

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

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

In the Matter of the Application of Kansas Gas    )  
Service, a Division of ONE Gas, Inc., for        )  
Adjustment of its Natural Gas Rates in the       )  
State of Kansas.                                        )

Docket No. 18-KGSG-560-RTS

**ORDER APPROVING PARTIAL UNANIMOUS SETTLEMENT AGREEMENT**

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being fully advised in the premises, the Commission finds and concludes as follows:

**Background**

1.       On June 29, 2018, Kansas Gas Service, a Division of ONE Gas, Inc., (Kansas Gas Service) filed its Application seeking a net revenue increase of \$42.7 million, resulting from increasing base rates by \$45.6 million and reclassifying \$2.9 million currently collected through the Gas System Reliability Surcharge (GSRS) to base rates.<sup>1</sup>

2.       Kansas Gas Service also sought to establish a Revenue Normalization Adjustment (RNA) mechanism, a Cyber Security O&M Expense Tracker and a Depreciation Expense Tracker.<sup>2</sup> In addition, Kansas Gas Service requested permission to share pension and other post-employment benefits (OPEB) fund earnings, which it termed pension savings, with customers and

---

<sup>1</sup> Testimony of Janet L. Buchanan in Support of the Settlement Agreement, p. 3 (Dec. 4, 2018) (Buchanan Testimony in Support).

<sup>2</sup> Application, ¶ 7 (June 29, 2018).

to fund the Gas Technology Institute (GTI).<sup>3</sup> In support of its Application, Kansas Gas Service submitted the testimony of 14 witnesses and the schedules required by K.A.R. 82-1-231.<sup>4</sup>

3. On October 29, 2018, Commission Utilities Staff (Staff) filed its direct testimony. Staff recommended an increase in base rates of \$19.83 million (\$16.96 million net of GSRS).<sup>5</sup> Staff recommended adjustments to Kansas Gas Service's proposed depreciation rates.<sup>6</sup> In addition, Staff made recommendations regarding return on equity and adjustments to the income statement and rate base.<sup>7</sup> Staff opposed Kansas Gas Service's RNA mechanism and Depreciation Expense Tracker, its pension savings sharing proposals,<sup>8</sup> and the Company's request to recover costs to fund GTI.<sup>9</sup> Staff also recommended modifications to Kansas Gas Service's proposed Cyber Security O&M Expense Tracker.<sup>10</sup>

4. On October 29, 2018, the Citizens' Utility Ratepayer Board (CURB) recommended a decrease in operating revenues of \$4.7 million, inclusive of GSRS based upon adjustments to rate of return on equity, capital structure and the utility's rate base and income statement.<sup>11</sup> CURB opposed the proposed RNA mechanism, the Depreciation Expense Tracker, the Cyber Security O&M Expense Tracker and the Company's proposal to share pension expense savings.<sup>12</sup> CURB also opposed Kansas Gas Service's request to require ratepayers to fund participation in GTI.<sup>13</sup>

---

<sup>3</sup> Application, ¶ 5. See Direct Testimony of Leo M. Haynos, p. 2 (Oct. 29, 2018) (Haynos Direct).

<sup>4</sup> Application, Vols. I and II.

<sup>5</sup> Testimony of Justin T. Grady in Support of Settlement Agreement, p. 3 (Dec. 4, 2018) (Grady Testimony in Support).

<sup>6</sup> Direct Testimony of Roxie McCullar, p. 2 (Oct. 29, 2018) (McCullar Direct).

<sup>7</sup> See e.g. Direct Testimony of Adam H. Gatewood, p. 2 (Oct. 29, 2018); Direct Testimony of Kristina A. Luke-Fry, pp. 12, 17-37 (Oct. 29, 2018).

<sup>8</sup> See Grady Testimony in Support, p. 3.

<sup>9</sup> Haynos Direct, p. 1.

<sup>10</sup> Direct Testimony of Justin T. Grady, pp. 37-39 (Oct. 29, 2018).

<sup>11</sup> CURB was granted intervention on July 24, 2018 (*Order Granting Intervention to the Citizens' Utility Ratepayer Board*); Direct Testimony of Andrea Crane, pp. 9-10 (Oct. 29, 2018) (Crane Direct).

<sup>12</sup> Crane Direct, pp. 8-10, 32.

<sup>13</sup> Crane Direct, pp. 47-48.

