Shortly after MGE acquired  
8 the Mid-Kansas I and Riverside Transportation Agreements from Western  
9 Resources on January 31, 1994, Missouri Gas Energy filed two (2) lawsuits in the  
10 United States District Court for the Western District of Missouri in June of 1994,  
11 contesting the operations of the Mid-Kansas I Agreement, as well as other  
12 contracts for the construction of new pipeline facilities which MGE had taken  
13 assignment of from Western. Thereafter, MGE withheld \$2,582,978.26 in  
14 payments during the first two months of 1995 for services provided under the  
15 Mid-Kansas I Agreement and Riverside Transportation Agreement in November  
16 and December of 1994. Needless to say, those withholdings rapidly created a  
17 cashflow dilemma for Mid-Kansas/Riverside. In fact, within two months of MGE  
18 withholding payment for services rendered by Mid-Kansas, the parties reached a  
19 global settlement, resulting in the dismissal of MGE's lawsuits against Mid-  
20 Kansas/Riverside, and the execution of the three agreements on February 24,  
21 1995.

---

<sup>3</sup> Though MGE had significant leverage in those negotiations, that leverage was mitigated by MGE's assumption of Western's binding contractual obligations under the Mid-Kansas I Agreement and Riverside Transportation Agreement, including the term of those agreements, which did not expire until the year 2009.

1 Q. Instead of renegotiating the Mid-Kansas I Agreement and the Riverside  
2 Transportation Agreement, would it have been possible for MGE to simply refuse  
3 to take service from MKP/Riverside?  
4

5 A. No, such a decision would have come at a great cost to MGE. The Mid-Kansas I  
6 Agreement and the Riverside Transportation Agreement were legally enforceable  
7 contracts and were binding upon MGE through the year 2009. Simply walking  
8 away from the agreements would have constituted a breach of contract, thereby  
9 entitling Mid-Kansas/Riverside to any and all remedies afforded under the  
10 contracts and applicable law. These contracts represented about 40% of the  
11 transportation revenues of Mid-Kansas and their affiliates and were mortgaged to  
12 secure long-term financing. Consequently, neither Mid-Kansas/Riverside nor its  
13 lenders would have allowed MGE to simply terminate the Mid-Kansas I  
14 Agreement or the Riverside Transportation Agreement. Staff representative  
15 Thomas Shaw and MGE witness Michael T. Langston concur that walking away  
16 from the Mid-Kansas I Agreement and the Riverside Transportation Agreement  
17 were not viable options. (See **Schedule WCP 7-1**, Deposition Transcript of  
18 Thomas Shaw, page 78, lines 24-25 and page 79, lines 1-4 and **Schedule WCP 6-**  
19 **2**, Deposition Transcript of Michael T. Langston, page 42, lines 14-23).  
20

21 Q. Do you believe that buying out the remaining life of the Mid-Kansas I Agreement  
22 and the Riverside Transportation Agreement would have been a course of action  
23 that would have been prudent for MGE to follow?

1 A. No. First, Mid-Kansas and Riverside were not willing to consider the option of  
2 contract buyout. At that time, Mid-Kansas/Riverside's business plan emphasized  
3 entry into the Kansas City natural gas market as a long-term competitor. Thus, a  
4 buy-out of those long-term contracts would have been fundamentally counter-  
5 productive to the business objectives of Mid-Kansas/Riverside. Second, the end  
6 result to Mid-Kansas/Riverside of a contract buy-out by MGE would be to greatly  
7 diminish the value of facilities owned by KPP and KOP because the volume of  
8 natural gas flowing through those facilities would have been reduced by 49%.  
9 Thus, from a practical viewpoint, contract buy-out could have been accomplished  
10 only at such high cost that the cost to MGE would have been deemed highly  
11 imprudent. Since the Mid-Kansas I Agreement and the Riverside Transportation  
12 Agreement were long-term contracts, the price of buy-out would have been  
13 enormous. In fact, a conservative calculation of the net present value of the Mid-  
14 Kansas I Agreement and Riverside Transportation Agreement revenue stream  
15 exceeds \$100 million dollars. Moreover, even if MGE had been able to buy out  
16 those agreements, they still would have needed to contract with Williams and pay  
17 for an additional 46,332 MMBtu per day to replace the capacity under the Mid-  
18 Kansas I Agreement and Riverside Transportation Agreement. In effect, had  
19 MGE bought out the remaining years of the agreements, they would have paid  
20 twice for the same capacity. Additionally, contract buy-out would have radically  
21 departed from the expressed regulatory and public policy objectives at the time by  
22 reducing the diversity of MGE's supply portfolio while inhibiting competitive  
23 sources of transportation service in the Kansas City market.

1

2

### III. Execution of the Mid Kansas II Agreement Was Prudent

3

4

Q. Does the execution of the Mid-Kansas II Agreement by MGE meet the prudence standard adopted by this Commission?

5

6

7

A. Absolutely. It is my opinion that MGE acted in a manner that a reasonable person would deem to be prudent, and that their actions surrounding the execution of the Mid-Kansas II Agreement reflected an effective strategy by MGE to execute an agreement in the best interest of Missouri ratepayers.

10

11

12

Q. Can you be more specific about your reasons why MGE's actions were not only prudent, but reflected an effective gas supply procurement strategy?

13

14

15

A. The Mid-Kansas II Agreement substantially improved the Mid-Kansas I Agreement and the Riverside Transportation Agreement to the benefit of MGE and the Missouri ratepayers. MGE's negotiations resulted in at least five (5) material gains and improvements over the previous agreements. First, the Mid-Kansas II Agreement set the commodity at 105% of the Transok Spot Index versus the Mid-Kansas I Agreement where gas was acquired at 114% of a Mid-Continent Basket pipeline spot price. Not only was the 105% nine (9) percentage points lower than 114%, but, more importantly, the Transok index has historically been lower than the Mid-Continent Basket of Spot Prices. Thomas Shaw, a Staff representative, acknowledged that the Transok Spot Index has been historically

20

21

22

23

24

1 lower (See **Schedule WCP 7-2**, Deposition Transcript of Thomas Shaw, page 55,  
2 lines 19-25 and page 56, lines 1-23).

3  
4 Second, under the Mid-Kansas II Agreement, MGE's maximum financial liability  
5 for the cost of transportation was fixed, whereas the transportation component  
6 under the Mid-Kansas I Agreement was based upon Mid-Kansas' upstream  
7 charges paid to pipelines at their maximum allowed tariff *as those tariffs may*  
8 *change (increase) from time to time*. Under the Mid-Kansas II Agreement the  
9 transportation component was fixed at that time and could not increase for the  
10 remaining 14 years of the term.<sup>4</sup> Consequently, the risk of increased  
11 transportation costs were born by Mid-Kansas, under the Mid-Kansas II  
12 Agreement. In other words, if the cost of transportation on the upstream pipelines  
13 had gone up because of rate increases on those pipelines during the ensuing 14  
14 years, which was inevitable, Mid-Kansas was contractually obligated to absorb  
15 those costs, thereby insulating MGE and the Missouri ratepayers from those risks.

16  
17 Third, the Mid-Kansas II Agreement did not allow for surcharges or transition  
18 costs that would cause the contract rate to increase beyond the fixed, contractually  
19 specified level. On the other hand, the Mid-Kansas I Agreement did not preclude  
20 Mid-Kansas from passing on to MGE the surcharges of its upstream pipelines.

21  

---

<sup>4</sup> The only increase allowed under the fixed transportation rate agreement was a 2% escalator implemented every three years.



1 Fourth, the Mid-Kansas II Agreement granted MGE an option to take assignment  
2 of the Transok lease, providing MGE with more operational flexibility. Mr.  
3 Langston of MGE acknowledged that the option to take assignment was a  
4 material advantage to MGE (See **Schedule WCP 6-3**, Deposition Transcript of  
5 Michael T. Langston , page 37, lines 11-15).

6  
7 Fifth, under the Mid-Kansas I Agreement, MGE annual takes were limited to 4  
8 BCF. Under the Mid-Kansas II Agreement that 4 BCF volume limitation was  
9 eliminated, so that MGE had the right to take its MDQ of 46,332 MMBtu each  
10 and every day of the year. This modification proved to be a great advantage to  
11 MGE because, in the first two years after the execution of the Mid-Kansas II  
12 Agreement, MGE took delivery of competitively priced gas well in excess of the  
13 4 BCF limitation imposed by Mid-Kansas I. In fact, from July 1, 1995 to June 30,  
14 1996, and July 1 of 1996 through June 30, 1997 MGE took delivery of 6,886,524  
15 MMBtu and 8,641,948 MMBtu respectively. Moreover, the cost savings from  
16 sourcing this competitively priced Transok gas was over 5 million dollars  
17 (\$5,000,000) during the subject ACA period and was over 12 million dollars  
18 (\$12,000,000) from June 1, 1995, through the end of May, 1998 (See **Schedule**  
19 **JAWS 3 and Schedule JAWS 4** to the Rebuttal Testimony of Joan Schnepf). I  
20 will note, for the record, that Staff representative, Thomas Shaw, agrees that the  
21 Mid-Kansas II Agreement was more favorable to MGE and ratepayers than was  
22 the prior agreement (See **Schedule WCP 7-3**, Deposition Transcript of Thomas  
23 Shaw, page 58, lines 21-25).

1 Q. Other than those five specific improvements contained in the Mid-Kansas II  
2 agreement, are there any other aspects of MGE's strategy and business decision,  
3 in early 1995, that lead you to conclude that MGE acted prudently?  
4

5 A. Yes. As part of the package, MGE was able to negotiate two other agreements to  
6 their advantage. First, MGE was able to gain control of their gas purchases with  
7 the execution of the Riverside I Agreement. The Mid-Kansas II Agreement, by its  
8 own terms, was to expire and terminate as soon as the upstream pipelines, across  
9 which Mid-Kansas was transporting the gas, obtained FERC approval to transport  
10 on an interstate basis, in conformity with open access requirements. Once  
11 regulatory approval was obtained, MGE would receive unbundled transportation  
12 service via Riverside I. The transfer of the merchant function from Mid-Kansas  
13 to MGE was beneficial because it would allow MGE to use its greater buying  
14 power to make its own gas purchases for their system. MGE witness, Michael T.  
15 Langston, agrees that acquiring the merchant function was beneficial to MGE  
16 (See **Schedule WCP 6-4**, Deposition Transcription of Michael T. Langston, page  
17 41, lines 11-15). The Mid-Kansas II Agreement terminated on or about June 1,  
18 1998, and, today, MGE is exercising the merchant function under the Riverside I  
19 Agreement.  
20

21 Second, MGE used these renegotiations as an opportunity to expand competitive  
22 transportation options in the Kansas City market. MGE was able to negotiate a  
23 very good transaction for itself and the consumers of Missouri by entering into the

1 Riverside II Agreement. This agreement required Riverside to pay for the  
2 construction of a pipeline from approximately 30 miles south of Kansas City to an  
3 interconnection with MGE's facilities near 107<sup>th</sup> and Elm in Kansas City,  
4 Missouri. This new pipeline, which was built by KN Interstate Gas Transmission  
5 Co. (which bought the contract and construction work in progress from  
6 Riverside), ultimately connected the large transportation system of Panhandle  
7 Eastern Pipeline Company, as well as KN's Pony Express pipeline facility, to the  
8 distribution facilities of MGE. As a result of the Riverside II Project, negotiated  
9 by MGE, MGE's local distribution facilities now have access to major alternative  
10 pipeline sources of additional transportation capacity to compete with and help  
11 offset MGE's reliance upon Williams. Though Riverside sold the Riverside II  
12 Agreement to KN Energy, during the construction phase of the project, the lateral  
13 pipeline facility was ultimately completed. Today, as a direct result of MGE's  
14 negotiations and their execution of the Riverside II Agreement, there are  
15 alternative suppliers of transportation capacity to compete with Williams.  
16 Therefore, I believe that the decisions made by MGE in the execution of the Mid-  
17 Kansas II Agreement, the Riverside I Agreement, and the Riverside II Agreement  
18 on February 24, 1995, are producing substantial savings for the consumers of  
19 Missouri.

#### 21 IV. Conclusion

22 Q. Please summarize your conclusions.  
23

1 A. In summary, MGE accomplished three major benefits on behalf of the Missouri  
2 ratepayers by (i) enhancing the terms of the Mid-Kansas II Agreement to the  
3 benefit of the MGE and ratepayers; (ii) executing a transportation contract that  
4 transferred the merchant function to MGE and (iii) executing the Riverside II  
5 Agreement that resulted in meaningful long term competition in the Kansas City  
6 market. I believe MGE's decision to execute the Mid-Kansas II Agreement  
7 reflected effective negotiation and prudent decision-making on behalf of the  
8 ratepayers of Missouri. For these reasons, I strongly urge this Commission to not  
9 adopt the disallowance recommended by the Staff.

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the matter of the Missouri Gas Energy's )  
Gas Cost Adjustment Tariff Revisions to )  
Be Reviewed in its 1996-1997 Annual )  
Reconciliation Adjustment Account )

Case No. GR-96-450

**AFFIDAVIT OF WENDELL C. PUTMAN**

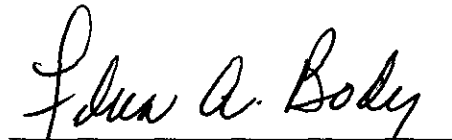
STATE OF KANSAS            )  
                                  )       ss.  
COUNTY OF JOHNSON        )

Wendell C. Putman, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, considering of 18 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Wendell C. Putman

Subscribed and sworn to before me this 30 day of November, 1998.



  
Notary Public

My commission Expires: 6/2/2002

February 1, 1994

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Phone (913) 575-1910  
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Richard H. Tangeman  
Assistant Vice President  
Gas Supply

Mr. Wendell C. Putnam  
Mid-Kansas Gas Gathering Company, L.P.  
8325 Lenexa Drive, Suite 255  
Lenexa, KS. 66214

Re: Notice of Assignment

Effective February 1, 1994, Western Resources, Inc. has assigned its rights and obligations under the Gas Purchase Agreement dated January 15, 1990, to Missouri Gas Energy ("MGE") a division of Southern Union Company, a Delaware corporation, and MGE will have assumed the same. Your organization consented to this assignment by execution of a Consent to Assignment and Release.

