

**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

Before Commissioners:                    Shari Feist Albrecht, Chair  
   Jay Scott Emler  
   Dwight D. Keen

In the Matter of the Filing by Kansas Gas    )  
Service, a Division of ONE Gas, Inc., Seeking    ) Docket No. 18-KGSG-540-CON  
Approval of a Wholesale Gas Sales Contract as    )  
Prescribed by Commission Order Dated June    )  
21, 2001, in Docket No. 106,850-U / 75-    )  
GIMC-009-GIG    )

**ORDER APPROVING WHOLESALE GAS SALES CONTRACT**

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

**Background**

1.        On June 18, 2018, Kansas Gas Service (KGS), a Division of ONE Gas, Inc. filed an Application with the Commission seeking approval of a Wholesale Gas Sales Contract between itself and Kansas Industrial Energy Supply Company (KIESCO). KGS stated in its Application that it needed approval of the Wholesale Gas Sales Contract from the Commission pursuant to the June 21, 2001, Order in Docket No. 106,850-U / 75-GIMC-009-GIG (Order). Such Order requires any long term or seasonal gas purchase contracts that are not awarded pursuant to competitive bidding to be filed with the Commission for review and approval prior to the dates they become effective.

2.        KGS indicated in its Application that a new subdivision that includes both duplexes and some single-family residences is being constructed in an area of southeast Wichita, Kansas.

The subdivision and a new sanitary sewer pump station for the City of Wichita are located within KGS' certificated service territory. However, KGS needs additional time to determine the most efficient long-term solution for gas delivery in the area. Therefore, as an interim solution, KGS plans to obtain a tap off a KIESCO/City of Wichita pipeline in the area under a Wholesale Gas Sales Contract on a month to month basis, under rates negotiated by the parties.

3. The Wholesale Gas Sales Contract was submitted to the Commission for review and approval, and KGS asserted the negotiation of the Wholesale Gas Sales Contract was a reasonable and prudent business decision. Additionally, KGS stated that such contract would ensure efficient and adequate service to KGS' customers.

#### **Jurisdiction and Standard of Review**

4. The Commission holds full power, authority and jurisdiction to supervise and control KGS as a natural gas public utility pursuant to K.S.A. 66-1,201. As noted by KGS in its Application, long-term or seasonal gas purchase contracts that are not awarded pursuant to a competitive bidding process are to be filed with the Commission for review and approval prior to the dates they become effective.<sup>1</sup>

5. K.S.A. 66-128a provides that the Commission shall have the ability to review and evaluate the efficiency or prudence of any actions or operating practices of any public utility for the purpose of establishing fair and reasonable rates.<sup>2</sup> The Kansas Supreme Court has explained that prudence involves "carefulness, precaution, attentiveness and good judgment."<sup>3</sup>

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<sup>1</sup>Order, Docket No. 106,850-U / 75-GIMC-009-GIG, Ordering Clause (C) (June 21, 2001).

<sup>2</sup>K.S.A. 66-128a; *see also* K.S.A. 66-128c.

<sup>3</sup>Kansas Gas & Elec. Co. v. State Corp. Comm'n, 239 Kan. 483, 495 (1986).

## **Staff's Report and Recommendation**

6. Commission Staff (Staff) filed a Report and Recommendation (R&R) in this matter on September 5, 2018.<sup>4</sup>

7. To determine whether KGS made a prudent business decision by entering into the Wholesale Gas Sales Contract, Staff evaluated the basis for the price and compared the contract price to prices gas companies charge for similar services.<sup>5</sup>

8. Staff indicated that the basis for the price was the cost of procuring gas from the Southern Star Production Area Pool, plus an adder for KIESCO's transportation, distribution, administration, insurance, management, and other operation expenses.<sup>6</sup>

9. Staff then compared the adder to similar bundled services provided by Black Hills Energy (Black Hills) and KGS itself. Both were above the price KIESCO charges under the Wholesale Gas Sales Contract.

10. Based upon this information, Staff found that KGS demonstrated carefulness, precaution, attentiveness, and good judgment in its decision to purchase gas from KIESCO to serve its customers' needs. Therefore, Staff recommended the Commission find that entering into the contract was a prudent business decision and grant approval of the Wholesale Gas Sales Contract.

## **Findings and Conclusions**

11. The Commission finds and concludes that Staff's R&R in this matter contains reasonable evidence, analysis, and recommendations. Therefore, the Commission hereby adopts Staff's recommendation of approving the Wholesale Gas Sales Contract filed by KGS.

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<sup>4</sup>Notice of Filing of Staff's Report and Recommendation (Sept. 5, 2018) (R&R).

<sup>5</sup>R&R at 2.

<sup>6</sup>R&R at 3.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

- A. KGS' Application is approved.
- B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).
- C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 09/11/2018



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Lynn M. Retz  
Secretary to the Commission

MRN

## CERTIFICATE OF SERVICE

18-KGSG-540-CON

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on 09/11/2018.

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/s/ DeeAnn Shupe

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DeeAnn Shupe