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July 25, 2000

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

FILED[2]
JUL 25 2000
Missouri Public Service Commission

Re: Case No. GO-2000-394

Dear Judge Roberts:

Enclosed for filing please find the original and eight copies of Laclede's Reply to the Responses of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel.

Would you please see that this filing is brought to the attention of the appropriate Commission personnel.

Thank you.

Very truly yours,

NEWMAN, COMLEY & RUTH P.C.

By: Mark W. Comley
Mark W. Comley

MWC:ab
Enclosure
cc: Judge Kevin Thompson
Doug Micheel, Office of Public Counsel
Thomas A. Schwarz, General Counsel's Office
Michael C. Pendergast

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Missouri Public Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Experimental Price Stabilization Fund) Case No. GO-2000-394

LACLEDE'S REPLY TO THE RESPONSES OF THE STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION AND THE OFFICE OF THE PUBLIC COUNSEL

COMES NOW Laclede Gas Company ("Laclede" or "Company") and for its Reply to the Responses of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel, states as follows:

1. On July 19, 2000, the Staff of the Missouri Public Service Commission ("Staff") submitted its response to the June 2, 2000 letter in which the Company notified the Commission of its need to withdraw from the Price Protection Incentive feature of its Price Stabilization Program ("PSP"). In the same document, the Staff also responds to the verified application that was filed by Laclede on July 7, 2000 in order to obtain Commission authorization for several temporary modifications to the PSP (hereinafter "Application"). On July 21, 2000, the Office of the Public Counsel ("Public Counsel") also filed its Response to the Company's Application. This Reply will briefly address both Staff's and Public Counsel's Responses.

2. In filing its June 2, 2000, Notice and its July 7, 2000 Application, the Company has simply attempted to respond, in as constructive a manner as possible, to the challenges posed by the unprecedented increases which have occurred during the past six months in the market prices for natural gas supplies and the financial instruments used to hedge them. To that end, the Company has proposed a number of temporary revisions to its PSP that are designed to enhance the Company's ability to obtain meaningful price protection for its customers in the wake of these radical changes in market conditions.

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3. Notably, neither Staff nor Public Counsel dispute the underlying realities that have prompted the Company's actions. To the contrary, the Staff acknowledges throughout its pleading that there have been dramatic increases in the market price for natural gas in general and for financial instruments in particular. (Staff's Response, p. 3). Indeed, Staff notes, as has the Company, that the cost for obtaining price protection has more than tripled as a result of these radical changes in market conditions. (*Id.*). For its part, Public Counsel expresses the hope that market conditions may change and prices eventually decline. (Public Counsel's Response, p. 2). At the same time, however, Public Counsel does not dispute the fact that at the present such prices are exceptionally high and may remain so.

4. Despite acknowledging these underlying realities, however, both Staff and Public Counsel take markedly different approaches for addressing them. Staff recommends that the Commission grant some, but not all, of the temporary revisions requested by the Company, but then suggests that no assurances or standards be provided on how Laclede's hedging activities will be evaluated in subsequent ACA proceedings -- an approach that represents a significant and fundamental departure from previous hedging programs approved by the Commission. (Staff Response, pp. 4-6). Public Counsel, on the other hand, suggests that the Company's application be denied and that Laclede simply continue to procure financial protection in accordance with the remaining terms of the PSP which continue in effect. (Public Counsel's Response, p. 2).

5. The Company continues to believe that the temporary revisions set forth in its Application make sense for its customers. As Public Counsel notes in its Response, prices for gas supplies and financial instruments may eventually decline and provide the Company with an opportunity to procure meaningful price protection for the Company's

customers without any change to the terms of the existing PSP. Laclede hopes that will be the case. In the interests of proper contingency planning, however, Laclede believes that it is more reasonable to operate on the assumption that such price declines will not occur and to obtain now, rather than later, the flexibility and resources that may be required to obtain meaningful price protection for the Company's customers.

6. That is not to suggest that Laclede is unmindful of Public Counsel's concerns regarding the impact of the revisions proposed by the Company on the rates being paid by Laclede's customers. To the contrary, in recognition of those concerns, the Company is willing to defer until its next Summer PGA filing the recovery of any additional amounts that the Company has requested to procure financial instruments to the extent such deferral is necessary to mitigate or eliminate any additional increase in rates at the time Laclede makes its Winter PGA filing in November of this year. The Company also agrees that it will only procure fixed rate instruments in the event, and to the extent, such action will contribute to an actual *reduction* in Laclede's existing rates at the time the Company makes its Winter PGA filing in November. With these understandings, the Commission can be assured that approval of the temporary revisions proposed by Laclede will only serve to reduce or eliminate any further increase in rates that might otherwise occur in advance of the upcoming heating season while providing consumers with additional protection from any price increases that do occur.