After the above-stated effective date, Western Resources will have no further rights or obligations pertaining to this Contract. After the above-stated effective date, any correspondence or notification with reference to this Contract should be directed to Missouri Gas Energy, 504 Lavaca, Suite 900, Austin, TX. 78701 Attn: Gas Supply, (512)404-7575.

Sincerely,

*Richard H. Tangeman*  
*by sf*

R. H. Tangeman  
Asst. Vice Pres., Gas Supply

tlb

AMENDMENT TO GAS PURCHASE AGREEMENT

WHEREAS, The Kansas Power and Light Company ("Buyer"), and Mid-Kansas Gas Gathering Company, L.P. ("Seller"), entered into a GAS PURCHASE AGREEMENT, on the 15th day of January, 1990; and

WHEREAS, Mid-Kansas Gas Gathering Company, L.P. has assigned all of its right, title and interest to the described GAS PURCHASE AGREEMENT dated the 15th day of January, 1990, to Mid-Kansas Partnership; and

WHEREAS, Buyer and Seller mutually desire to amend the GAS PURCHASE AGREEMENT dated the 15th day of January, 1990, as hereinafter set forth;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, and those mutual covenants set forth in other agreements between the parties concurrent herewith (all such concurrent agreements having been negotiated by the parties simultaneously, and the parties agree that the considerations set forth in any such concurrent agreement shall be deemed to have been a consideration and inducement herein, and vice versa), Buyer and Seller mutually agree that the GAS PURCHASE AGREEMENT dated the 15th day of January, 1990, shall be amended as follows:

1. ARTICLE II, Paragraph 2.1, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

2.1 It is recognized and understood that the volumes dedicated by Seller to Buyer may enter transmission facilities of others and may be commingled with other gas production with subsequent delivery to others including that of Seller's production sold to others. The above condition does not

relieve Seller from compliance with all provisions of this contract.

2. ARTICLE III, Paragraph 3.1, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

3.1 This Contract shall be effective from the date hereof, and thereafter until October 31, 2009, and shall be extended thereafter for successive five-year terms unless terminated by either party giving one-year prior written notice to the other party. First delivery under this contract began on November 1, 1990.

3. ARTICLE V, Paragraph 5.2, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

5.2 The price per Dth to be paid for natural gas delivered hereunder shall be the Seller's actual weighted average cost of gas and applicable gathering, and transportation and related charges. The portion of the cost of transporting such natural gas through pipeline transporters upstream of the Delivery Point(s) shall not exceed the maximum transportation rate authorized for such pipeline transporters approved by any applicable state or federal regulatory body.

4. ARTICLE V, Paragraph 5.3, shall be deleted in its entirety.

5. ARTICLE VI, Paragraph 6.1, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

6.1 The accounting month hereunder shall be the calendar month. Seller shall furnish to Buyer within five (5) days



after the end of each accounting month a statement for the charges computed pursuant to Article V. Payments by Buyer to Seller herein shall be made by Buyer no later than ten (10) days following receipt by Buyer of Seller's invoice each month for gas delivered during the preceding accounting month. A statement of the full details of Seller's measurement records at the delivery points hereunder shall be transmitted to Buyer when Seller submits its bill each month to Buyer. In the event of disputes regarding Seller's charges, Buyer may withhold from payment the amount in dispute until a resolution is reached. Any amount found to be properly charged shall be paid within five days thereafter, together with interest at the prevailing prime rate in the Kansas City Metropolitan Area from the original due date of such payment.

6. ARTICLE VI, Paragraph 6.3, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

6.3 Invoicing by Seller and payment by Buyer, as well as all other notices hereunder, shall be submitted to the following:

Mid Kansas Partnership  
520 College Oaks A  
11880 College Boulevard  
Overland Park, KS 66210

The Kansas Power and Light Company  
818 Kansas Avenue  
P. O. Box 889  
Topeka, KS 66601  
Attn: Director, Gas Supply

7. ARTICLE VIII, Paragraph 8.1, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

8.1 Subject to the terms and conditions of this contract, Buyer agrees to purchase and accept delivery of, and Seller agrees to sell and deliver to Buyer at the point(s) of delivery herein specified, the quantities of gas specified by months in Column 5 of Article 14.2 herein. Seller further agrees to sell and deliver the Maximum Daily Quantity (MDQ) volume of up to 46,332 Mcf per day. Buyer further agrees to purchase an annual volume from Seller of 4.0150 Bcf in each annual period commencing November 1.

Seller and Buyer agree and acknowledge that Buyer's market demand is weather-related, and that monthly volume requirements of Buyer may therefore vary within the annual period. However, Buyer shall not, for weather-related reasons, reduce the monthly volumes described herein in an amount more than proportionately to the reduction in Buyer's total deliveries under its RSm, GSm, GSk, GSf, and GSo Rate Schedules or their successor rate schedules in the markets served hereunder without the written agreement of Seller and Buyer, except as may be required by the operating capabilities and limits of Buyer's system. At Buyer's reasonable request, Seller shall make delivery volume adjustments during any day of operation, within the operating capabilities and limits of Seller's pipeline transporters.

8. ARTICLE VIII, Paragraph 8.2, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

8.2 For the period commencing with the effective date of this contract, Seller represents and warrants that it will on each day during the remaining term of this Agreement make available at Buyer's request an aggregate quantity of gas, properly nominated by Buyer as hereinafter described, up to a MDQ equivalent to 46,332 Mcf, at the Delivery Point or at other delivery points from Seller as mutually agreed to between the parties. Such MDQ may be exceeded from time to time upon mutual agreement of the parties; however, such quantities in excess of 46,332 Mcf per day are not warranted by Seller. Buyer shall use reasonable efforts to give maximum prior notice to Seller as the circumstances permit, before scheduling MDQ.

9. ARTICLE VIII, Paragraph 8.3, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

8.3 Should Seller fail for any reason in the months of March through November, excluding acts of God, strikes, lockouts or other industrial disturbances, plant closings, whether temporary or permanent, failure or malfunction of pipeline or appurtenant facilities relied upon by Seller or Seller's suppliers, due to mechanical or other reasons, including, but not limited to, breakage or freezing of pipelines or appurtenant facilities, acts of law (including governmental regulation or judicial decision), acts of public enemies, wars, blockades, earthquakes, fires, storms, floods, explosions, washouts, civil disturbances or failure of

Seller's or Buyer's contracted pipeline to transport gas (in which events Seller shall be excused except if failure to deliver results from failure of an affiliate of Seller as provided below), to tender one hundred percent (100%) of the MDQ or the currently nominated quantity by Buyer for delivery to Buyer, whichever is less, for more than 10 consecutive days or for a total of 20 days in any such nine-month period, which quantity is not made up by Seller during the month of occurrence, Seller shall acquire supplies sufficient to replace such shortfall and make them available to Buyer at no additional overall cost to Buyer. In the event such failure to deliver such volumes is the result of a failure by Seller's contracted pipeline to transport gas and such pipeline is an affiliate of Seller, such failure to deliver will be excused only if due to an event of the nature which would have excused performance by Seller. Should Seller fail to provide such guaranteed deliveries of gas for reasons other than those which excuse performance by Seller as set forth above, Buyer shall have the right to acquire replacement supplies from other sources and Seller shall be responsible for all additional costs incurred by Buyer in the purchase and delivery of such supplies. Buyer may not terminate this contract by reason of any unexcused failure to deliver.

In the event that Seller is rendered unable, wholly or in part, to perform its obligations hereunder as a result of events in the nature of those set forth above, Seller shall

immediately thereafter give notice to KPL of such event by telephone, with confirmation in writing within 24 hours, stating the full particulars of such event. Seller shall take appropriate action to remedy the cause of any inability to perform and shall provide immediate notice to KPL of the termination of its inability to meet its obligations hereunder.

10. ARTICLE VIII, Paragraph 8.4, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

8.4 Should Seller fail for any reason in the months of December, January and February, excluding acts of God, strikes, lockouts or other industrial disturbances, plant closings, whether temporary or permanent, failure or malfunction of pipeline or appurtenant facilities relied upon by Seller or Seller's suppliers, due to mechanical or other reasons, including, but not limited to, breakage or freezing of pipelines or appurtenant facilities, acts of law (including governmental regulation or judicial decision) acts of public enemies, wars, blockades, earthquakes, fires, storms, floods, explosions, washout, civil disturbances and failure of Seller's contracted pipeline to transport gas (in which events Seller shall be excused except if failure to deliver results from failure of an affiliate of Seller as provided below), to tender the lesser of 100% of the MDQ or the currently nominated quantity for delivery to Buyer from its currently connected supplies herein, Seller will acquire such shortfall

in supplies and make them available to Buyer at no additional overall cost to Buyer. In the event such failure to deliver such volumes is the result of a failure by Seller's contracted pipeline to transport gas and such pipeline is an affiliate of Seller, such failure to deliver will be excused only if due to an event of the nature which would have excused performance by Seller. Should Seller fail to provide such guaranteed deliveries of gas for reasons other than those which excuse performance by Seller as set forth above, Buyer shall have the right to acquire third party replacement supplies and Seller shall be responsible for all additional costs to Buyer in the arrangement and delivery of such supplies. Buyer may not terminate this contract by reason of any unexcused failure to deliver.

In the event that Seller is rendered unable, wholly or in part, to perform its obligations hereunder as a result of events in the nature of those set forth above, Seller shall immediately thereafter give notice to KPL of such event by telephone, with confirmation in writing within 24 hours, stating the full particulars of such event. Seller shall take appropriate and reasonable actions to remedy the cause of any inability to perform and shall provide immediate notice to KPL of the termination of its inability to meet its obligations hereunder.

11. ARTICLE VIII, Paragraph 8.7, shall be deleted in its entirety.

12. ARTICLE VIII, Paragraph 8.11, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

8.11 In no event shall this Contract be construed to impose a take-or-pay obligation on Buyer. Provided, however, that Buyer shall not reduce the annual volumes in ARTICLE VIII, Paragraph 8.1 herein, in an amount more than proportionately to the reduction in Buyer's total deliveries under its RSm, GSm, GSk, GSf, and GSo Rate Schedules or their successor rate schedules in the markets served <sup>by those rate schedules</sup> ~~hereunder~~ for the same annual period from a reference volume of 126.3 Bcf, measured for the period August 1, 1989 to July 31, 1990. Seller and Buyer recognize that the operating capabilities and limits of Buyer's system may prevent Buyer from taking an amount equal to the annual volumes set forth in Article VIII, Paragraph 8.1 herein. Should volumes delivered to Buyer in any contract year deviate from said annual contract volume level, the difference between actual contract year deliveries and said annual contract volumes shall be carried forward to the next contract year and Buyer's obligation to take shall be adjusted accordingly. Any such difference existing at the termination of this Agreement shall be eliminated within thirty (30) days of such termination.

13. ARTICLE IX, Paragraph 9.1 shall be deleted in its entirety, and in place thereof, shall be substituted the following:

9.1 Except for taxes included in the costs of service of Seller and the upstream pipelines providing service in

connection with this Agreement and recovered in their rates, Seller and Buyer shall each pay all taxes of every kind assessed to or levied on it by any governmental body, without passthrough or contribution by the other.

14. ARTICLE XII, Paragraph 12.1, shall be deleted in its entirety, and in place thereof, shall be substituted the following:

12.1 Seller hereby warrants that with respect to the supplies dedicated to Seller that support the deliveries to Buyer herein, Seller has complied with all requirements imposed by the Natural Gas Policy Act of 1978 and any amendments thereto. Seller further warrants that the price or prices provided for herein are not in excess of the prices set forth in the Natural Gas Policy Act of 1978 or any amendments thereto, for the category of gas to be delivered to Buyer hereunder. In the event the prices provided for herein are at any time determined by any governmental authority, having jurisdiction in the premise, to exceed the lawful prices for such gas, Seller agrees to adjust such prices and to refund to Buyer the entire difference between the lawful price and the price collected together with interest which shall accrue from the date of overcharge until the date on which a refund is made at an interest rate calculated in accordance with 18 C.F.R. §154.67(c)(2)(iii).

15. ARTICLE XIV, Paragraph 14.1, shall be deleted in its entirety, and in place thereof, shall be substituted the following:



14.1 Buyer has computed and provided below a three (3) year average load profile (monthly percentage of annual) of the "F" residential load purchased over the calendar years 1984, 1985, and 1986, which shall be used to establish the proportionate load pattern from which KPL will purchase from Seller.

16. ARTICLE XIV, Paragraph 14.3, shall be deleted in its entirety.

17. New Paragraphs 5.3 and 5.4 shall be added to ARTICLE V, as follows:

5.3 Transportation rates and charges included in Seller's price hereunder are subject to cost of service regulation by the regulatory authority having jurisdiction. No construction will be required by Seller to provide service hereunder and therefore no additional construction costs may be reflected in cost-based rates and charges for such service.

5.4 Should any regulatory authority having jurisdiction over the rates charged by Buyer for gas service at any time deny Buyer the right to recover any amount paid to Seller hereunder, Buyer shall notify Seller of such denial within thirty days thereof, and Seller shall reduce its rates and charges to Buyer for the affected service to the level approved for recovery retroactive to the first date of service for which recovery is denied. In the event such rate reduction is required, KPL and Seller will adjust the term of this Agreement to ensure that overall revenues generated

hereunder are adequate to allow Seller to recover its costs of operation and its financing costs, including principal, interest, and applicable financing fees, associated with the above level of service.

18. A new paragraph 8.10 shall be added to ARTICLE VIII, as follows:

The parties shall cooperate in the design and construction of their systems and in the location of new delivery points between Seller and Buyer and between Riverside Pipeline, on behalf of Seller, and Buyer to enable Seller's gas delivered to Buyer to be delivered to third parties attached to Buyer's distribution system located throughout the metropolitan Kansas City area to the extent reasonably feasible.

Except as amended above, all terms and conditions of the GAS PURCHASE AGREEMENT between Buyer and Seller shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed this 3rd day of October, 1991 to be effective as of November 1, 1991.

THE KANSAS POWER AND LIGHT COMPANY

By William L. Johnson  
William L. Johnson, President  
Gas Service Division

ATTEST:  
George R. Melling  
Secretary  
GEORGE R. MELLING  
Assistant Secretary


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MID-KANSAS PARTNERSHIP  
MID-KANSAS GAS, INC., GENERAL PARTNER

By

  
Wendell C. Putman  
Executive Vice President

ATTEST:

  
Kirk N. Blakely Assistant Secretary

STATE OF Missouri )  
COUNTY OF Jackson ) SS.