5. On October 29, 2018, WoodRiver Energy, LLC (WoodRiver) filed testimony related to Kansas Gas Service's electronic flow metering (EFM) provisions.<sup>14</sup> On November 1, 2018, Kansas Farm Bureau and the Kansas Corn Growers Association (KFB/KCGA) filed direct testimony with supporting schedules and exhibits.<sup>15</sup> The testimony of KFB and KCGA focused on the class cost of service and allocations to Kansas Gas Service's irrigation class of customers.<sup>16</sup>

6. On November 14, 2018, KFB and KCGA filed cross-answering testimony on the cost allocation and rate design matters presented by Staff.<sup>17</sup>

7. On November 19, 2018, Kansas Gas Service submitted rebuttal testimony from 17 witnesses.<sup>18</sup>

8. On December 3, 2018, the parties filed a Joint Motion to Approve Partial Unanimous Settlement Agreement (Joint Motion),<sup>19</sup> addressing all outstanding disputed issues raised in the pre-filed testimony and exhibits, with the exception of one issue relating to whether Kansas Gas Service should be allowed to offset the tax savings amounts accrued as a regulatory liability with Kansas Gas Service's other cost of service components pursuant to the Commission's Order issued in Docket No. 18-GIMX-248-GIV (248 Docket) (Bifurcated Issue).<sup>20</sup> That single issue has been bifurcated per the agreement by the parties and will be addressed by the Commission in a separate order.<sup>21</sup>

---

<sup>14</sup> WoodRiver was granted intervention on October 11, 2018 (*Order Granting Intervention to WoodRiver Energy, LLC*); Answer Testimony of Don Krattenmaker, pp. 1-2 (Oct. 29, 2018).

<sup>15</sup> KFB/KCGA was granted intervention on October 11, 2018 (*Order Granting Intervention to the Kansas Farm Bureau and Kansas Corn Growers Association*); Direct Testimony of Michael L. Brosch (Nov. 1, 2018) (Brosch Direct).

<sup>16</sup> Brosch Direct, pp. 2-3.

<sup>17</sup> Cross Answering Testimony of Michael L. Brosch, pp. 1-6 (Nov. 14, 2018).

<sup>18</sup> Buchanan Testimony in Support, p. 4.

<sup>19</sup> The Partial Unanimous Settlement Agreement is attached to this Order as Exhibit A.

<sup>20</sup> Joint Motion, pp. 2-8 (Dec. 3, 2018).

<sup>21</sup> Joint Motion, p. 8.

9. On December 4, 2018, the parties filed testimony in support of the Partial Unanimous Settlement Agreement.<sup>22</sup>

10. On December 11, 2018, the Commission held a hearing on the proposed Partial Unanimous Settlement Agreement and on the Bifurcated Issue. Kansas Gas Service, Staff and CURB appeared by counsel.<sup>23</sup> Three witnesses testified in support of the settlement: Janet L. Buchanan on behalf of Kansas Gas Service; Justin T. Grady on behalf of Staff; and Andrea C. Crane on behalf of CURB.<sup>24</sup> Ms. Crane's testimony was referred into the record by agreement of the parties.

11. The Commission has full power, authority and jurisdiction to supervise and control natural gas public utilities doing business in Kansas and is empowered to do all things necessary and convenient to exercise that power, authority and jurisdiction.<sup>25</sup> Kansas Gas Service is a "natural gas public utility" as defined in K.S.A. 66-104.<sup>26</sup> Therefore, Kansas Gas Service is subject to the Commission's jurisdiction and is "required to furnish reasonably efficient and sufficient service and facilities for the use of any and all products or services rendered, furnished, supplied or produced by such natural gas public utility, to establish just and reasonable rates, charges and exactions and to make just and reasonable rules, classifications and regulations."<sup>27</sup>

---

<sup>22</sup> Joint Motion, Exhibit A (Partial Unanimous Settlement Agreement), pp. 21-22; Grady Testimony in Support, pp. 7-8.

<sup>23</sup> Transcript of Hearing, p. 4. (Tr.)

<sup>24</sup> Tr., pp. 31-32; Exhibit 1.

<sup>25</sup> K.S.A. 66-1,201.

<sup>26</sup> K.S.A. 66-1,200.

<sup>27</sup> K.S.A. 66-1,202.

