

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission,     ) Application No. NG-0020/PI-80  
on its own motion, seeking to     )  
conduct a review related to a     )  
settlement agreement among the     )  
State of Nebraska, acting by and     ) ORDER APPROVING VERIFICATION  
through the Governor's Policy     )  
Research Office; the Nebraska     )  
Public Service Commission; and     )  
Kinder Morgan, Inc., a Kansas     )  
corporation.     ) Entered: June 2, 2004

BY THE COMMISSION:

On April 6, 2004, the Commission opened this docket in order to evaluate a proposed settlement agreement, to consider proposed tariff changes, and to review certain documented litigation costs of Kinder Morgan, Inc. (Kinder Morgan).

The settlement agreement resolves two lawsuits filed by the State against Kinder Morgan in Lancaster County District Court, seeking to recover approximately \$785,692 disbursed from the Municipal Natural Gas Regulation Revolving Loan Fund administered by the Governor's Policy Research Office (the "GPRO Litigation"). The funds were disbursed in connection with litigation initiated by several municipalities regarding Kinder Morgan's P-0802 contract (the "P-0802 Litigation"), which is further described in the settlement agreement.

Under the settlement agreement, Kinder Morgan is entitled to recoup from its ratepayers its Recoverable P-0802 Expenses, which are a total of \$1,175,000.00 of the fees and expenses incurred and paid by Kinder Morgan, inclusive of associated carrying costs, in connection with the P-0802 Litigation and the GPRO Litigation.

The settlement agreement was executed on April 23, 2004. Execution of the agreement triggered a 45-day period for the Commission to verify Kinder Morgan's Recoverable P-0802 Expenses. Under the agreement, if the Commission finds sufficient support to conclude that the Recoverable P-0802 Expenses total at least \$1,175,000, the Commission must provide verification to all parties, in the format shown in Exhibit B to this order.

Commission accountants conducted a review of Kinder Morgan's documented expenses for the P-0802 Litigation and the GPRO Litigation. The report from the accounting review is attached as Exhibit A. Commission accountants found a total of \$2,827,917.84 in expenses incurred and paid, of which \$2,648,726.34 was for labor costs and \$179,191.50 was for other expenses. Commission accountants further found that such expenses were charged to Kinder Morgan's books and adequate documentation was provided referencing such expenses to the P-0802 and GPRO cases.

Based on the review described above and, in particular, the accountants' finding of at least \$1,175,000.00 in Recoverable P-0802 Expenses, the Commission finds that verification should be approved. The Commission directs its Executive Director to execute the verification in the form prescribed by the Settlement Agreement, a sample of which is attached as Exhibit B.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the Executive Director of the Commission is directed to execute the verification in Exhibit B.

MADE AND ENTERED at Lincoln, Nebraska, this 2nd day of June, 2004.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director