On this 3rd day of October, 1991, before me appeared William L. Johnson and George Melling, to me personally known, who, being by me duly sworn, did say that they are the President, Gas Service Division, and Assistant Secretary, respectively, of THE KANSAS POWER AND LIGHT COMPANY, a Kansas corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said appearance acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my official hand and seal on the date hereinabove written.

Marguerite M. Jenkins  
Notary Public in and for the

My Appointment Expires: \_\_\_\_\_  
MARGUERITE M. JENKINS of Missouri  
Notary Public - State of Missouri  
Commissioned in Jackson County  
My Commission Expires Sept. 9, 1992

STATE OF KANSAS

COUNTY OF JOHNSON

)  
) SS.  
)

On this 18<sup>th</sup> day of October, 1991, before me appeared Wendell C. Putman and Kirk N. Blackim, to me personally known, who, being by me duly sworn, did say that they are the Executive Vice President and Assistant Secretary, respectively, of MID-KANSAS GAS, INC., a Kansas corporation, General Partner of MID-KANSAS PARTNERSHIP, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said appearance acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my official hand and seal on the date hereinabove written.



Candie L. Sisk  
Notary Public in and for the  
State of Kansas

My Appointment Expires:

3-10-92

## GAS PURCHASE AGREEMENT

This Contract made and entered into this 15TH day of JANUARY, 1990, by and between THE KANSAS POWER AND LIGHT COMPANY, a Kansas corporation, hereinafter called "Buyer", and MID KANSAS GAS GATHERING COMPANY. L.P., a limited partnership, hereinafter called "Seller".

For and in consideration of the premises and the mutual covenants herein contained, and subject to the terms and conditions contained herein, the parties do covenant and agree as follows:

### ARTICLE I - GENERAL TERMS AND CONDITIONS

1.1 This Agreement is subject to the terms and conditions of the Interconnect Facility Operating Agreement entered into between Buyer and Riverside Pipeline Company, L.P. on December 4, 1989. In the event of any conflict between such agreement and this Agreement, the terms of this Agreement shall control.

### ARTICLE II - DEDICATION AND COMMITMENT

2.1 It is recognized and understood that the volumes dedicated by Seller to Buyer may enter transmission facilities of others and may be commingled with other gas production with subsequent delivery to others including that of Seller's production sold to others. The above condition does not relieve Seller from compliance with all provisions of this contract. Should performance of any provision hereunder by either party subject Buyer to jurisdiction under the Natural Gas Act as a pipeline company, this agreement shall be deemed

to have terminated one day prior to the action which brings about such jurisdiction.

#### ARTICLE III - TERM

3.1 This Contract shall be effective from the date hereof and thereafter until December 31, 1992 and shall be extended for successive one-year terms unless terminated by either party giving ninety (90) days written notice to the other party. First delivery under this contract shall begin on November 1, 1990.

#### ARTICLE IV - POINT OF DELIVERY

4.1 Natural gas sold hereunder shall be delivered by Seller to Buyer and title thereto shall pass to Buyer at the outlet of Kansas Pipeline Company, L.P.'s metering and regulating equipment where such facility interconnects with the inlet facilities of Riverside Pipeline Company, L.P. in Wyandotte County, Kansas as specifically provided for in Exhibit A hereto, hereinafter called "Delivery Point."

4.2 Seller shall at its cost, install, maintain and operate or cause such to occur, calorimeters at the Delivery Point and shall at all times provide Buyer's personnel with access to all BTU readings produced by such meters. Notwithstanding the above provision of Article 4.2, Seller shall not be required to install, or cause to be installed, a calorimeter at the Delivery Point, so long as the natural gas delivered by Seller is a commingled common gas stream derived from the same sources, and in the same mix, as natural gas from the facilities of Kansas Pipeline Company, L.P.

## ARTICLE V - PRICE

5.1 Seller shall sell gas to Buyer at the Delivery Point at a delivered price computed on a per Dth basis.

5.2 The price per Dth to be paid for natural gas delivered hereunder shall be the Seller's actual weighted cost of gas for that month plus the cost of transporting such natural gas through the pipeline system of Kansas Pipeline Company, L.P. to the Delivery Point. Such transportation cost shall not exceed 40 cents per Dth or the maximum transportation rate authorized for Kansas Pipeline Company, L.P. by the KCC, whichever is lower. Transportation from the Delivery Point to Buyer's facilities is the responsibility of Buyer.

5.3 Notwithstanding the price provisions set forth in Section 5.2 of this Agreement, Buyer shall not in any month pay Seller a price at the Delivery Point in excess of the Williams Natural Gas Company posted Rate Schedule F-2 price less 15 cents per Dth. If the F-2 Rate Schedule is replaced or superseded by a rate having a demand charge, WNG's rate, for purposes of such comparison, shall be determined by calculating KPL's average unit cost for gas purchased from WNG in the Kansas City Metropolitan Area.

## ARTICLE VI - PAYMENT

6.1 The accounting month shall conform at all times with the accounting month utilized by Williams Natural Gas Co. (WNG) in its provision of service to KPL. Seller shall furnish to Buyer within five (5) days after the end of each accounting month a statement for the charges computed pursuant to Article



V for actual volumes delivered. Payments by Buyer to Seller herein shall be made by Buyer no later than ten (10) days following receipt by Buyer of Seller's invoice each month for gas delivered during the preceding accounting month. A statement of the full details of Seller's measurement records at the delivery points hereunder shall be transmitted to Buyer when Seller submits its bill each month to Buyer. In the event of disputes regarding Seller's charges, Buyer may withhold from payment the amount in dispute until a resolution is reached. Any amount found to be properly charged shall be paid within five days thereafter, together with interest at the prevailing prime rate in the Kansas City Metropolitan Area from the original due date of such payment.

6.2 The U.S. postmark date shall be the effective date of all notices, billings, and payments.

6.3 Invoices by Seller and payments by Buyer shall be submitted to the following:

Mid Kansas Gas Gathering Company, L.P.  
520 College Oaks A  
11880 College Boulevard  
Overland Park, Kansas 66210

The Kansas Power and Light Company  
818 Kansas Avenue  
P. O. Box 889  
Topeka, Kansas 66601  
Attn.: Director, Gas Supply

#### ARTICLE VII - WARRANTY OF TITLE

7.1 Seller hereby warrants title to the gas delivered hereunder and the right of Seller to sell the same and agrees to defend the title against all persons whomsoever. Seller further warrants that all such gas is free from all liens and

adverse claims, including liens to secure payment of production taxes, severance taxes and other taxes.

#### ARTICLE VIII - QUANTITY OF GAS

8.1 Subject to the terms and conditions of this contract, Seller agrees to sell and deliver to Buyer at the Delivery Point, quantities of gas of up to 46,332 Mcf per day. Buyer agrees to purchase an annual volume from Seller of 4.0150 Bcf resulting from the exercise of KPL's reduction rights under the Revised Stipulation and Agreement between WNG and its customers which became effective on July 20, 1988. Notwithstanding the above, Buyer shall not be required to purchase from Seller on a daily or annual basis such gas as Buyer cannot use as a result of low demand or operating conditions in its market area. Nothing in this agreement shall require Buyer to violate the terms of its gas supply contract with WNG.

8.2 For the period commencing with the effective date of this contract, Seller represents and warrants that it will on each day during the remaining term of this Agreement make available at Buyer's request an aggregate quantity of gas, properly nominated by Buyer as hereinafter described, up to a Maximum Daily Quantity (MDQ) equivalent to 46,332 Mcf, at the Delivery Point or at other delivery points from Seller as mutually agreed to between the parties and identified on the attached Exhibit "A". Such MDQ may be exceeded from time to time upon mutual agreement of the parties; however, such quantities in excess of 46,332 Mcf per day are not warranted by Seller.

8.3 Should Seller fail for any reason in the months of March through November, excluding acts of God, strikes, lockouts or other industrial disturbances, plant closings, whether temporary or permanent, acts of law (including governmental regulation or judicial decision), acts of public enemies, wars, blockades, earthquakes, fires, storms, floods, explosions, washouts, civil disturbances or failure of Seller's or Buyer's contracted pipeline to transport gas, to tender an amount equal to the Maximum Allowed Total Purchase Volumes reflected in Article 14.2 for any such month divided by the number of days in the month, or the currently nominated quantity by Buyer for delivery to Buyer, whichever is less, for more than 10 consecutive days or for a total of 20 days in any such nine-month period, which quantity is not made up by Seller during the month of occurrence, Seller shall acquire supplies sufficient to replace such shortfall and make them available to Buyer consistent with the qualifications contained in both Seller's and Buyer's transport agreement(s), at no additional overall cost to Buyer. Should Seller fail to provide such guaranteed deliveries of gas, Buyer shall have the right to acquire replacement supplies from other sources and Seller shall be responsible for all additional costs incurred by Buyer in the purchase and delivery of such supplies.

8.4 Should Seller fail for any reason in the months of December, January and February, excluding acts of God, strikes, lockouts or other industrial disturbances, plant closings, whether temporary or permanent, acts of law (including

governmental regulation or judicial decision), acts of public enemies, wars, blockades, earthquakes, fires, storms, floods, explosions, washout, civil disturbances and failure of Seller's or Buyer's contracted pipeline to transport gas, to tender 100% of the MDQ or the quantity currently nominated by Buyer for delivery by Seller, whichever is less. Seller shall immediately acquire supplies sufficient to replace such shortfall and make them available to Buyer consistent with the qualifications contained in both Seller's and Buyer's transport agreement(s), at no additional overall cost to Buyer. Should Seller fail to provide such guaranteed deliveries of gas, Buyer shall have the right to acquire replacement supplies from the Supplier, and Seller shall be responsible for all additional costs incurred by Buyer in the purchase and delivery of such supplies.

8.5 It is understood that market requirements during warm days and summer months may demand volumes in the range of 2 to 5 MMcfd. Buyer shall use its best efforts to nominate and schedule natural gas deliveries to allow for temperature sensitive load variation of volumes consumed by Buyer's natural gas customers.

8.6 In no event shall Seller sell to others gas committed to Buyer under this contract, provided that on those days in which Buyer's market requires reduction in takes as provided in paragraph 8.1 and 8.5, Seller may sell to third parties the gas which Buyer does not take.

8.7 Should daily transportation volumes be delivered by Kansas Pipeline Company, L.P. and Riverside Pipeline Company, L.P. and received by Buyer for the account of third parties at any time during the term of this contract and become commingled at the metered delivery point or points herein with gas purchased by Buyer from Seller herein, then the first gas through such meter or meters shall be deemed to be the transportation volumes nominated and reported by Kansas Pipeline Company, L.P. and Riverside Pipeline Company, L.P. to Buyer for such third parties. Seller shall use its best efforts to insure that daily transportation volumes delivered by Seller to Buyer for redelivery to such third parties, approximate the daily volumes delivered by Seller to Kansas Pipeline Company, L.P. and by Kansas Pipeline Company, L.P. to Riverside Pipeline Company, L.P. for the accounts of such third parties.

8.8 Buyer may refuse transportation deliveries by Seller or on behalf of Seller should such transportation accounts be out of balance on a cumulative daily average delivery basis.

8.9 Buyer shall have the right, but not the obligation, to receive gas hereunder having a gross heating value of less than nine hundred thirty-four (934) BTU per cubic foot. The receipt of gas of lesser BTU content shall not constitute a waiver of Buyer's right to reject future deliveries of gas not conforming to said heating value requirement.

8.10 Seller may not reassign any portion of Buyer's contract quantity hereunder because Buyer discontinues the purchase of substandard gas volumes. Failure by Buyer to take

substandard gas from Seller shall not constitute a failure by Buyer to purchase gas under this Contract.

8.11 Nothing in this contract shall be construed to impose any take-or-pay or similar obligation on Buyer.

#### ARTICLE IX - TAXES

9.1 Seller and Buyer shall each pay all taxes of every kind assessed to or levied on it by any governmental body, without passthrough or contribution by the other.

#### ARTICLE X - LAWS AND REGULATION

10.1 This Agreement and the rates and services hereunder are subject to regulation by the regulatory authority having jurisdiction; to all applicable present and future state and federal laws; and to all rules, regulations, and orders of any other regulatory authority having jurisdiction of the subject matter or either of the parties hereto. Each party shall do all things necessary to expeditiously obtain any regulatory approval, license, franchise or certificate required for the performance of this agreement.

#### ARTICLE XI - ASSIGNMENT

11.1 This Contract shall extend to and be binding upon the parties hereto, their successors and assigns, but no transfer or succession of instruments of either party shall bind or affect the other until an original transfer or instrument of succession or certified copy thereof is delivered to the other party.

#### ARTICLE XII - NATURAL GAS POLICY ACT OF 1978

12.1 Seller hereby warrants that with respect to the supplies dedicated to Seller that support the deliveries to Buyer herein, Seller has complied with all requirements imposed by the Natural Gas Policy Act of 1978 and any amendments thereto. Seller further warrants that the price or prices provided for herein are not in excess of the prices set forth in the Natural Gas Policy Act of 1978 or any amendments thereto, for the category of gas to be delivered to Buyer hereunder. In the event the prices provided for herein are at any time determined by any governmental authority, having jurisdiction in the premise, to exceed the lawful prices for such gas, Seller agrees to adjust such prices and to refund to Buyer the entire difference between the lawful price and the price collected. Seller will pay no interest on the amount refunded unless Buyer is required and directed by judicial or governmental authority to pay interest on any resulting refund to its customers.

#### ARTICLE XIII - FORECASTS, SCHEDULES AND NOTICE

13.1 Both Buyer and Seller shall utilize reasonable efforts to notify each other at least eight hours in advance of proposed changes to scheduled volumes.

#### ARTICLE XIV - PURCHASE LOAD PROFILE

14.1 Buyer has computed and provided below a three-year average load profile (monthly percentage of annual) of the "F" residential load purchased from WNG over the calendar years

1984, 1985, and 1986, which shall be used to establish the proportionate load pattern from which KPL will purchase from Seller in accordance with KPL's reduction rights under WNG's Revised Stipulation and Agreement in FERC Docket Number RP86-32, et al.

