

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

February 13, 2004

In Reply Refer To:  
Docket Nos. RP98-40-000,  
GP98-27-000, SA99-7-000,  
SA98-100-000

LeBoeuf, Lamb, Greene & MacRae LLP  
Attn: Brian D. O'Neill, Esq.  
Attorney for Panhandle Eastern Pipe Line Company  
1875 Connecticut Ave., N.W., Suite 1200  
Washington, DC 20009-5728

Dear Mr. O'Neill:

1. On November 10, 2003, Panhandle Eastern Pipe Line Company, LLC (Panhandle), the Missouri Public Service Commission (MoPSC), IMC Global, Inc. (IMC), ONEOK Energy Resources Company, formerly ONEOK Exploration Company, (ONEOK), ProLiance Energy (ProLiance), SEMCO Energy Gas Company (SEMCO), CMS/Consumers Energy Co. (CMS) and Ameren US and Ameren CIPS (Ameren) (collectively, Signatory Parties and Settling Parties), filed a Settlement Agreement for Commission approval. Counsel for the Signatory Parties have been authorized by Commission Trial Staff (Trial Staff) to indicate that Trial Staff supports the Settlement Agreement.<sup>1</sup> Counsel for the Signatory Parties have also been authorized by each of the active parties in this case to state that all of the active parties either support or do not oppose the Settlement Agreement.

2. Trial Staff filed initial comments on December 1, 2003 and does not oppose the settlement. On December 5, 2003, the Presiding Judge certified the settlement to the Commission as uncontested. The instant Settlement provides a final resolution to all issues in the subject proceedings regarding Kansas ad valorem tax refunds, if any, owed by IMC, ONEOK and Charlotte Hill.

3. Pursuant to the Settlement, IMC is to pay a negotiated refund amount equal to \$110,000 as of July 31, 2003, plus interest, within fifteen days of the Effective Date of

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<sup>1</sup> This partial offer of settlement would resolve all issues for the signatory parties in the above-captioned proceedings.

the Settlement, and ONEOK is to pay a negotiated refund amount equal to \$106,700 as of March 31, 2003, plus interest, within fifteen days of the Effective Date of the Settlement.

4. The Signatory Parties have agreed that the dismissal of Panhandle's Kansas ad valorem tax refund claim against Charlotte Hill and settlement of Charlotte Hill's petition for relief under Section 502(c) of the Natural Gas Policy Act (NGPA) is in the public interest. Accordingly, Charlotte Hill's obligation to refund Kansas ad valorem taxes shall be cancelled and further collection efforts with respect to Panhandle's refund claim against Charlotte Hill shall be terminated.<sup>2</sup> The Signatory Parties also agree that the Settlement constitutes a full, complete and final resolution of any and all issues on Panhandle's system related to the obligation of IMC and/or ONEOK to pay refunds, with interest, of Kansas ad valorem tax reimbursements to Panhandle and the entitlement of Panhandle and its customers to receive refunds of such tax reimbursements for the relevant time period regardless of the outcome of intervening legislative or regulatory developments. Within thirty (30) days of the receipt of the Settlement Payments, Panhandle will distribute the jurisdictional portion of the Settlement Payments to Panhandle's jurisdictional customers as set forth in Exhibit No. 1 to the Settlement Agreement.

5. The Settlement Agreement provides a final resolution to all issues in the subject proceedings regarding the Kansas ad valorem tax refund obligations, if any, of IMC, ONEOK and Charlotte Hill. The Settlement Agreement becomes effective upon issuance by the Commission of a final, nonappealable order approving the Settlement Agreement without material modification or condition (the Effective Date). Approval of this Settlement Agreement by the Commission shall resolve the outstanding NGPA Section 502(c) adjustment relief proceeding of IMC in Docket No. SA98-100-000 and the issues raised by ONEOK in Docket No. GP98-27-000, as well as all claims by Panhandle in Docket No. RP98-40 against IMC and ONEOK for refunds of Kansas ad valorem taxes. On the Effective Date, the adjustment petition of IMC in Docket No. SA98-100-000 and the proceeding involving ONEOK in Docket No. GP98-27-000 shall be rendered moot and those proceedings shall be deemed terminated. Commission approval of this Settlement Agreement shall constitute waiver of any and all otherwise applicable Commission regulations to permit implementation of the Settlement.

6. The Commission finds that this Settlement Agreement appears to be a fair and reasonable, negotiated resolution of the issues associated with Panhandle's refund claims against IMC, ONEOK and Charlotte Hill. Accordingly, the subject Settlement is hereby approved as fair and reasonable and in the public interest.

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<sup>2</sup> Charlotte Hill is not a party to the settlement because it was dissolved in 1997 and has no assets or successor entities.

7. This letter order terminates Docket Nos. SA98-100-000, GP98-27-000, and SA99-7-000.

By direction of the Commission.

Magalie R. Salas,  
Secretary.

cc: All Parties