7. Finally, the Company fully understands Staff's and Public Counsel's frustration over the challenges presented by these increases in the market price for natural gas supplies. The Company shares them and is sure the Commission does as well. However, the emergence of these radical changes in the market price for natural gas, and the Company's efforts to respond to them, do not in the Company's opinion justify the

criticisms that Staff (and to a lesser extent Public Counsel) have leveled at the current PSP and the Company's actions thereunder.

8. In effect, both Staff and Public Counsel imply that the PSP and Laclede's actions thereunder may have operated to expose Laclede's customers to upward price risk. Indeed, they go so far as to suggest that this may have happened, in part, because of the incentive features of the PSP. (Staff's Response, p. 2; Public Counsel's Response, p. 2).[1] Laclede strongly disagrees. Inherent in this criticism is the unstated assumption that, absent the PSP, customers today would somehow be enjoying a greater level of protection from upward price risk than is currently the case. As the Staff well knows, however, at the time the Commission approved the current PSP in 1999, the only other alternative before it was a proposal by Staff that Laclede's old PSP be continued in its existing form. Under the terms of the old program, however, Laclede was affirmatively precluded from purchasing any financial instruments with a strike price above $4.00 per MMBtu. Since the strike prices available to Laclede throughout the second year of the program have always been well above this $4.00 ceiling, it is clear that even if the Commission had completely rejected the Company's proposed PSP and adopted the Staff's proposal instead, the Company and its customers would still be in the same exact position they are today. That is, ratepayers would still require price protection and there would still be a need for the Commission to make pragmatic adjustments to the program

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[1]Staff also asserts that the PSP has failed to achieve one of its major objectives- i.e., guaranteed catastrophic price protection -- and that it should therefore be reexamined. Staff's observation is erroneous because it suggests that the guarantee of price protection under the PSP was somehow unqualified and unconditional. As Staff itself has acknowledged, however, the PSP not only contemplated, but made specific allowance for, the possibility that changes in market conditions during the first 90 days might preclude such a guarantee from ever being made. Now that those very circumstances have arisen, it is neither fair nor appropriate to argue that the PSP is a failure because it has not delivered something that it never promised.

in light of these radical changes in market conditions. Indeed, the only difference between the two approaches is that by requiring the Company to focus more intensively on day-to-day changes in the financial markets, the current PSP has probably contributed to bringing these matters to the Commission's attention sooner rather than later -- a result that can only benefit ratepayers.[2]

9. Any suggestion that the pursuit of price protection has somehow been compromised by the opportunity to realize gains under the PSP is also without foundation. (*See* Staff's Response, page 2). As both Staff and Public Counsel should know, the Company booked virtually no gains under the PSP in its first year of operation. Instead, it focused its efforts on obtaining catastrophic price protection for as much of its winter flowing volumes as possible. Despite these efforts and the absence of any material gains under the program, the Staff nevertheless filed a recommendation in this case on February 9, 2000, in which suggested that the Company may have acquired too much protection for its customers at too high a strike price (i.e., then around $4.00 per MMBtu). *See* Staff's Recommendation. In view of these criticisms and in light of the advice given by its consultants that prices were likely to decline, the Company was not about to make an immediate purchase of financial instruments that, from the outset of the

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[2] The need to make pragmatic adjustments to existing hedging programs in response to these market changes was also recently recognized by the Kansas Corporation Commission when it approved a request by Kansas Gas Service Company ("KGS") to substantially increase the amount that KGS could spend on procuring price protection for its customers. *See In Re Kansas Gas Service Company, Docket No. 98-KGSG-475-CON,* Order granting Motion for Accounting Order (June 30, 2000). In that case, the KCC, with the affirmative support of its Staff and without objection from the Citizens Utility Ratepayers Board, found that substantial increases in gas prices required that modifications be made to the utility's existing hedging program, in the form of additional funding, in order to provide the utility with a reasonable opportunity to obtain price protection for its customers. (*See* Attachment A, hereto). The KCC therefore authorized additional funding and determined that KGS should be permitted to recover such additional amounts through the equivalent of its PGA Clause. At no time was there ever any suggestion that because KGS already had an existing hedging program that nothing should be done in response to these changes in market conditions.