14.2 The following table represents the combined KPL monthly load profile for its Kansas City, Missouri District.

<u>Month</u>	<u>Monthly % of Annual</u>	<u>Max. Allowed Reduction Right Under S &amp; A with Peak Day @ 46,332/MCF (MCF)</u>	<u>Max. Allowed Total Purchase Volume From Seller (MCF)</u>	<u>Seller's Peak Day Obligation (MCF)</u>
Jan	20.2	811,030	811,030	46,332
Feb	16.8	674,520	674,520	46,332
March	10.9	437,635	437,635	46,332
April	7.1	285,065	285,065	46,332
May	3.3	132,495	132,495	46,332
June	2.8	112,420	112,420	46,332
July	2.4	96,360	96,360	46,332
Aug	2.6	104,390	104,390	46,332
Sept	2.6	104,390	104,390	46,332
Oct	4.8	192,720	192,720	46,332
Nov	10.1	405,515	405,515	46,332
Dec	<u>16.4</u>	<u>658,460</u>	<u>658,460</u>	46,332
Total	100.0	4,015,000	4,015,000	

14.3 Should the terms of the above referenced Stipulation and Agreement or Buyer's gas supply contract with WNG be amended, by regulatory action or otherwise, to provide for reduction rights different from those now applicable to Buyer, the quantities and proportions set forth in Section 14.2 may be amended at Buyer's option to comport with such changes if necessary.



IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed as of the date first above written.

MID-KANSAS GAS GATHERING CO., L.P.

By: Mid-Kansas Gas Gathering Joint Venture, the sole General Partner of the Limited Partnership

By: Mid-Kansas Gas Gathering Joint Venture, Management Committee

WITNESS:

By:

Wendell C. Putman  
Wendell C. Putman  
Chairman of the Joint Venture Management Committee and Divisional President

WITNESS:

THE KANSAS POWER AND LIGHT COMPANY

By:

James W. Ingram <sup>mb</sup>  
Name: JAMES W INGRAM

Title: VP, GAS OPERATIONS

perconnect location

11

MISSOURI RIVER

SEC. 28 - TWP 10S - R. 25E

SEC. 14, SEC. 28 - TWP 10S - R. 25E

**June 10, 1961**

**RIVERSIDE PIPELINE CO., L. P.**  
THE PIPELINE MASTERS

**WITZ, DAVID A. DARRIN**  
10000 E. 10TH AVE. SUITE 1000 DENVER CO 80231  
303-751-1111

~~Schedule WCP-1~~  
Page 29 of 31

STATE OF KANSAS )  
COUNTY OF JOHNSON)

On this 10<sup>th</sup> day of January, 1990, before me appeared Wendell C. Putman, to me personally known, who, being by me duly sworn, did say that he is Divisional President and Chairman of the Joint Venture Management Committee of Mid-Kansas Gas Gathering Joint Venture, the General partner of MID-KANSAS GAS GATHERING COMPANY, L.P., and that he executed the foregoing instrument for the purposes and consideration therein expressed.

Given under my hand and seal of office on this 10<sup>th</sup> day of January, 1990.

Bernadine K. Farley  
Notary Public in and for the State  
of Kansas

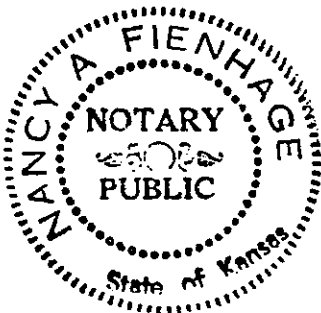
My Commission Expires: October 20, 1993



STATE OF KANSAS )  
COUNTY OF SHAWNEE)

On this 15th day of January, 1990, before me appeared  
James W. Ingram, to me personally known,  
who, being by me duly sworn, did say that he is Vice President of  
Gas Operations of THE KANSAS POWER AND LIGHT COMPANY,  
and that he executed the foregoing instrument for the purposes and  
consideration therein expressed.

Given under my hand and seal of office on this 15th  
day of January, 1990.



Nancy A. Fienhage

Notary Public in and for the State  
of Kansas

My Commission Expires: March 23, 1992

TRANSPORTATION AGREEMENT

RATE SCHEDULE FT

CONTRACT NO. 90-01

THIS AGREEMENT is made and entered into as of the 15<sup>th</sup> day of JANUARY, 19 90. by and between:

Riverside Pipeline Company, L.P., (hereinafter called "Riverside"), a Kansas Limited Partnership:

and

The KANSAS POWER AND LIGHT COMPANY, a Kansas Corporation  
(hereinafter called "Shipper"),

WHEREAS, Riverside is an interstate pipeline company;

WHEREAS, Shipper desires to receive firm transportation service from Riverside and Riverside desires to provide such transportation at conditions which are subject to Riverside's Rate Schedule FT;

NOW THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties agree as follows:

ARTICLE 1 - TRANSPORTATION

- 1.1 Riverside agrees to receive at the Point of Receipt and redeliver at the Point of Redelivery, on a firm basis, quantities of natural gas upto the following daily quantities, which shall constitute the Firm Transportation Quantity:

46,332 (Mcf/day).

Shipper's Annual Quantity Entitlement shall not otherwise be limited.

- 1.2 The Firm Transportation Quantity stated above shall not be subject to reduction by Riverside except as may become necessary in accordance with Riverside's FERC approved general terms and conditions as the result of curtailment.

## ARTICLE 2 - TERM

- 2.1 This Agreement shall be effective from November 1, 1990, and shall remain effective through December 31, 1992 and thereafter shall be extended for successive one-year terms until terminated by Riverside or Shipper upon at least ninety (90) days prior notice to the other.

## ARTICLE 3 - RATES AND CHARGES

- 3.1 For the services provided or contracted for hereunder, Shipper agrees to pay Riverside the then-effective applicable rates and charges under Riverside's Rate Schedule FT filed with the Commission, as such rates and charges and Rate Schedule FT may hereafter be modified, supplemented, superseded, or replaced generally or as to the service hereunder. Riverside reserves the unilateral right from time to time to file and to make effective any such changes in the terms of rate levels under Rate Schedule FT and the applicability thereof, the General Terms and Conditions for Transportation Service or any other provisions of Riverside's Tariff, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder, and Shipper shall have the right to protest such charges before the regulatory body reviewing such charges.
- 3.2 From time to time Riverside and Shipper may agree in writing, on a level of discount of the otherwise applicable rates and charges hereunder, pursuant to the effective applicable provisions or Rate Schedule FT and subject to the Regulations and Orders of the Commission. Any discount(s) shall be effective only on a prospective basis and as specified in the written agreement between Riverside and Shipper.
- 3.3 Notwithstanding the provisions of Section 3.1 and 3.2 above, for the services provided or contracted for hereunder, Riverside and Shipper may agree on a level of discount of the otherwise applicable rates and charges pursuant to the effective applicable provisions of Rate Schedule FT and subject to the Regulations and Orders of the Commission. Shipper agrees to pay in addition to any discounted rates established hereunder all applicable charges established under paragraphs 3.1 and 3.2 of the tariff or their successors.

#### ARTICLE 4 - GENERAL TERMS AND CONDITIONS

- 4.1 This Agreement and all terms for service hereunder are subject to the further provisions of the General Terms and Conditions for Transportation Service in Original Volume No. 1 of Riverside's Tariff, as such may be modified, supplemented, superseded or replaced generally or as to the service hereunder. Such General Terms and Conditions for Transportation Service, as may be changed from time to time, are by this reference incorporated in their entirety into this Agreement and made an integral part hereof.

#### ARTICLE 5 - NOMINATIONS AND NOTICES

- 5.1 Periodic scheduling and nominations of the quantities of service requested hereunder must be provided by Shipper to Riverside, at the times and according to the procedures specified in Section 12 of the General Terms and Conditions for Transportation Service (or succeeding effective provisions). All other notices, requests, demands, statements, or bills, or any other notice which a party may desire or be required to give to the other, shall be deemed to be received, only upon actual receipt by such party. The addresses of the parties hereto are as follows:

##### PIPELINE

Scheduling and  
Notification:

Riverside Pipeline Company, L.P.  
ATTN: Wendell C Putman,  
Divisional President  
520 College Oaks A  
11880 College Boulevard  
Overland Park, KS 66210

Telephone: (913) 451-3330  
Facsimile: (913) 661-4719

##### SHIPPER

Scheduling and  
Notification

THE KANSAS POWER AND LIGHT COMPANY  
ATTN: B J ROBERTS  
Director, Gas Supply  
818 Kansas Avenue  
Topeka, KS 66612

Telephone: (913) 296-1910  
Facsimile: (913) 296-6596

#### ARTICLE 6 - CANCELLATION OF PREVIOUS CONTRACTS

- 6.1 This Agreement supersedes, cancels, and terminates, as of the date(s) stated below, the following contracts (if any) between the parties with respect to the transportation of natural gas:

#### ARTICLE 7 - SUCCESSION AND ASSIGNMENTS

- 7.1 This Agreement may only be assigned upon the written consent of the other party, such consent not to be unreasonably withheld, in which event this Agreement shall bind and inure to the respective successors and assigns of the parties thereto; however, nothing contained herein shall prevent either party from pledging, mortgaging, or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under this Agreement.

#### ARTICLE 8 - OTHER PROVISIONS

- 8.1 Shipper shall use the contract number above for scheduling or nominating volumes of natural gas to be transported under this contract for firm transportation.
- 8.2 Shipper agrees that payments under this Agreement shall be by wire transfer or, upon the approval of Riverside, mutually agreeable alternative.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in several counterparts by their respective officers or other persons duly authorized to do so, as of the date first stated above.

RIVERSIDE PIPELINE CO., L.P.

By: Riverside Pipeline Joint  
Venture, the sole General  
Partner of the Limited  
Partnership

By: Riverside Pipeline Joint  
Venture, Management Committee

WITNESS:

*Lee L. Whitaker*

By: *Wendell C. Putman*  
Wendell C. Putman  
Chairman of the Joint Venture  
Management Committee and  
Divisional President

WITNESS:

*James W. Ingram*

THE KANSAS POWER AND LIGHT COMPANY

By: *James W. Ingram* <sup>113</sup>

Name: JAMES W INGRAM

Title: VP. GAS OPERATIONS

STATE OF KANSAS )  
COUNTY OF JOHNSON)

On this 10<sup>th</sup> day of January, 1990, before me appeared Wendell C. Putman, to me personally known, who, being by me duly sworn, did say that he is Divisional President and Chairman of the Joint Venture Management Committee of Riverside Pipeline Joint Venture, the General partner of RIVERSIDE PIPELINE COMPANY, L.P., and that he executed the foregoing instrument for the purposes and consideration therein expressed.

Given under my hand and seal of office on this 10<sup>th</sup> day of January, 1990.

Bernadine K. Farley

Notary Public in and for the State  
of Kansas

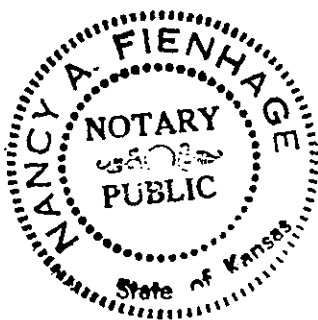
My Commission Expires: October 20 1993



STATE OF KANSAS )  
 )  
COUNTY OF SHAWNEE)

On this 15th day of January, 1990, before me appeared  
James W. Ingram, to me personally known,  
who, being by me duly sworn, did say that he is Vice President of  
Gas Operations of THE KANSAS POWER AND LIGHT COMPANY,  
and that he executed the foregoing instrument for the purposes and  
consideration therein expressed.

Given under my hand and seal of office on this 15th  
day of January, 1990.



Nancy A. Fienhage  
Notary Public in and for the State  
of Kansas

My Commission Expires: March 23, 1992

FORM OF SERVICE AGREEMENT  
RATE SCHEDULE FT

CONTRACT NO. FT-91-10-01

THIS AGREEMENT is made and entered into as of the 3<sup>rd</sup> day of October, 1991, by and between:

Riverside Pipeline Company, L.P., (hereinafter  
called "Riverside"), a Kansas Limited Partnership:

and

THE KANSAS POWER AND LIGHT COMPANY, a Kansas Corporation  
(hereinafter called "Shipper"),

WHEREAS, Riverside is an interstate pipeline company;

WHEREAS, Shipper desires to receive firm transportation service from Riverside and Riverside desires to provide such transportation at conditions which are subject to Riverside's Rate Schedule FT;

NOW THEREFORE, in consideration of the mutual covenants and agreements as herein set forth, the parties agree as follows:

ARTICLE 1 - TRANSPORTATION

- 1.1 Riverside agrees to receive at the Point of Receipt and redeliver at the Point of Redelivery, on a firm basis, quantities of natural gas up to the following daily quantities, which shall constitute the Firm Transportation Quantity:

48,668 (MMBtu/day).

Shipper's Annual Quantity Entitlement shall not otherwise be limited.

- 1.2 The Firm Transportation Quantity stated above shall not be subject to reduction by Riverside except as may become necessary in accordance with Riverside's approved general terms and conditions as the result of curtailment.

ARTICLE 2 - TERM

- 2.1 This Agreement shall be effective from JANUARY 1, 1993, and shall remain effective through OCTOBER 31, ~~2009~~, and thereafter shall be extended for successive one-year terms until terminated by Riverside or Shipper upon at least ninety (90) days prior notice to the other.

### ARTICLE 3 - RATES AND CHARGES

- 3.1 For the services provided or contracted for hereunder, Shipper agrees to pay Riverside the then-effective, applicable rates and charges under Riverside's Rate Schedule FT filed with the Commission, as such rates and charges and Rate Schedule FT may hereafter be modified, supplemented, superseded, or replaced generally or as to the service hereunder. Riverside reserves the unilateral right from time to time to file and to make effective any such changes in the terms of rate levels under Rate Schedule FT and the applicability thereof, the General Terms and Conditions for Transportation Service or any other provisions of Riverside's Tariff, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder, and Shipper shall have the right to protest such charges before the regulatory body reviewing such charges.
- 3.2 From time to time Riverside and Shipper may agree in writing, on a level of discount of the otherwise applicable rates and charges hereunder, pursuant to the effective applicable provisions of Rate Schedule FT and subject to the Regulations and Orders of the Commission. Any discount(s) shall be effective only on a prospective basis and as specified in the written agreement between Riverside and Shipper.
- 3.3 Notwithstanding the provisions of Section 3.1 and 3.2 above, for the services provided or contracted for hereunder, Riverside and Shipper may agree on a level of discount of the otherwise applicable rates and charges pursuant to the effective applicable provisions of Rate Schedule FT and subject to the Regulations and Orders of the Commission. Shipper agrees to pay in addition to any discounted rates established hereunder all applicable charges under Riverside's FT tariff other than those base rates established under paragraphs 3.1 and 3.2 of the tariff or their successors.

