

RESOLUTION 1999- 1

RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOTHENBURG,
NEBRASKA:

WHEREAS, each Nebraska municipality is responsible for regulating the provision of natural gas service within its municipal boundaries; and

WHEREAS, pursuant to the Municipal Natural Gas Regulation Act, Section 19-4604(1) of the Nebraska Revised Statutes ("Neb. Rev. Stat."), every rate made, demanded, or received by any utility from a Nebraska ratepayer must be "just and reasonable" and the costs and expenses must be "prudently incurred"; and

WHEREAS, on February 17, 1998, KN Energy, Inc. ("KN Energy") has offered a "customer choice" program in Gothenburg, which program was adopted as proposed by KN Energy in Ordinance No. 693; and

WHEREAS currently KN Energy has included with its customer choice program a fuel cost surcharge of \$0.29 for each MMBTU of natural gas delivered to all customers under the program and there is a similar cost impact to those customers who are not choice program participants; and

WHEREAS it appears that this particular fuel cost surcharge is attributable solely to KN Energy's P0802 natural gas purchase contract with Samedan; and

WHEREAS, inclusion of the P0802 fuel cost surcharge is significantly affects the cost of natural gas to the ratepayers of Gothenburg; and

WHEREAS, the passage of Ordinance No. 693 did not in any manner constitute a review, consideration, or approval of the prudence of KN Energy's fuel acquisition costs, P0802 surcharge or management practices by the City Council of Gothenburg; and

WHEREAS, the prudence of KN Energy's natural gas acquisition costs and management practices are, pursuant to the Municipal Natural Gas Regulation Act, subject to review by this regulatory body; and

WHEREAS, as a result of the annual price escalation and other terms and provisions set forth in KN Energy's P0802 fuel purchase contract with Samedan, the City of Gothenburg intends to thoroughly review and consider whether it is proper for KN Energy to continue to include any surcharge attributable to the P0802 commodity purchase contract in rates paid by the ratepayers in Gothenburg; and

WHEREAS, Gothenburg is, pursuant to the Municipal Natural Gas Regulation Act, Section 19-4604(1) Neb. Rev. Stat. Permitted to initiate a rate review every thirty-six (36) months; and

WHEREAS, Section 19-4604(1) Neb. Rev. Stat. Provides for a hearing on such a rate inquiry.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOTHENBURG that a targeted prudence and rate-related review be conducted in accordance with the Nebraska Municipal Natural Gas Regulation Act to review and consider the possible adjustment of KN Energy's P0802 commodity, purchase contract fuel cost surcharge paid by ratepayers in the City of Gothenburg.

Passed and approved this 16th day of March, 1999.

CITY OF GOTHENBURG,
DAWSON COUNTY, NEBRASKA

BY Larry Franzen
Larry Franzen, Mayor

ATTEST:



Connie Stull, City Clerk

APPROVED AS TO FORM:

Michael L. Bacon, City Attorney