second year of the program, were some 70 cents per MMBtu *above* the *highest* ceiling price that had previously been approved by the Commission for a hedging program and more than 15% above the purchase price that Staff had found too high less than a month ago.[3] The fact that such prices were nearly $2.50 per MMBtu (or more than 100%) higher than the fixed commodity price that Staff and Public Counsel are currently recommending be approved by the Commission to trigger another gas utility's obligation to lock-in gas prices (*See* Re: Missouri Gas Energy, Case No. GO-2000-705, Stipulation and Agreement), also weighed in the Company's decision to defer its purchases. Given these considerations, it is completely unfair to suggest that the Company's actions were motivated by factors other than a desire not to purchase instruments at prices well above anything that Staff and Public Counsel have ever been willing (and are apparently unwilling today) to recommend as being reasonable.[4]

10. Finally, Staff suggests that since the Company has exercised its right to withdraw from the Price Protection Incentive feature of the PSP, any future efforts the Company may make in terms of obtaining price protection are now subject to review as

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[3] At page 2 of its Response, Public Counsel suggests that the Company had nearly sixty days in which it could have purchased call options at or below the TSP. In fact, there were less than 20 days after the establishment of the TSP when prices were such that such purchases could have theoretically been made at that level.

[4] Staff's suggestion that Laclede has done its customers a disservice by exercising its right to withdraw from the Price Protection Incentive is also unwarranted. (Staff's response, page 3). In effect, Staff is suggesting that the real culprit is not the unprecedented increases in the price of natural gas and associated financial instruments that have occurred over the past six months, but the Company's decision to respond to those increases by withdrawing (as Staff acknowledges the Company had the right to do) from the price protection incentive feature of the PSP. Had the Company not exercised this right it would have exposed itself to potential losses in amounts ranging anywhere from half to more than three or four times its net income for an entire year. Given these potential results, Laclede believed then and continues to believe now that both its customers and its shareholders would have been fundamentally disserved by the type of decision the Staff implies the Company could have made -- a decision that, under any conceivable evaluation, would have seriously imperiled the Company's financial viability and, in the process, compromised its very ability to render safe and adequate service. That is why the Company chose the course of action it did and that is precisely why the PSP wisely provided for such an eventuality.

part of the normal ACA process. The Staff is simply wrong on this point. As Public Counsel seems to have recognized, all of the provisions of the PSP continue in effect for this year, other than those relating to the Price Protection Incentive. As a result, Laclede still has the obligation to obtain the required level of price protection mandated by the program and to spend no more than the maximum recovery amount in doing so. Moreover, in order to obtain such protection, Laclede must also utilize those financial instruments, and only those financial instruments, provided for in the PSP.[5] As long as it complies with these requirements, Laclede will have satisfied its obligations under the PSP and no further credit or adjustment for unprotected cost increases can be required. *See* Description of Incentive Price Stabilization Program; Section 2. B. ii. Indeed, that is precisely why Laclede requested, in its July 7, 2000, Application, the additional flexibility and resources that it believes are required, under today's market conditions, to obtain meaningful price protection.

11. Nevertheless, Staff recommends that the Commission approve such flexibility only if the Company agrees to procure such financial instruments without any guidance, standards, or assurances of any kind as to what will be considered reasonable in the future. In addition to representing a fundamental departure from the approach that has previously been taken by the Commission to govern utility purchases of financial instruments, Staff's proposal would effectively preclude any additional efforts by the Company to procure price protection other than those already provided for in the PSP. As previously discussed, the current market prices for financial instruments are already well

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[5]When all is said and done, Staff apparently recognizes as well that, absent modifications to the PSP, Laclede is still governed by its terms. Otherwise, there would be no need for Staff to recommend, as it does in its Response, that the Commission explicitly grant some, but not all, of the revisions requested by the Company. (*See* Staff Response, p .6).

above the prices that Staff or Public Counsel have found to be reasonable in the past and are willing to recommend as reasonable today. If Staff and Public Counsel are unwilling to recognize the need to make such market-priced purchases today, there is no reason to believe they will do so tomorrow, particularly if the Company purchases such instruments and prices eventually decline. Under such circumstances, the potential magnitude of a future disallowance if the Company misperceives what may ultimately be deemed reasonableness is just too great.