### ARTICLE 4 - GENERAL TERMS AND CONDITIONS

- 4.1 This Agreement and all terms for service hereunder are subject to the further provisions of the General Terms and Conditions for Transportation Service in Original Volume No. 1 of Riverside's Tariff, as such may be modified, supplemented, superseded or replaced generally or as to the service hereunder. Such General Terms and Conditions for Transportation Service, as may be changed from time to time, are by this reference incorporated in their entirety into this Agreement and made an integral part hereof.

## ARTICLE 5 - NOMINATIONS AND NOTICES

- 5.1 Periodic scheduling and nominations of the quantities of service requested hereunder must be provided by Shipper to Riverside, at the times and according to the procedures specified in Section 12 of the General Terms and Conditions for Transportation Service (or succeeding effective provisions). All other notices, requests, demands, statements, or bills, or any other notice which a party may desire or be required to give to the other, shall be deemed to be received, only upon actual receipt by such party. The addresses of the parties hereto are as follows:

### PIPELINE

Scheduling and  
Notification:

RIVERSIDE PIPELINE COMPANY, L.P.  
Attn: Wendell C. Putman,  
President  
520 College Oaks A  
11880 College Boulevard  
Overland Park, KS 66210  
Telephone: (913) 451-3330  
Facsimile: (913) 451-4719

### SHIPPER

Scheduling and  
Notification:

THE KANSAS POWER AND LIGHT COMPANY  
Attn: R.H. Tangeman  
Asst. Vice President, Gas Supply  
818 Kansas Avenue  
Topeka, KS 66612  
Telephone: (913) 296-1910  
Facsimile: (913) 296-6405

## ARTICLE 6 - CANCELLATION OF PREVIOUS CONTRACTS

- 6.1 This Agreement supersedes, cancels, and terminates, as of the date(s) stated below, the following contracts (if any) between the parties with respect to the transportation of natural gas:

## ARTICLE 7 - SUCCESSION AND ASSIGNMENTS

- 7.1 This Agreement may only be assigned upon the written consent of the other party, such consent not to be reasonably withheld, in which event this Agreement shall bind and inure to the respective successors and assigns of the parties

thereto; however, nothing contained herein shall prevent either party from pledging, mortgaging, or assigning its rights as security for its indebtedness and either party may assign to the pledgee or mortgagee (or to a trustee for the holder of such indebtedness) any money due or to become due under this Agreement.

ARTICLE 8 - OTHER PROVISIONS

- 8.1 Shipper shall use the contract number above for scheduling or nominating volumes of natural gas to be transported under this contract for firm transportation.
- 8.2 Shipper agrees that payments under this Agreement shall be by wire transfer or, upon the approval of Riverside, mutually agreeable alternative.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in several counterparts by their respective officers or other persons duly authorized to do so, as of the date first stated above.

RIVERSIDE PIPELINE COMPANY, L.P.,

By: Riverside Pipeline Company  
General Partner

By: Wendell C. Putman  
Wendell C. Putman, President

THE KANSAS POWER AND LIGHT COMPANY  
(Shipper)

By: William G. Johnson  
President and Chief Executive Officer  
Gas Service Division  
(Title)

(Seal)

EXECUTED October 3, 1991

ATTEST:

By

George P. Melby  
Assistant Secretary  
(Title)

EXHIBIT A

Service Agreement Between Riverside Pipeline Company, L.P. For  
Service Under Rate Schedule FT

and The Kansas Power & Light Company

dated October 3, 1991

Exhibit Date October 3, 1991

Supersedes Exhibit A dated (None)

Contract No. \_\_\_\_\_

Firm Transportation Quantity <sup>MMBTU</sup>~~(Mcf)~~/day) 48,668

TRANSPORTATION

<u>No.</u>	<u>Received From</u>	<u>Redelivered to</u>	<u>Quantity</u> <sup>MMBTU</sup> <del>(Mcf)</del> /day)
------------	----------------------	-----------------------	---

William D. Johnson  
(Signature of Shipper)

Wendell C. Putman  
(Signature for Riverside)

October 3, 1991  
(Date)

October 18, 1991  
(Date)



## FIRST AMENDMENT TO GAS PURCHASE CONTRACT

THIS AGREEMENT is made this 10th day of July, 1995, by and between MISSOURI GAS ENERGY, a division of Southern Union company, a Delaware corporation ("Buyer") and MID-KANSAS PARTNERSHIP, a Kansas partnership ("Seller").

WHEREAS, Seller and Buyer have executed a certain firm gas purchase contract dated February 24, 1995, captioned Mid-Kansas II (Interim) Firm Gas Purchase Contract, (the "Original Agreement") whereby Buyer agreed to purchase and Seller agreed to sell certain volumes of natural gas; and

WHEREAS, Seller and Buyer desire to amend the Original Agreement by executing this First Amendment to Gas Purchase Contract (the "First Amendment").

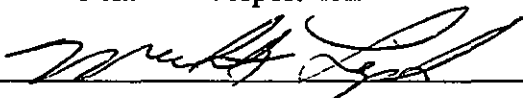
NOW, THEREFORE, in consideration of Ten Dollars and other good and valuable consideration and the mutual agreements stated herein, Buyer and Seller agree as follows:

1. **Amendment to Section 4.2(a)(i)**. Section 4.2(a)(i) of the Original Agreement is hereby deleted in its entirety and the following provision is substituted therefor:  
"(i) for all quantities of gas purchased by Buyer hereunder during a given month within the quantities which Buyer nominates for delivery hereunder prior to the first of such month, the sum of: (A) one hundred five percent (105%) of the index price published in the first publication of such month of Gas Daily Price Guide as the Intrastate Price Index for Oklahoma deliveries to Transok, Inc. (Non-Fuser); plus (B) the cost of transportation as specified in Section 4.3 hereof; plus (C) reimbursement for the cost of Fuel Gas incurred by Seller in transporting the supplies hereunder, calculated at the quantities for Fuel Gas set forth in Section 1.1(d) hereof and at the cost of gas set forth in subparagraph (A) above; and"
2. **Effective Date of Amendment**. The price index revision made herein shall be effective for deliveries made on and after June 1, 1995.
3. **No Impairment**. Except as expressly amended in this First Amendment, the terms of the Original Agreement shall continue in full force and effect and are fully incorporated herein by reference thereto:

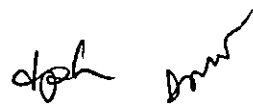
EXECUTED on the dates indicated below, to be effective June 1, 1995.

**MISSOURI GAS ENERGY**, a division of  
Southern Union Company, a  
Delaware corporation

By:



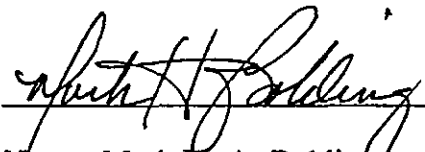
Name: Michael T. Langston  
Title: Vice President



**MID-KANSAS PARTNERSHIP**, a Kansas  
partnership

By: Syenergy Pipeline Company, L. P., a Kansas  
limited partnership, Managing General  
Partner

By: Bishop Pipeline Company, General Partner

By: 

Name: Mark H. A. Bolding  
Title: Executive Vice President

MID-KANSAS II (INTERIM)  
FIRM GAS PURCHASE CONTRACT

This Contract (the "Contract") made and entered into this 24 day of February, 1995, by and between MISSOURI GAS ENERGY, a division of Southern Union Company, a Delaware corporation, hereinafter called "Buyer", and MID-KANSAS PARTNERSHIP, a Kansas partnership, hereinafter called "Seller".

For and in consideration of the premises and the mutual covenants herein contained, and subject to the terms and conditions contained herein, the parties do covenant and agree as follows:

ARTICLE I - DEFINITIONS

1.1 As used herein, the following terms shall have the following meaning:

- (a) The abbreviation "Btu" means British thermal unit.
- (b) The term "day" means the 24-hour period commencing at seven o'clock a.m. Central Time (7:00 a.m.) on one calendar day and ending at 7:00 a.m. on the following calendar day.
- (c) "Delivery Point" shall have the meaning set forth in Section 3.1 hereto.
- (d) "Fuel Gas" shall mean a quantity of gas equal to the quantity of gas required to be tendered by Seller to the pipelines used by Seller to transport the gas to be delivered hereunder as compensation for fuel gas, line loss, or unaccounted for gas, calculated at the rate of (i) 2.36% of the quantity of gas delivered by Seller for transportation on the pipeline systems of Kansas Pipeline Partnership, Riverside Pipeline Company, L.P., Kansas Natural Partnership, and that portion of the pipeline facilities of KansOk Partnership that do not include the leased capacity held by KansOk Partnership on the pipeline system of Transok, Inc.; plus (ii) 1.5% of the quantity of gas delivered by Seller for transportation on the pipeline system of Transok, Inc., or such percent as may at any time become effective pursuant to the Amended and Restated Agreement of Lease and Amended and Restated Operating Agreement between KansOk Partnership and Transok, Inc., dated April 24, 1992, as further amended on March 1, 1994 and August 25, 1994 ("Transok Lease"). Such "Fuel Gas" quantity shall remain fixed as calculated pursuant to the terms

of (i) and (ii) above for the term of this Agreement, except that the quantity of Fuel Gas shall be adjusted upon the assignment of the Transok Lease as provided in Section 10.2 hereof.

- (e) "Firm Basis" shall mean pursuant to the conditions (i) that the sales service being provided hereunder shall not be curtailed, withheld, delayed, or otherwise interrupted for any reason unrelated to an event of force majeure (as defined herein) affecting the operational or then physical capacity of the pipeline facilities used by Seller to transport the gas to be delivered hereunder, and (ii) that in the event such interruption occurs, that Seller shall receive as favorable a priority for the transportation of the gas to be sold hereunder as that provided to any other user of such pipeline facilities.
- (f) "Firm Transportation" shall mean transportation provided on a Firm Basis.
- (g) "Firm Transportation Agreements" shall mean transportation agreements providing for the transportation of gas on a Firm Basis.
- (h) "Maximum Daily Quantity" shall be the amount set forth in Section 2.1 herein.
- (i) "MMBtu" shall mean million Btu.
- (j) The term "month" means the period commencing at seven o'clock a.m., Central Time (7:00 a.m.) on the first day of a calendar month and ending at 7:00 a.m. on the first day of the next calendar month.
- (k) "Gas" or "Natural Gas" means gas from gas wells, casinghead gas produced with crude oil, and residue gas resulting from the processing of either gas well gas or casinghead gas or both.
- (l) The abbreviation "Psia" means pounds per square inch, absolute. "Psig" means pounds per square inch, gauge.
- (m) "Relevant Facilities" shall have the meaning set forth in Section 2.2 hereto.
- (n) "Riverside" shall mean Riverside Pipeline Company, L.P.
- (o) "Riverside I Agreement" shall have the meaning set forth in Section 6.2 hereof.

- (p) "Transok Lease" shall have the meaning set forth in Section 1.1(d) hereof. Seller represents and warrants that the form of the Transok Lease in effect as of February 1, 1995 is the Amended and Restated Agreement of Lease and Amended and Restated Operating Agreement between KansOk Partnership and Transok, Inc. ("Transok"), dated April 24, 1992, as amended on March 1, 1994, and August 25, 1994. Buyer represents and warrants that it has received a copy of this form of Transok Lease from Seller and has fully reviewed the terms thereof.
- (q) "Transok System" shall mean the pipeline system of Transok, Inc., as described in Sections 1.1 and 1.2 of the Transok Lease.

## ARTICLE II - SCOPE OF GAS SALES SERVICE

2.1 Subject to the terms and conditions of this Contract, Seller agrees to sell and deliver to Buyer each day on a Firm Basis, at the Delivery Point herein specified, the quantities of gas specified by Buyer, up to 46,332 MMBtu per day (the "Maximum Daily Quantity").

2.2 If, on any given day the transportation capacity on any of the lines or laterals used by Seller to transport the gas to be sold hereunder (the "Relevant Facilities") is insufficient to transport all volumes of natural gas sold hereunder, Seller shall ensure that all such capacity as may be available in the Relevant Facilities is allocated on a ratable basis giving consideration to Buyer's Maximum Daily Quantity entitlement as compared to the maximum daily entitlements of other, similarly situated shippers holding Firm Transportation Agreements for use of the Relevant Facilities.

2.3 In consideration of the commitments made by Buyer hereunder, should any customer served by Buyer or capable of being served by Buyer directly from its distribution system become interconnected with (other than through Buyer) and contract for firm service to be received through the pipeline system of Riverside at any time during the term of this Contract, Buyer shall have the unilateral right to reduce by notice to Seller the Maximum Daily Quantity otherwise then applicable hereunder. The amount of such reduction of the Maximum Daily Quantity shall be equal to the amount of firm service which such customer has contracted to receive through Riverside.

2.4 On or before the 22nd day of each month during the term of this Contract, Buyer shall notify Seller of Buyer's nomination of natural gas for the immediately succeeding month as contemplated by Section 4.2(a)(ii). The parties recognize and agree, however, that any such nomination shall not serve to

obligate Buyer hereunder, to purchase either the quantity nominated or any other quantity during such month, but rather that Buyer shall retain the right hereunder to purchase all or any portion of its requirements as it may deem appropriate, up to the Maximum Daily Quantity, without regard to such nomination.

### ARTICLE III - POINT OF DELIVERY

3.1 Natural gas sold hereunder shall be delivered by Seller to Buyer and title thereto shall pass to Buyer at the outlet of the existing interconnect between Riverside's metering and regulating equipment, and the inlet facilities of Buyer's distribution system located in Section 8, Township 50N, Range 33E, Platte County, Missouri, hereinafter referred to as the "Delivery Point."

3.2 The pressure at which gas will be delivered to Buyer at the Delivery Point shall be that existing from time to time in the facilities of Riverside at such point, in any event at pressures adequate to enter the facilities of Buyer, but in no event shall that pressure be required to be in excess of 250 Psig. Such delivery pressure shall be adjusted to ensure continuous capability to deliver into Buyer's facilities at various times of the year including such times as Buyer may be required to increase the pressure in its facilities in order to accommodate its peak day demand. Seller shall pay for and maintain any additional facilities as may be necessary to ensure its ability to deliver at the Delivery Point the Maximum Daily Quantity hereunder at the pressures described above. In no event shall Seller deliver at pressures which exceed the maximum allowable operating pressure of Buyer's facilities at the Delivery Point.

