

ORDINANCE NO. 1734

CITY OF LEXINGTON, NEBRASKA

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AN ORDINANCE ESTABLISHING A GAS SUPPLY COST ADJUSTMENT PROVISION WITH A BALANCING ACCOUNT TO PROVIDE FOR THE COLLECTION OF ACTUAL GAS SUPPLY COSTS OF K N ENERGY, INC. FROM RESIDENTIAL, COMMERCIAL AND NONCONTRACT USERS; AND SPECIFYING REPORTS TO BE FILED BY K N ENERGY, INC. IN SUPPORT OF EACH ADJUSTMENT FILED WITH THE CITY UNDER THE PROVISIONS OF THIS ORDINANCE AND REPEALING SECTION 4 OF ORDINANCE NO. 1628; AND ORDERED PUBLISHED IN PAMPHLET FORM AND EFFECTIVE DATE.

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

SECTION 1. The rates associated with providing natural gas service to residential, commercial, and noncontract customers located in the City of Lexington, Nebraska, hereinafter referred to as "City", may be adjusted upward and shall be adjusted downward to reflect changes in K N Energy, Inc.'s (K N) gas supply costs in accordance with the following provisions effective on and after January 1, 1984.

SECTION 2. On or before January 1, 1984 and on or before December 1 of each calendar year thereafter, K N shall file an annual Gas Supply Cost Adjustment to reflect the annual gas supply cost for the next calendar year provided that the annual Gas Supply Cost Adjustment shall be reflected in K N's rate only when it represents a dollar amount equal to at least one mill (\$.001) per Mcf of annual distribution sales. The annual Gas Supply Cost Adjustment for the calendar year shall be spread equally over twelve months in monthly adjustments with the first adjustment effective January 1 and the remaining monthly adjustments effective the first of each succeeding month.

SECTION 3. In addition to the annual Gas Supply Cost Adjustment provided for above, K N shall file a revision to the annual Gas Supply Cost Adjustment on or before June 1 to become effective July 1 of each calendar year to reflect changes which have occurred or which are reasonably certain to occur in the unit gas supply costs as compared with such costs included in the annual Gas Supply Cost Adjustment.

SECTION 4. The terms "Gas Supply Cost" and "Gas Supply Cost Adjustment" shall refer to the sum of used and useful gas supply costs as defined below and the calculated adjustments due to changes in the total of such costs per Mcf of distribution sales.

Gas Supply Costs to be used for calculating the Gas Supply Cost Adjustment shall be projected for the ensuing calendar year and shall be the used and useful portion of the total of charges to Accounts 800 (Natural Gas Well Head Purchases), 801 (Natural Gas Field Line Purchases),

EXHIBIT B

802 (Natural Gas Gasoline Plant Outlet Purchases), 803 (Natural Gas Transmission Line Purchases), 808.1 (Gas Withdrawn From Storage-Debit), 808.2 (Gas Delivered To Storage-Credit); used and useful company-owned production; and noncurrent exchange transactions in Account 806 (Exchange Gas).

The Base Gas Supply Cost and the Adjustment to Actual to be used in determining the balances in Account 191 (Unrecovered Purchased Gas Costs) shall be the amounts reflected in the rates and set forth in the report provided for under Section 7.a. of this Ordinance.

SECTION 5. K N shall utilize Account 191 under the Uniform System of Accounts prescribed for natural gas companies subject to the provisions of the Natural Gas Act to record actual Gas Supply Costs. Account 191 shall be debited or credited as appropriate for the excess or deficiency of actual used and useful gas supply costs (including the amortization of Account 191) over or under amounts billed for gas supply costs. The pro-rata portion of all refunds and interests thereon received from K N's suppliers applicable to customers in the City as to periods after this adjustment provision becomes effective, shall be credited to Account 191. Account 191 shall be debited or credited, as appropriate, each month for carrying charges and for the amounts amortized from the surcharge for the Adjustment to Actual. Carrying charges shall be computed based on the ending balances in Account 191, exclusive of accumulated interest. The rate for computation of carrying charges shall be the current rate of interest on pipeline refunds established by the Federal Energy Regulatory Commission.

On or before March 1, 1985 and on or before March 1 of each year thereafter, K N shall file an adjustment to its rates as a surcharge for the purpose of amortizing the debit or credit balance in Account 191 for the prior calendar year over a twelve month period beginning April 1 and ending March 31. The surcharge shall be known as the Adjustment to Actual and may be a positive or negative amount. The computation of the surcharge for the calendar year 1984 to become effective on April 1, 1985, shall be based upon actual Gas Supply Costs reflected in the rates charged for calendar year 1984 plus any under or overrecovered gas supply costs for prior periods. Filings in subsequent years will involve a similar computation.

SECTION 6. The amount of each Gas Supply Cost Adjustment shall be the newly-determined Gas Supply Cost per Mcf of distribution sales less such unit costs for the immediately prior period for which an adjustment was filed.

The amount of the surcharge for the Adjustment to Actual shall be determined by dividing the ending balance in Account 191 by the projected distribution sales billing volumes for the ensuing year.

SECTION 7. Simultaneous with the filing of each Gas Supply Cost Adjustment, Seller shall furnish to the City the following reports:

- a. A "Summary of Monthly Rates" which sets forth the rates for each month, the Base Gas Supply Cost and the Adjustment to

Actual (surcharge) reflected in the rates to be used in determining the balances in Account 191 in the form attached hereto as Appendix A.

- b. A report showing the projected flow of sources of gas supply and gas supply costs used and useful to users in the City for the ensuing calendar year in the form attached hereto as Appendix B.
- c. A report showing the calculation of the current Gas Supply Cost Adjustment for the ensuing calendar year in the form attached here to as Appendix C.
- d. A report showing each source of gas supply, separately identifying purchased gas and produced gas, and the costs thereof used in computing the current adjustment to be applied to existing rates in the form attached hereto as Appendix D.

SECTION 8. On March 1 of each year, K N shall file the following reports:

- a. A report showing the actual flow of sources of gas supply and gas supply costs used and useful to users in the City for the last calendar year in the form attached hereto as Appendix E.
- b. A report showing the calculation of the Adjustment to Actual (surcharge) for the ensuing fiscal year (April 1 through March 31) required under Section 5 of this Ordinance in the form attached hereto as Appendix F.

SECTION 9. This Ordinance shall be published in pamphlet form and take effect as provided by law.

Passed and approved this 11<sup>th</sup> day of October, 1983.

*Ed. DeLeon*  
Mayor

ATTEST:

*Flora E. Mahan*  
Clerk

(SEAL)