12. Such considerations only reinforce the need, which has been recognized in all prior price protection programs approved by the Commission, to establish reasonable assurances beforehand on how the purchase of financial instruments will be treated. That is what the Company has attempted to do with the temporary revisions proposed in its Application. Even more significantly, however, the Company has also attempted to propose revisions in its Application that it believes will enhance its ability to obtain meaningful price protection for its customers and, in the process, reduce if not completely eliminate the need for any further rate increases in advance of the winter heating season. Nevertheless, if the Commission is persuaded otherwise by Staff's and Public Counsel's filings, the Company pledges that it will still do the best it can, with the resources and pursuant to the terms of the current PSP, to achieve such protection.

13. Laclede therefore requests that the Commission approve its Application, with the additional conditions set forth in paragraph 6 of this Response.

Respectfully submitted,

Michael C. Pendergast by Mark W. Comley

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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was hand delivered to Doug Micheel, Office of Public Counsel, and to Thomas A. Schwarz, General Counsel's Office of the Public Service Commission, on this 25th day of July, 2000.

Mark W. Comley

Mark W. Comley

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: John Wine, Chair
Cynthia L. Claus
Brian J. Moline

In the Matter of the Application of Kansas Gas Service Company, a Division of ONEOK, Inc., for Approval of a Gas Financial Agency Contract Between Kansas Gas Service Company and ONEOK Gas Marketing Company.	)	Docket No. 98-KGSG-475-CON

ORDER GRANTING MOTION FOR ACCOUNTING ORDER

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) on Kansas Gas Service Company, a Division of ONEOK, Inc.'s (KGSC) Motion for Accounting Order. Having examined its files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

BACKGROUND

1. On January 29, 1998, KGSC filed its original Application with the Commission in this docket seeking approval of a Gas Financial Agency Contract entered into on January 28, 1998, between KGSC and ONEOK Gas Marketing Company, a subsidiary of ONEOK, Inc. (OGMC), providing for a thirteen-month term commencing on March 1, 1998, and ending on March 3 1, 1999 (Contract). KGSC requested Commission approval of the Contract which provided for creation of a ceiling price for certain quantities of natural gas purchased by KGSC during the one-year period commencing April 1, 1998, in order to mitigate volatility in gas prices.

2. On February 27, 1998, the Commission Staff (Staff), KGSC and Citizens' Utility Ratepayers Board (CURB) entered into and tiled a Stipulation and Agreement, together with

their Joint Motion for an Order Approving Stipulation and Agreement.

3. By Order dated February 27, 1998, the Commission approved the Stipulation and Agreement and granted the Application.

4. On January 29, 1999, KGSC filed its Motion for an Order Permitting a 13-Month Extension of the Experimental Gas Financial Agency Contract. Pursuant to the Motion, KGSC requested that the Commission order the "Gas Hedge Program" to be extended for thirteen months to cover the 1999-2000 heating season. A Request for Proposal (RFP) was sent out by KGSC soliciting competitive bids for this service. The contract was awarded to the highest bidder, OGMC. That contract (1999 Contract) and the supporting testimony of Mr. Bradley 0. Dixon was filed with the Commission on February 16, 1999.

5. Subsequently, KGSC, CURB and Staff entered into and filed a Stipulation and Agreement, together with their Joint Motion for an Order Approving Stipulation and Agreement, on March 8, 1999.

6. By Order dated March 19, 1999, the Commission approved the Stipulation and Agreement and the 1999 Contract, as amended.

7. On February 8, 2000, KGSC filed its Motion for an Order Permitting a 13-Month Extension of the Experimental Gas Financial Agency Contract. Pursuant to an RFP the contract was awarded to the highest bidder, Williams Energy Marketing & Trading Company, a subsidiary of The Williams Companies, Inc. (WEM&T), and the Gas Financial Contract and Physical Call contract entered into between KGSC and WEM&T on March 17, 2000 (2000 Contract) was filed with the Commission on March 17, 2000.

8. On March 20, 2000, WEM&T filed its Petition For Leave to Intervene and the

Commission issued its Order granting WEM&T permission to intervene on March 24, 2000.

9. KGSC, WEM&T, Staff and CURB entered into and filed a Stipulation and Agreement, together with their Joint Motion for an Order Approving Stipulation and Agreement on March 24, 2000.

10. By Order dated March 28, 2000, the Commission approved the Stipulation and Agreement and the revised and amended 2000 Contract.