3.3 The measurement, metering and quality of and nomination procedures for the gas delivered hereunder shall be in accordance with the provisions of Riverside's FERC Gas Tariff.

3.4 Seller shall make provisions for reading the meter(s) and other related equipment used to receive and deliver gas hereunder at regular intervals. The charts or records related to such receipts and deliveries will be accessible to Buyer for inspection and examination at all reasonable times upon reasonable notice.

3.5 At least once each year, Seller and Buyer shall review the capacity of the Delivery Point. In the event the parties mutually agree to modify, enhance or upgrade the capacity or deliverability of such facilities, such costs shall be borne according to the following principles:

- (a) The cost of facilities constructed at the Delivery Point in order to increase the total quantities of gas above the Maximum Daily Quantity specified

herein delivered solely to Buyer, and constructed at Buyer's request, for its use in its purchase and resale activities, shall be borne by Buyer;

- (b) The cost of all other facilities shall be borne by Seller.

Unless otherwise agreed to in writing, all such facilities shall be owned, operated and maintained by Seller or its designee. Notwithstanding any other provision hereof, Seller shall have the obligation under this Contract to install any additional facilities necessary for the purpose of permitting deliveries at the Delivery Point where such volumes are within the existing Maximum Daily Quantity hereunder.

3.6 Seller shall ensure that Buyer has access to the appropriate facilities necessary to install at the Delivery Point such telemetry units or other volume and/or pressure information devices at its sole cost and expense as are necessary in Buyer's sole opinion to insure adequate balancing of the volumes dispatched under this Contract. Seller also shall ensure that Buyer has access to the appropriate facilities necessary to provide Buyer with signals from transducers or other electronic devices as may be installed at the Delivery Point, or, in the alternative, the right to install such equipment at such point, in order to provide Buyer with appropriate access to remote pressure information about gas flowing through the Delivery Point. Buyer shall fully indemnify Seller for operation of any of Buyer's equipment located on sites owned or contractually provided for by Seller.

#### ARTICLE IV - PRICE

4.1 Seller shall sell gas to Buyer at the Delivery Point at a delivered price computed on a per MMBtu basis.

4.2 The price per MMBtu to be paid for natural gas delivered hereunder shall be:

- (a) prior to the assignment of the Transok Lease as provided in Section 10.1 hereof:
  - (i) for all quantities of gas purchased by Buyer hereunder during a given month within the quantities which Buyer nominates for delivery hereunder prior to the first of such month, the sum of (A) one hundred five percent (105%) of the index price published in the first publication each month of Inside FERC's Delivered to Pipeline Costs, indicated for deliveries to the Transok, Inc. intrastate system, plus (B) the cost of transportation as specified in Section 4.3 hereof, plus (C) reimbursement for the cost of Fuel Gas

incurred by Seller in transporting the supplies hereunder, calculated at the quantities for Fuel Gas set forth in Section 1.1(d) hereof and at the cost of gas set forth in (A) above; and

(ii) for all quantities of gas purchased each day by Buyer hereunder during a given month in excess of the quantities which Buyer nominates for delivery hereunder prior to the first of such month, the sum of (A) the actual cost of gas incurred by Seller in purchasing such excess gas for sale hereunder, but not to exceed one hundred ten percent (110%) of the highest price for such month for deliveries into the Transok System published in any of Natural Gas Intelligence Gas Price Index's "Contract Index," Inside FERC's "Delivered to Pipeline Cost," and Gas Daily's "Intrastate Price Survey" during the month in which such gas is delivered, plus (B) the amount stated in Section 4.2 (a)(i)(B) above, plus (C) the amount stated in Section 4.2(a)(i)(C) above, adjusted for the difference in the cost of gas included in Section 4.2(a)(ii)(A) above.

(b) subsequent to the assignment of the Transok Lease as provided in Section 10.1 hereof, the sum of (i) the cost of gas acquired on behalf of Seller for sale hereunder by Buyer as Seller's agent pursuant to the provisions of Section 10.3 hereof; plus (ii) the cost of transportation as specified in Section 4.3 hereof, reduced as provided for in Section 10.2 hereof; plus (iii) reimbursement for the cost of Fuel Gas incurred by Seller in transporting the supplies hereunder, calculated at the quantities for Fuel Gas set forth in Section 1.1(d) hereof, reduced as provided for in Section 10.2 hereof, and at the cost of gas set forth in (i) above.

4.3 Cost of Transportation. Subject to the other provisions hereof, the rates charged under this Contract for transportation shall be as follows:

(a) The base rate for transportation shall be as follows:

Demand Rate: \$15.5860 per MMBtu of Maximum Daily Quantity per month

Commodity Rate: \$0.0695 per MMBtu transported

(b) The rates stated in 4.3(a) above represent the sum of Riverside's current rates, plus the rates to be paid by Seller for upstream transportation to effect the total transportation service



contemplated hereunder. As of February 1, 1995, each of the rates to be paid by Seller for upstream transportation is the subject of regulatory review in the dockets listed on Schedule 4.3(b) hereto. As each such review progresses and orders are issued in such dockets which change these rates, the rate stated in paragraph (a) above shall be adjusted upwards or downwards, as may be the case, by the difference, if any, between the rate in effect for such pipeline on February 1, 1995, and the rate approved by such order in such docket, and all appropriate refunds, if any, shall be paid to Buyer. Once final orders are issued in all such dockets and the relevant proceedings are closed, no further adjustment shall be made in the rate charged to Buyer hereunder, except as provided either in paragraph (c) below or in Sections 4.4(c) or 10.2 hereof.

- (c) Subject to Section 8.1, effective on June 1, 1998, and on each third anniversary thereafter for the term of this Contract, the demand and commodity rates set forth in 4.2(a), as thereafter adjusted pursuant to Sections 4.3(b) and 4.4(c) and 10.2 hereof, shall be increased by an amount equal to 2% of the rate applicable prior to the day of such increase.
- (d) The rates provided for herein shall be fixed, contractually specified rates with respect to the services to be provided. Seller shall bear any charges allocated to the transportation of the gas sold hereunder above the rates fixed herein, including, without limitation, surcharges of any kind, charges for gas supply realignment costs, stranded investment, take-or-pay costs, environmental remediation costs, charges for fuel gas, line loss or unaccounted for gas in excess of the allowance made for Fuel Gas hereunder, or other similar or dissimilar charges, to the extent such charges result in transportation rates in excess of the rates set forth herein. Any changes in Riverside's or any other upstream transporter's generally applicable rates or any other rates shall not operate to change the contractually specified rates applicable to this Contract.

#### 4.4 Regulatory Disallowance.

- (a) Should any regulatory authority having jurisdiction over Buyer at any time deny Buyer the right to recover any amount paid to Seller hereunder, Buyer shall notify Seller of such

denial within thirty days thereof, and Seller shall reimburse Buyer for the amount of such denial, with interest, with such reimbursement retroactive to the first day of service for which recovery is denied. Such funds will be paid by Seller to Buyer at the times and in the same manner as Buyer is required to refund such amounts to its customers (regardless of whether or not such denial may at such times be subject to appellate review).

- (b) If the term of the Riverside I Agreement has not by then expired, then simultaneously with the payment of funds to Buyer pursuant to Section 4.4(a), the remaining term of the Riverside I Agreement shall be adjusted to ensure that the overall revenues generated under a combination of this Contract and the Riverside I Agreement are adequate to allow Seller, and its affiliate Riverside, to recover their costs of operation and their financing costs, including principal, interest, and applicable financing fees, associated with the above level of service. An example of the manner in which the parties intend paragraphs (a) and (b) to operate in the event of any such denial is attached hereto at Schedule 4.4(b).
- (c) Simultaneous with any extension of term pursuant to Section 4.4(b) above, Seller and Buyer additionally shall establish an escrow account, pursuant to the Escrow Agreement of even date herewith, attached hereto as Schedule 4.4(c). Within five (5) business days of presentation of notification of the denial described in Section 4.4(a) above, Seller shall deposit into the escrow account created pursuant to the Escrow Agreement an amount equal to the amount which Seller would be required to refund to Buyer for the period extending from the end of the period for which Buyer was denied recovery of amounts paid to Seller hereunder to the then-current date, as if the same denial (in terms of dollars ordered to be refunded) as was ordered for the previous period is ordered for the immediately succeeding period. Thereafter, Buyer shall continue to pay for service hereunder at the rates provided for in Article IV, provided, however, that Buyer shall pay that portion of the rates for which it previously has been denied recovery (in terms of dollars ordered to be refunded) directly into the escrow account. If the Buyer again is denied recovery by the same regulatory body of rates paid to Seller in the immediately succeeding audit year

to an audit year in which a similar disallowance also has occurred, then the funds in the escrow account equal to an amount required to reimburse the Buyer for such denial, with interest at the rate provided in paragraph (c) of Schedule 4.3(b) of this Agreement, shall be released out of escrow to Buyer. Any funds applicable to such year remaining thereafter in the escrow account shall be paid out of escrow to Seller and in such event, Buyer shall thereafter submit payment directly to Seller (without diversion to escrow) for such portion of the rates not disallowed. In the event rates paid by Buyer to Seller hereunder are disallowed for two consecutive audit years, then Seller will reduce the rates effective as of the last date of funding of such refund obligations into the escrow account to Buyer for the effected service for the remaining term of the Contract to the level approved for such recovery. Simultaneous with such permanent reductions, the term of the Riverside I Agreement shall be adjusted in the manner provided in Schedule 4.4(b) to account for the aggregate amount of such rate reduction over the remaining term of this Contract.

- (d) If prior to October 31, 2009, the Riverside I Agreement shall not by then have been approved in the manner provided in Section 4.2(b) of the Riverside I Agreement, then in lieu of the extension of the term of the Riverside I Agreement provided for in paragraph (b) and (c) hereof, the term of this Contract shall be adjusted so that Seller is permitted to recover a portion of the revenues disallowed for recovery under this Contract. The term of such extension shall be one-half (1/2) of the number of months which the Riverside I Agreement would have been extended pursuant to Sections 4.4(b) and (c) hereof, if the Riverside I Agreement had been approved prior to the otherwise applicable expiration of this Contract.
- (e) If the term of this Contract, as may be extended, has expired at the time any regulatory authority having jurisdiction over Buyer denies Buyer the right to recover any amount paid to Seller hereunder and the Riverside I Agreement shall not by then have been approved in the manner provided in Section 4.2(b) of the Riverside I Agreement, the obligation of Seller stated in (a) above shall be modified, such that Seller shall reimburse Buyer for only one-half of the amount of such denial, with interest, and Buyer shall bear the

remainder of such costs without reimbursement by Seller. No extension of service shall be made in such event.

#### ARTICLE V - CONDITIONS

5.1 Seller and Buyer each recognize that their continuing ability to meet their financial obligations hereunder is a material element of this Contract. Accordingly, if at the time of execution of this Contract, at the Effective Date, during the term of this Contract or during any extension provided by Section 4.4 hereof, (i) such party or the party obligated to make such payments, fails to pay principal or interest when due on any debt for which such party's assets are pledged as security, or for which such party is the guarantor ("Relevant Debt"), and any related grace period has expired, or (ii) the holder of Relevant Debt declares such debt due prior to its stated maturity because of such party's default thereunder and any related grace period has expired, then such event also shall constitute a breach hereunder.

#### 5.2 Financial Information.

(a) Buyer. (i) The Buyer will at all times maintain complete and accurate (in all material respects) books of account and records. The Buyer will furnish, at the Buyer's expense, as soon as available, and in any event within 90 days after the end of each fiscal year, complete audited financial statements of the Buyer together with all notes thereto, prepared in accordance with generally accepted accounting principles, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by one of the six largest nationally recognized firms of independent certified public accountants selected by the Buyer, stating such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Buyer in conformity with generally accepted accounting principles (the "Independent Accountant's Opinion"). The Independent Accountant's Opinion may not be a qualified, adverse or disclaimer of opinion as defined in Statement on Auditing Standards Number 58, nor contain explanatory language stating there is substantial doubt about the Buyer's ability to continue as a going concern.

(ii) The Buyer will also furnish, at the Buyer's expense, as soon as available, and in any event within 45 days after the end of the first semi-annual accounting period of each fiscal year, an unaudited financial report of the Buyer as of the end of such semi-annual period, containing a balance sheet,

statement of operations, and statement of cash-flows, all in reasonable detail and certified by a financial officer of the Buyer to have been prepared in conformity with the basis of accounting described above.

- (b) Seller. (i) The Seller will at all times maintain complete and accurate (in all material respects) books of account and records. The Seller will furnish, at the Seller's expense, as soon as available, and in any event within 90 days after the end of each fiscal year, complete audited financial statements of the Seller together with all notes thereto, prepared in accordance with generally accepted accounting principles, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by one of the six largest nationally recognized firms of independent certified public accountants selected by the Seller, stating such financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Seller in conformity with the basis of accounting described above (the "Independent Accountant's Opinion"). The Independent Accountant's Opinion may not be a qualified, adverse or disclaimer of opinion as defined in Statement on Auditing Standards Number 58, nor contain explanatory language stating there is substantial doubt about the Seller's ability to continue as a going concern.

(ii) The Seller will also furnish, at the Seller's expense, as soon as available, and in any event within 45 days after the end of the first semi-annual accounting period of each fiscal year, an unaudited financial report of the Seller as of the end of such semi-annual period, containing a balance sheet, statement of operations, and statement of cash-flows, all in reasonable detail and certified by a financial officer of the Seller to have been prepared in conformity with the basis of accounting described above.

- (c) Each party agrees to maintain any financial report, statement, and notes received pursuant to the provisions of paragraphs (a) and (b) above as confidential, unless and until such time as such information becomes public through other disclosure.

#### ARTICLE VI - TERM

6.1 This Agreement shall become effective upon its execution. Sales under this Agreement shall commence, if at all,

on June 1, 1995. Sales under this Agreement shall terminate on the date provided in Section 6.2 hereof.