11. On May 16, 2000, KGSC filed its Motion for Accounting Order seeking an accounting order permitting KGSC to recover such amounts of its funds as may be necessary to expend in order to establish and maintain a gas ceiling price under the Gas Hedge Program.

12. On May 25, 2000, KGSC filed the testimony of Mr. William Eliason in support of KGSC's Motion for Accounting Order.

13. On June 1, 2000, CURB filed its Response to KGSC's Motion for Accounting Order, and its Motion Requesting the Commission Accept CURB's Response Out of Time.

14. On June 6, 2000, Staff filed its Response to KGSC's Motion for Accounting Order, including as Exhibit A thereto the Memorandum of Dr. John Cita dated June 5, 2000.

DISCUSSION

15. KGSC's Motion for Accounting Order and the supporting testimony of Mr. William Eliason outline the potential, relative ineffectiveness of KGSC's Gas Hedge Program for the 2000-200 1 heating season, unless additional funds are made available to augment KGSC's call options budget. KGSC states that in each year of the Gas Hedge Program, ". ..the ceiling price for natural gas and the volume of gas to which that ceiling price applied has been determined by the amount of money generated from monetizing the difference between the

weighted average price of the summer NYMEX Natural Gas Futures Contracts (summer strip) and the winter NYMEX Natural Gas Futures Contracts (winter strip) gas. Motion at ¶ 8. KGSC further states that in the summers of 1998 and 1999, KGSC was able to extract spreads which averaged around $0.34 per MMbtu resulting in a total fund (i.e., seasonal spread profits) of approximately $3.6 million for use in purchasing call options during each of the two years. Eliason at 3 and 4. KGSC expects only half that total amount, in the range of $1.5 - 2 million, will be available to purchase calls this season. Eliason at 4. KGSC also emphasizes that because gas prices are now very high it is even more important to establish a hedge to guard against even higher prices in the event of a price spike. Eliason at 4. KGSC also indicates that gas price volatility, the most significant factor affecting the price of call options, has increased. Eliason at 5. Consequently, in order to achieve a ceiling price at levels more consistent with years past, KGSC perceives that it may have to spend a greater amount of money than the current total estimated spread profits fund of $1.5 - 2 million. Therefore, KGSC requests the opportunity to utilize its own funds to supplement their call options budget in order to achieve a price cap that is potentially more effective, subject to recovery of its cost plus the time value of money.

16. CURB does not dispute the underlying facts set forth in the testimony of Mr. Eliason and concedes that "... conditions in the market for natural gas are different this year than in previous years." CURB Response at ¶ 9. CURB points out that heretofore, the Gas Hedge Program has been internally financed through the price differential discussed above and that KGSC's proposal may be moving toward a program where the amount of revenue available to purchase call options is determined externally, allowing the decision on funding to become somewhat arbitrary. CURB Response at ¶ 11. At the same time, CURB concludes that "...the

current confines of the gas hedge program leave little room for KGS to purchase a level of call options that will provide consumers much in the way of protection should gas prices spike this winter." CURB Response at ¶ 10. CURB also expresses concern about the duration of the requested accounting order and whether the exception requested is only for the 2000 - 2001 heating season, as well as the need for KGSC to provide notice to its customers of the higher gas prices they face this winter. CURB also points out that while the original method of funding the program was self-limiting, the request for authority to spend a specific amount raises the question of how much protection the consumers actually want and are willing to pay for. CURB is correct that there is no evidence on this important point in this proceeding.

17. Staffs Response generally agrees with both KGSC and CURB and provides a basis for supporting KGSC's Motion. In his June 5, 2000 Memorandum, Dr. John Cita acknowledges that KGSC has "...presented Staff with solid evidence that indicates gas price volatility has increased significantly in recent weeks. This suggests that the likelihood of price spikes has increased." Cita Memorandum at 2. Dr. Cita carefully points out in his Memorandum that augmenting KGSC's options budget will have no dampening effect on higher gas prices, but will provide increased protection against price spikes. Staff has concluded that the added protection from price spikes afforded by augmentation of KGSC's options budget is likely to be something residential customers reasonably would be willing to pay for. Cita Memorandum at 3. Although both Staff and CURB express concern regarding determination of the level of augmentation of KGSC's options budget, neither has concluded that KGSC's requested spending cap of $6.0 million is unreasonable. Dr. Cita suggests, however, that the Commission should consider any request to augment the Gas Hedge Program's options budget to be extraordinary, with the

expectation that such requests will not become routine. Cita Memorandum at 3. Staff generally assumes that residential gas consumers are risk averse and, therefore, are probably willing to pay extra in order to avoid erosion of the price cap protection afforded by the Gas Hedge Program. Under that assumption and given the recent increase in price volatility, Staff concludes it would be reasonable for this Commission to find KGSC's request to be in the public interest. The assumption that the consumer is risk averse does not answer the question posed by CURB as to how much the consumer is willing to spend to control volatility.