6.2 Buyer and Seller agree that this Contract is entered into to provide service to Buyer only in the event that Riverside, under the Firm Gas Transportation Service Agreement between Buyer and Riverside of even date herewith ("Riverside I Agreement"), has not received the approvals provided for in Section 4.2(b) of the Riverside I Agreement on or before June 1, 1995, and, as a consequence, elects to defer the commencement date for service thereunder until such approvals are received. The parties agree that this Contract shall terminate and be of no further force and effect on the earlier of (i) receipt by Riverside of the approvals provided for in Section 4.2(b) of the Riverside I Agreement, or (ii) October 31, 2009, provided, however, that in such event the provisions of Section 4.4 hereof shall survive the termination of this Contract and shall remain in full force and effect thereafter until the recovery of any of the amounts paid by Buyer to Seller hereunder is no longer subject to regulatory review. If the approvals provided for in Section 4.2(b) of the Riverside I Agreement are received on or before June 1, 1995, this Contract shall terminate on such date and thereafter be void and of no further force and effect.

#### ARTICLE VII - NOTICES AND PAYMENT

7.1 Except as otherwise specifically provided herein, all communication hereunder shall be in writing and shall be sent by registered or certified mail, telegraph, facsimile or overnight courier or delivered in person to:

Seller: Mid-Kansas Partnership  
8325 Lenexa Drive, Suite 400  
Lenexa, Kansas 66214  
Telephone: (913) 888-7139  
Telecopy: (913) 599-2573

Buyer: Missouri Gas Energy, a division  
of Southern Union Company  
504 Lavaca, Suite 800  
Austin, Texas 78701  
Attn: Gas Supply  
Telephone: (512) 370-8275  
Telecopy: (512) 476-4966

or to such other address as a party shall designate by formal written notice. Notices shall be deemed to have been given when received.

7.2 The accounting month hereunder shall be the calendar month. Seller shall furnish to Buyer within ten (10) days after the end of each accounting month a statement of the charges computed pursuant to Article IV. Payments by Buyer to Seller

herein shall be made by Buyer no later than fifteen (15) days following receipt by Buyer of Seller's invoice each month for gas delivered during the preceding accounting month. A statement of the full details of Seller's measurement records at the Delivery Point hereunder shall be transmitted to Buyer when Seller submits its bill each month to Buyer. In the event Buyer in good faith disputes Seller's charges, Buyer may withhold from payment the amount in dispute until a resolution is reached. Any amount found to be properly charged shall be paid within five days thereafter, together with interest at the prevailing prime rate as published in the Wall Street Journal, from the original due date of such payment.

#### ARTICLE VIII - BREACH

8.1 Any breach of Sections 2.1, 2.2, 3.2 or 4.4 hereof, shall be deemed a material breach. In the event of a breach of any such provision, the non-breaching party shall receive from the breaching party as liquidated damages for such breach, the full amount of any and all costs incurred by the non-breaching party for alternate gas supplies, alternate gas transportation service, additional use of existing transportation services, or other direct or indirect expenses actually incurred and paid by or on behalf of the non-breaching party in covering such breach, and, in addition, reimbursement for any additional loss, cost or expense incurred by the non-breaching party as a consequence of such breach or related to any third party costs or claims against the non-breaching party arising out of such material breach by the breaching party (collectively, "Costs"). If, within any continuous five (5)-year period during the term of this Agreement, the breaching party has more than two (2) events which would be deemed a material breach under this provision, then (i) the non-breaching party will be entitled, upon the occurrence of each such subsequent breach, to recover from the breaching party twice the level of Costs incurred by the non-breaching party arising out of such breach, and, in addition (ii) in the case where the breaching party is Seller, the provisions of Section 4.3(c) hereof shall thereupon terminate and cease to be of any further force and effect, such that any further escalation of rates otherwise therein provided shall not occur.

8.2 In the event that any party believes that the other party is in breach of any of the other terms not set forth in Section 8.1 hereof for any reason, the party claiming such breach shall provide written notice of such purported breach describing such breach with particularity (in fact and in legal impact) and the purported breaching party shall be granted thirty (30) days from its actual receipt of such notice to cure said breach if it concurs that the acts or omissions described in the notice constitute a breach, or it may elect to provide a cure to the complaining party's contended breach even if the purported breaching party is of the belief that the facts or omissions described in the notice do not constitute a breach hereof, and if

so cured by the purported breaching party, the contended breach shall be deemed to have never occurred. In the event the parties cannot agree as to whether the acts or omissions described in the notice constitute a breach of the terms hereof, or the purported breaching party does not cure the alleged breach to the reasonable satisfaction of the complaining party within such thirty day period, then the complaining party shall have the right to seek all legal remedies set forth in Section 8.1, and in the event of the insufficiency of such remedies under the circumstances, then all other legal remedies available under the law.

#### ARTICLE IX - FORCE MAJEURE

9.1 The term "force majeure" as employed herein shall mean acts and events not within the control of the party claiming suspension and shall include act of God, strikes, lockouts or other industrial disturbances, wars, riots, insurrections, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of rules and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipelines, and any other cause not within the control of the party claiming suspension and which, by the exercise of reasonable best efforts, such party is unable to overcome. It is understood and agreed, however, that the settlement of strikes, lockouts, or other labor disturbances shall be entirely within the discretion of the party having the difficulty, and that the above requirements that are force majeure shall be remedied with all reasonable dispatch, and shall not require the settlement of strike or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

9.2 Such event of force majeure affecting the performance by either party shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such event of force majeure relieve either party of liability otherwise unless such party shall give notice and full particulars of the same to the other party as soon as possible after the occurrence relied upon.

9.3 In the event that either Buyer or Seller is rendered unable by force majeure to carry out its obligations, either in whole or in part, under the provisions of this Contract, the obligations of the party affected by such force majeure, other than the obligation to make payments hereunder, shall be suspended during the continuance of any such event of force majeure but for no longer period, and such event of force majeure shall, so far as possible, be remedied with all reasonable dispatch.



9.4 For purposes of this Article IX, Seller shall not be permitted to claim any failure by any of the pipelines used by Seller to transport the gas to be sold hereunder to perform in such a manner as is necessary to enable Seller to meet its obligations to Buyer hereunder as an event of force majeure sufficient to excuse the suspension of Buyer's performance hereunder, except to the extent that the failure of such upstream pipeline to perform in such manner would be treated as an event of force majeure sufficient to justify the suspension of its performance in accordance with this Article IX.

#### ARTICLE X - ASSIGNMENT OF TRANSOK LEASE

10.1 On or after June 1, 1995 and upon the request of Seller and with the consent of Transok, Seller agrees to cause its affiliate KansOk Partnership, or its successors or assigns ("KansOk"), to assign to Buyer in a form mutually agreeable to both parties 43,893 MMBtu's of the capacity entitlements held by KansOk under the Transok Lease, subject to (i) Buyer assuming an identical allocation of the charges, obligations, restrictions and liabilities under said Transok Lease existing at the time of such assignment; (ii) Buyer indemnifying and holding Seller harmless from any and all causes of action, claims or liabilities of any kind, including reasonable attorney fees and reasonably foreseeable consequential damages, proximately caused by Buyer's failure to honor its obligations to Seller and Transok, Inc. by virtue of such an assignment to Buyer of such a portion of the Transok Lease; and (iii) KansOk receiving from Transok in a form and content which is acceptable to KansOk in its reasonable discretion, a full release and novation from and after the date such assignment shall become effective, from any and all claims, liabilities or obligations of any kind arising out of the portion of the capacity entitlements assigned to Buyer. After receiving such a request from Buyer, Seller will cause KansOk Partnership to seek written consent for such an assignment from Transok, Inc. within thirty (30) days of receiving such a request and shall keep Buyer reasonably informed regarding the status of Transok, Inc.'s responses to such a request. Seller shall cause KansOk to pursue the consent of Transok to such assignment in good faith and with due diligence, such that the assignment can be achieved as soon as practicable following the request of Buyer. Nothing herein, however, shall require Seller to accept any changes or modifications to the Transok Lease in order to obtain Transok, Inc.'s consent to such an assignment, nor shall Seller or KansOk be obligated to pursue any litigation against Transok in the event Transok fails to give its consent to any assignment requested hereunder. Buyer may request Seller to pursue and, upon such request, Seller shall cause KansOk to pursue, the assignment of the Transok Lease hereunder from time to time and at any subsequent times, should Transok not consent to such assignment when first requested.

10.2 Effective as of the date of any assignment made pursuant to Section 10.1 above, the rates then applicable pursuant to Article IV hereof and the amount of Fuel Gas reimbursed to Seller hereunder shall be reduced for the remaining term of this Contract by an amount equal to the amounts then being paid by KansOk to and retained by Transok with respect to that portion of the capacity being assigned to Buyer, plus, if such assignment occurs after June 1, 1998, any escalation of such rates made pursuant to Section 4.1(c) attributable to the amounts theretofore paid by Seller to Transok.

10.3 Simultaneous with the effective date of any assignment made pursuant to Section 10.1 hereof, Buyer shall become Seller's agent for the sole and exclusive purpose of acquiring such gas as is required by Seller to effect the sales to be made hereunder, which shall include: (i) the quantities of gas required by Buyer to be sold by Seller hereunder, plus (ii) the Fuel Gas required to be tendered by Seller to the pipelines used by Seller to transport the gas delivered hereunder. Buyer, as Seller's agent, shall arrange for all such gas to be purchased and received by Seller at the point of interconnection between the facilities of KansOk Partnership and Transok known as the "Pawnee Interconnect," as provided in the Transok Lease as in effect on February 1, 1995. Seller shall indemnify and hold Buyer harmless from any and all loss, cost or expense arising out of Buyer's acts undertaken as Seller's agent, except for those arising out of Buyer's negligence or wilful misconduct. Upon the termination of this Contract, Buyer shall either (i) assume for its own account all gas purchase contracts entered into by it as Seller's agent, or (ii) limit the term of all such gas purchase contracts such that they shall terminate as of the date of the termination of this Contract.

#### ARTICLE XII - MISCELLANEOUS

11.1 This Contract and all disputes hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Missouri, without regard to principles of conflict of laws. All actions or proceedings in any way, manner or respect arising out of or from or related to this Contract or any other agreement contemplated hereby shall be litigated if jurisdictional to such court, in the United States District Court for the Western District of Missouri, Western Division, and if not, in an appropriate Missouri state court with venue for Jackson County, Missouri. Buyer and Seller hereby consent and submit to the jurisdiction of such courts located within said state. Buyer and Seller hereby waive any right either may have to transfer or change the venue of any litigation brought with respect to this Agreement.

11.2 In the event the laws and/or regulations pertaining to the natural gas industry change so as to (i) result in a material

adverse effect on the financial condition, results or operations or business of either party hereto (a "Material Adverse Effect"), and (ii) such legal or regulatory change does not provide a remedy to alleviate the Material Adverse Effect, and (iii) the change was not a change known or reasonably foreseeable at the time this Contract was entered into, the party adversely affected by such Material Adverse Effect may request adjustments in this Contract to make it consistent with such changed circumstances. If either party gives notice to the other hereunder of a Material Adverse Effect affecting this Contract, Buyer and Seller shall negotiate in good faith in an effort to make adjustments in this Contract to make it consistent with such changed circumstances; provided, however, that neither party shall be obligated to agree upon the requested adjustments to this Contract if, after such good faith negotiations, such party determines in its sole discretion that such adjustments are not in its best interests. If the parties are not able to agree upon the requested adjustments after such good faith negotiations, this provision shall not serve to give any party any greater legal rights or remedies in law or equity against the other than it otherwise would have had absent this provision; rather, the parties' legal rights and obligations shall be the same as if this provision had not existed.

11.3 Seller and Buyer will have the right at all reasonable times, upon reasonable notice, to examine the books and records of the other party to the extent necessary to verify the accuracy of any computation or demand made on any statement, bill or invoice rendered under or pursuant to this Contract.

11.4 This Contract may be amended, modified or supplemented only by an instrument in writing executed by both parties.

11.5 Neither this Contract nor any right created hereby shall be assignable by either party hereto without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld; provided, however, that no consent shall be required for an assignment by either Seller or Buyer of this Contract in its entirety, to: (i) an entity that has the same beneficial owners as the assigning party, pursuant to a corporate reorganization by merger, consolidation or assignment and assumption agreement with that entity, provided that such entity obtains substantially all of the assets of, and at the effective time of such reorganization has a net worth no less than, the assigning party, or (ii) an entity that is controlled by the same person or group of persons that controls the assigning party.

11.6 If any provision of this Contract is held to be illegal, invalid or unenforceable under present or future terms effective during the term hereof, such provision shall be fully severable and this Contract shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain

in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. In lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Contract, a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be reasonably possible and be legal, valid and enforceable.

11.7 The parties acknowledge that money damages may not be an adequate remedy for violations of this Contract and that any party may, in its sole discretion, apply to a court for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof, and to the extent permitted by applicable law and to the extent the party seeking such relief would be entitled on the merits to obtain such relief, each party waives any objection to the imposition of such relief.

11.8 This Contract may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

11.9 Seller hereby warrants title to the gas delivered hereunder and the right of Seller to sell the same and agrees to defend the title against all persons whomsoever. Seller further warrants that all such gas is free from all liens and adverse claims, including liens to secure payment of production taxes, severance taxes and other taxes.

11.10 Except for taxes included in the costs of service of Seller and the upstream pipelines providing service in connection with this Contract and recovered in their rates, Seller and Buyer shall each pay all taxes of every kind assessed to or levied on it by any governmental body, without passthrough or contribution by the other.

11.11 Both Buyer and Seller shall utilize reasonable efforts to notify each other at least eight hours in advance of proposed changes to scheduled volumes.

IN WITNESS HEREOF, the parties hereto have caused this Contract to be executed and delivered by their duly authorized officers as of the day and year first set forth herein.

MID-KANSAS PARTNERSHIP

By: Syenergy Pipeline Partnership,  
its managing general partner

By: Bishop Pipeline Company, its  
general partner

WITNESS:

Jennifer Liller Bacon  
White Plains

By:

Mark H. Bolding  
Name: MARK H.A. BOLDING  
Title: EXECUTIVE VICE PRESIDENT

MISSOURI GAS ENERGY, a division of  
Southern Union Company

WITNESS:

Dennis K. Morgan  
Missouri Gas Energy

By:

Dennis K. Morgan  
Name: Dennis K. Morgan  
Title: Vice President

Schedule 4.3(b)

Current Rate Proceedings

<u>Rate Proceeding</u>	<u>Pipeline(s) Affected</u>
1. Kansas Corporation Commission Docket No. 190,362-U	Kansas Pipeline Partnership Kansas Natural Partnership
2. Federal Energy Regulatory Commission Docket No. RP94-3	KansOk Partnership

Schedule 4.4(b)

Example of Implementation  
of Sections 4.4(a) and (b)

Assume that in year 5 of the Contract the Missouri Public Service Commission (the "Commission") denies Buyer the right to recover \$1 million annually of the amount paid to Seller in years 3 and 4 of the Contract.