18. The Commission has reviewed the testimony of KGSC's William Eliason and the Responses of CURB and Staff, including the Memorandum of Dr, John Cita dated June 5, 2000. The underlying facts, as related by KGSC in its Motion for Accounting Order and Mr. Eliason's testimony, are undisputed. The parties are in agreement that with the advent of increased gas price volatility there exists an increased likelihood of price spikes. As suggested by CURB, the current confines of the Gas Hedge Program leaves little room for KGSC to purchase a level of call options that will provide consumers much in the way of protection should gas prices spike this winter. In response to this perceived deficit, KGSC proposes to augment its options budget by investing additional funds, as needed, to make up the difference between the amount ultimately generated by the Gas Hedge Program and a spending cap of $ 6.0 million. KGSC is willing to invest these additional funds only if the Commission authorizes recovery of the funds expended, including interest, through KGSC's Cost of Gas Rider (COGR). KGSC's proposal is not opposed and there is no evidence indicating that the $6.0 million spending cap requested by KGSC is unreasonable. Staff believes KGSC's proposal could be found to be in the public interest and granting the Motion, subject to certain conditions, to be reasonable.

FINDINGS AND CONCLUSIONS

19. KGSC is a certified public utility authorized to transact the business of a natural gas public utility within the State of Kansas. The proposed contract affects existing practice; therefore, the Commission, pursuant to K.S.A. 66-1 17, K.S.A. 66-1,200, K.S.A. 66-1,201 and K.S.A. 66- 104, has jurisdiction over natural gas public utilities and the subject matter herein.

20. CURB's Motion requesting the Commission accept its Response out of time should be granted.

21. KGSC's proposal, as set forth in its Motion for Accounting Order, is likely to provide residential and small commercial consumers greater protection against price spikes during the 2000-200 1 heating season. Since those consumers are arguably averse to price spikes, having greater protection against price spikes will yield a benefit to them. Therefore, KGSC's proposal is reasonable and in the public interest and its Motion for Accounting Order should be granted, subject to the following conditions:

(a) Implementation of KGSC's proposal to augment its options budget is limited to the 2000-2001 heating season. If KGSC proposes to fund the Gas Hedge Program externally in future years it should develop evidence that consumers desire the level of protection proposed and be prepared to justify the level of augmentation sought.

(b) KGSC is authorized a cap on total spending to establish a ceiling price for natural gas of up to $6.0 million.

(c) KGSC is authorized to invest such additional funds, as are needed, to make up the difference between the amount ultimately generated by the summer/winter price differential under the Gas Hedge Program and the $6.0 million spending cap and to record the additional monies expended in an account to accrue interest at the Commission - approved interest rate for customer deposits, as determined by the procedure established under Docket No. 193,305-U.

(d) KGSC is authorized to recover the balance of the account established pursuant to subparagraph 2 1 (c) above in equal amounts through its COGR for the months of November, 2000, December, 2000, January, 2001 and February, 2001.

(e) KGSC shall make such report or reports as may be deemed necessary by Staff.

(f) KGSC is urged to inform its customers of the higher gas prices they may face during the 2000-2001 heating season and to find a reasonable means of advising them of conservation measures they can take that may lower their winter gas bills.

IT IS THEREFORE BY THE COMMISSION ORDERED THAT:

(a) CURB's Motion requesting the Commission accept its Response out of time is hereby granted.

(b) Kansas Gas Service Company's Motion for Accounting Order is hereby granted subject to the conditions set forth in subparagraphs 21 (a) through(f) above.

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

(d) A party may file a petition for reconsideration of this Order within fifteen days from the date of this Order. If service is by mail, three additional days may be added to the fifteen day time limit to petition for reconsideration.

BY THE COMMISSION IT IS SO ORDERED.

Wine, Chr.; Claus, Commissioner; Moline, Commissioner.

ORDER MAILED

JUN 30 2000

Dated: JUN 30 2000

Jeffrey S. Wagaman
Executive Director

Jeffrey S. Wagaman
Executive Director

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