(a) Seller shall fulfill its obligation to Buyer pursuant to Section 4.4(a) of the Contract by reducing its rates and charges to Buyer by \$1 million annually retroactive to the beginning of year 3. Seller shall pay the cumulative total of such retroactive reduction, plus interest, to Buyer at the times and in the same manner as Buyer is required to refund such amounts to its customers.

(b) Upon Buyer's receipt of the payment provided for in paragraph (a) above, the term of the Riverside I Agreement (the "Agreement") automatically shall be extended according to the following formula:

$$M = \frac{(A \div B)}{46,332 \text{ MMBtu's}}$$

where, M shall equal the number of months by which the term of the Agreement shall be extended;

A shall equal the cumulative amount as of the end of the otherwise applicable term of the Agreement which Seller has paid to Buyer pursuant to the terms of Section 4.4, plus interest; and

B shall equal the demand rate per MMBtu of Contract Demand in effect as of the last day of the otherwise applicable term of the Agreement.

(c) In calculating the interest to be applied to the amounts due Buyer under paragraph (a) above, and the amounts to be attributed to Seller pursuant to paragraph (b), factor "A", above, the rate shall be the rate required to be used from time to time by the Commission for refunds made by jurisdictional utilities, and the cumulative amount shall be determined by compounding the then-outstanding total of such amounts annually.

(d) In the event during any extension of the term of the Agreement provided for pursuant to Section 4.4 the Commission shall deny Buyer the right to recover any portion of the factor "B" rate used in the calculation made pursuant to paragraph (b) above, Seller shall be obligated to pay the disallowed amount to Buyer, and the term of the Agreement shall be extended further,

in the same manner as if such denial had occurred during the otherwise applicable term of the Agreement.



Schedule 4.4(c)  
to  
Firm Gas Transportation Service Agreement

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Agreement") is made effective as of the first day of June, 1995, among MISSOURI GAS ENERGY, a division of Southern Union Company, a Delaware corporation (the "Buyer"), MID-KANSAS PARTNERSHIP,, a Kansas limited partnership (the "Seller"), and Boatmen's First National Bank of Kansas City, N.A., as escrow agent and as collateral agent (in such capacities, the "Escrow Agent").

RECITALS:

WHEREAS, the Buyer and the Seller are parties to a Firm Gas Purchase Contract dated \_\_\_\_\_ (as amended, supplemented, extended, replaced or otherwise modified from time to time, the "Contract"); and

WHEREAS, it is a requirement of the Contract that the Buyer and the Seller enter into this Agreement;

NOW THEREFORE, for valuable consideration hereby acknowledged, the parties hereto agree as follows:

1. Appointment of Escrow Agent and Collateral Agent. The Buyer and the Seller hereby appoint the Escrow Agent as escrow agent with respect to all funds, and earnings thereon, deposited with the Escrow Agent pursuant to this Agreement (the "Escrow Funds"). The Buyer and the Seller each hereby appoint the Escrow Agent as its collateral agent for purposes of perfection of the security interest granted under Section 5 hereof. The Escrow Agent hereby accepts its appointment as escrow agent and as collateral agent.

2. Deposit of Escrow Funds. If at any time any regulatory authority having jurisdiction over Buyer (a "Regulatory Authority") denies Buyer the right to recover any amount paid by the Buyer to the Seller under the Contract (such right herein referred to as "Pass Through Authority"), immediately upon receipt of notification from the Buyer of such denial, the Seller shall deposit into an account established with the Escrow Agent and subject to the control of the Escrow Agent (the "Escrow Account") funds in an amount equal to the amount Seller would be required to refund to the Buyer for the period extending from the end of the period which the Buyer was denied Pass Through Authority to the then-current date, as if the same denial of Pass Through Authority (in terms of dollars ordered to be refunded) as

was ordered for the previous period is ordered for the immediately succeeding period. In addition, until the applicable Regulatory Authority next allows or denies the Buyer Pass Through Authority, on each date that the Buyer pays the Seller for gas service under the Contract, a portion of such payment equal to that portion of the prior payment denied Pass Through Authority (in terms of dollars ordered to be refunded) shall be deposited with the Escrow Agent. The Escrow Funds shall be held, invested and disbursed by the Escrow Agent in accordance with the terms of this Agreement. The Escrow Agent shall acknowledge its receipt of such funds by written notice to the Seller and the Buyer.

3. Investment of Escrow Funds. The Escrow Funds shall be invested in accordance with the written directions (or oral directions immediately confirmed in writing) of the undersigned representative of the Buyer (or any other person designated in writing to the Escrow Agent by the Buyer) in one or more of the following investments: (a) investments which are direct obligations of or are fully guaranteed by the United States or its agencies, and which mature within 30 days, (b) certificates of deposit issued by national banks (including the Escrow Agent), which are fully insured by the Federal Deposit Insurance Corporation and mature within 30 days, (c) fully collateralized direct repurchase agreements secured by the government investments described in clause (a) above which are pledged with the Escrow Agent or with a third party bank or securities dealer, and which agreements mature within 30 days, or (d) an SEC-registered, no-load money market mutual fund with a dollar-weighted average portfolio maturity of 120 days or less whose assets consist exclusively of the investments described in clauses (a) and (c) above and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. The term "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and then sell back at a future date, the government obligations described in clause (a) above, in market value of not less than the principal amount of the funds disbursed, and includes direct security repurchase agreements and reverse security repurchase agreements. The Buyer agrees with the Seller that the Buyer shall keep the Escrow Funds fully invested at all times. The Escrow Agent shall have no responsibility for any investments made in accordance with the foregoing or for keeping the Escrow Funds fully invested at all times.

4. Disbursement of Escrow Funds. Upon the determination by the applicable Regulatory Authority regarding the Pass Through Authority for the Buyer for the period immediately succeeding the period for which the Buyer was denied Pass Through Authority, the Escrow Funds shall be disbursed by the Escrow Agent as follows: (a) if the Regulatory Authority again denies the Buyer Pass Through Authority, upon receipt by the Escrow Agent of written notification from the Buyer of such denial, together with a copy of the Regulatory Authority's decision, Escrow Funds in an amount required to reimburse the Buyer for such denial, with interest at

the rate provided in paragraph (c) of Schedule 4.4(b) of the Contract, shall be paid to the Buyer and any Escrow Funds applicable to such period remaining thereafter shall be paid to the Seller; and (b) if the Regulatory Authority does not deny the Buyer Pass Through Authority, upon receipt by the Escrow Agent of written notification thereof from the Buyer, together with a copy of the Regulatory Authority's decision, the Escrow Funds shall be paid to the Seller. The Escrow Agent shall verify the signature of each person signing a notice under this Section, by comparison with the signature of such person in the signature blocks of this Agreement or on an incumbency certificate hereafter delivered. Payment to any party shall be made in the manner and to the address specified by such party at such time.

5. Grant of Security Interest. It is the intent of the parties hereto to create a true escrow account. To the extent such escrow account is ever deemed to be property of the Buyer or Seller, notwithstanding this Agreement, for value received, the party who is deemed to own the escrow account grants to the other a security interest in the Escrow Account and the Escrow Funds and all moneys, instruments, checks, investments and items of any kind held by the Escrow Agent from time to time with respect to the Escrow Account and the Escrow Funds, together with all rights related thereto and other property to which such party may become entitled by reason of ownership thereof, and proceeds, earnings and distributions relating thereto (collectively, the "Collateral"). The Collateral and security interest hereby granted shall secure payment of any amount owed by the party who is deemed to own the escrow account to the other together with interest thereon (the "Obligations"). All costs and expenses, including reasonable attorneys' fees, incurred or paid by the party who is not deemed to own the escrow account in exercising or enforcing any right or remedy in connection with this Agreement shall become part of the Obligations, and shall be secured hereby. Each party shall execute any documents, instruments, financing statements and notices and take any action required to effect the delivery and transfer of the Collateral and to evidence or perfect the security interest hereby given. Each of the following constitutes a default hereunder: (a) a default in the payment of either party's obligations under the Contract, (b) a petition or complaint in bankruptcy or for arrangement or reorganization or for relief under any insolvency law is filed by or against either party, or in the case of Seller, the general partner, (c) either party admits its inability to pay its debts as they mature, and (d) a receiver is appointed for either party. During the continuance of any default, at the option of the non-defaulting party and without demand or notice, the non-defaulting party shall have all rights and remedies available by law, in equity or under any agreements, and the non-defaulting party may demand immediate payment of all Obligations. All rights and remedies of either party under this Agreement or otherwise shall be cumulative of all other rights and remedies available to such party.

6. The Escrow Agent. The Buyer and the Seller agree that the following provisions shall control with respect to the rights, duties and liabilities of the Escrow Agent:

(a) The Escrow Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement. No implied obligations shall be read into this Agreement against the Escrow Agent.

(b) No provision of this Agreement shall require the Escrow Agent to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties, rights or powers hereunder, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) The Escrow Agent acts hereunder as a depository only, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness or validity of any documents delivered to it hereunder, or for the form or execution thereof, or for the identity or authority of any person delivering the same. The Escrow Agent may rely and shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney, or other paper or document which the Escrow Agent in good faith, and following the exercise of due diligence, believes to be genuine and to have been signed or presented by the proper person(s).

(d) The Escrow Agent may consult with legal counsel in the event of any dispute or question as to the construction of any provision hereof or the Escrow Agent's duties hereunder, and it shall be fully protected in acting in accordance with the opinion and instructions of such counsel.

(e) The Escrow Agent is not a party to, and is not bound by, or charged with notice of, the Contract or any other agreement out of which this escrow may arise, nor any default or breach thereunder.

(f) If the Escrow Funds include a check, draft or other order for the payment of money, the Escrow Agent shall deposit any such item for collection in accordance with prevailing bank practices. The Escrow Agent shall not be accountable for the proceeds of such item until they are received by the Escrow Agent in finally collected funds.

(g) In the event of any disagreement among the Buyer, the Seller, and/or any other person resulting in adverse claims or demands being made with respect to the Escrow Funds, the Escrow Agent may, at its option, file an interpleader action or refuse to comply with any claims or demands on it, or refuse to take any other action hereunder, so long as such disagreement continues.

In such event, the Escrow Agent shall not be liable in any way for its failure to act, and shall be entitled to continue to refrain from acting until (i) the rights of all parties shall have been fully and finally adjudicated by a court of competent jurisdiction, or (ii) all differences shall have been adjusted and all doubt resolved by agreement among all of the interested persons, and the Escrow Agent shall have been notified thereof in writing signed by all such persons.

(h) If the Escrow Agent becomes involved in any dispute, demand, claim or litigation with respect to the Escrow Funds, the Buyer and the Seller agree to indemnify and save the Escrow Agent harmless from all suits, claims, losses, costs, damages, expenses and attorney's fees suffered or incurred by the Escrow Agent as a result thereof, except any of the foregoing resulting from the negligence or misconduct of the Escrow Agent.

(i) Any fee charged by the Escrow Agent for its services hereunder shall be paid in accordance with its standard published fee schedule. The Buyer and the Seller shall each pay one-half of any such fee.

(j) The Escrow Agent may resign at any time by giving 30 days written notice to the Buyer and the Seller. Upon such resignation, the Escrow Agent shall deliver the Escrow Funds upon the joint written instructions of the Seller and the Seller.

(k) Provided, however, that nothing herein shall be construed as a release by either party of a claim it may have regarding the escrowed funds by virtue of an act or omission of the Escrow Agent.

7. Termination. Upon the earlier of (a) resignation of the Escrow Agent as provided in Section 6(j) hereof, or (b) five years from the date of termination of the Contract if no Regulatory Authority has denied the Buyer Pass Through Authority during such time, this Agreement shall terminate, and the Escrow Agent shall be discharged from all duties and liabilities hereunder.

8. Notices. All notices and other communications hereunder shall be sent or delivered to the applicable party at its address set forth below (or such other address specified by the party in writing to the other parties), and shall be effective only upon the actual receipt thereof.

9. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

10. Parties in Interest. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. No party hereto may assign, transfer or hypothecate any of its rights or interests hereunder without the written consent of the other parties; provided, however, that no consent shall be required for an assignment by either Seller or Buyer of this Agreement in its entirety, to: (i) an entity that has the same beneficial owners as the assigning Party, pursuant to a corporate reorganization by merger, consolidation or assignment and assumption agreement with that entity, provided that such entity obtains substantially all of the assets of, and at the effective time of such reorganization has net worth no less than, the assigning Party, or (ii) an entity that is controlled by the same person or group of persons that controls the assigning Party; and provided, further, that the Escrow Agent may resign as provided in Section 6(j) hereof.

11. This Agreement and all disputes hereunder shall be governed by and construed and enforced in accordance with the laws of the State of Missouri, without regard to principles of conflict of laws. All actions or proceedings in any way, manner or respect arising out of or from or related to this Agreement or any other agreement contemplated hereby shall be litigated if jurisdictional to such court, in the United States District Court for the Western District of Missouri, Western Division, and if not, in an appropriate Missouri state court with venue for Jackson County, Missouri. Transporter and Shipper hereby consent and submit to the jurisdiction of such courts located within said state. Transporter and Shipper hereby waive any right either may have to transfer or change the venue of any litigation brought with respect to this Agreement.

IN WITNESS WHEREOF, this Escrow Agreement is executed as of the date first set forth above.

Address:

Missouri Gas Energy, a  
division of Southern Union  
Company  
504 Lavaca, Suite 800  
Austin, Texas 78701  
Attn: Gas Supply  
Telephone: (512) 370-8275  
Telecopy: (512) 476-4966

MISSOURI GAS ENERGY, a division  
of Southern Union Company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

MID-KANSAS PARTNERSHIP

By: Syenergy Pipeline Partnership,  
its managing general partner

By: Bishop Pipeline Company, its  
general partner

Address:

Mid-Kansas Partnership  
8325 Lenexa Drive, Suite 400  
Lenexa, Kansas 66214  
Telephone: (913) 888-7139  
Telecopy: (913) 599-2573

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BOATMEN'S FIRST NATIONAL BANK OF  
KANSAS CITY, N.A.

Address:

\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_