## Brief Overview of the Partial Unanimous Settlement Agreement

12. The Partial Unanimous Settlement Agreement provides a summary of Kansas Gas Service's Application, as well as the pre-filed positions of Staff and the other parties.<sup>28</sup> The parties propose that Kansas Gas Service receive a net overall annual revenue increase of \$21.5 million.<sup>29</sup> Kansas Gas Service will roll the existing balance in the GSRS (\$5.258 million) into base rates. The existing balance in the GSRS is included in the \$21.5 million annual revenue increase.<sup>30</sup>

13. In addition to the aforementioned \$21.5 million increase, the Partial Unanimous Settlement Agreement addresses the following:

- The implementation of the depreciation rates proposed by Staff witness Roxie McCullar;<sup>31</sup>
- The "black boxed" incentive compensation or capital structure;<sup>32</sup>
- Weather Normalization Adjustment (WNA) issues;<sup>33</sup>
- Pre-tax rate of return for GSRS filings;<sup>34</sup>
- The Ad Valorem Tax Surcharge Rider (AVTS);<sup>35</sup>
- Pension and Post-Retirement Benefit Trackers;<sup>36</sup>
- Amortization periods for regulatory accounting deferrals;<sup>37</sup>

---

<sup>28</sup> Joint Motion, Exhibit A, Partial Unanimous Settlement Agreement, pp. 14-17.

<sup>29</sup> Grady Testimony in Support, p. 4.

<sup>30</sup> Grady Testimony in Support, p. 4.

<sup>31</sup> Grady Testimony in Support, p. 5.

<sup>32</sup> Grady Testimony in Support, p. 5.

<sup>33</sup> Testimony of Dr. Robert H. Glass in Support of Settlement Agreement, p. 6 (Dec. 7, 2018) (Glass Testimony in Support).

<sup>34</sup> Grady Testimony in Support, p. 6; Partial Unanimous Settlement Agreement, p. 7.

<sup>35</sup> Grady Testimony in Support, pp. 5-6.

<sup>36</sup> Grady Testimony in Support, p. 6.

<sup>37</sup> Grady Testimony in Support, p. 6.

- Rate case expense;<sup>38</sup>
- Withdrawal without prejudice of certain proposals made by Kansas Gas Service;<sup>39</sup>
- General Terms and Conditions;<sup>40</sup>
- Class Cost of Service/Rate Design/Effective Date of Rate Change;<sup>41</sup>
- Amortization expense associated with the excess accumulated deferred income taxes (EDIT);<sup>42</sup>
- The proposed Cyber-Security Tracker;<sup>43</sup>
- Tax savings amounts accrued as a regulatory liability. The parties agreed to bifurcate the issue of whether Kansas Gas Service should be allowed to offset the tax savings accrued as a regulatory liability with Kansas Gas Service's other cost of service components from the other issues presented in this rate case and that the Commission's decision regarding this Bifurcated Issue shall have no impact on the Settlement Agreement and the miscellaneous provisions contained in Section IV of the Settlement Agreement shall not be applicable to the Bifurcated Issue;<sup>44</sup> and
- The EFM charge.<sup>45</sup>

### **Findings and Conclusions**

14. The law generally favors compromise and settlement of disputes between parties when they enter into an agreement knowingly and in good faith to settle the dispute.<sup>46</sup> When

---

<sup>38</sup> Grady Testimony in Support, p. 6.

<sup>39</sup> Grady Testimony in Support, p. 5.

<sup>40</sup> Grady Testimony in Support, p. 5; Partial Unanimous Settlement Agreement, p. 8.

<sup>41</sup> Partial Unanimous Settlement Agreement, p. 7, Appendix B; Glass Testimony in Support, pp. 2-3.

<sup>42</sup> Partial Unanimous Settlement Agreement, p. 7.

<sup>43</sup> Partial Unanimous Settlement Agreement, p. 8.

<sup>44</sup> Partial Unanimous Settlement Agreement, pp. 8-9.

<sup>45</sup> Partial Unanimous Settlement Agreement, p. 9.

<sup>46</sup> *Krantz v. Univ. of Kansas*, 271 Kan. 234, 241-42 (2001).

approving a settlement, the Commission must make an independent finding that the settlement is supported by substantial competent evidence in the record as a whole, establishes just and reasonable rates, and is in the public interest.<sup>47</sup>

15. The Partial Unanimous Settlement Agreement is a unanimous settlement agreement as defined by K.A.R. 82-1-230a. Therefore, there is no need to apply the five-factor test.<sup>48</sup>

16. Substantial competent evidence possesses something of substance and relevant consequence, which furnishes a substantial basis of fact to reasonably resolve the issues.<sup>49</sup> Whether another trier of fact could have reached a different conclusion given the same facts is irrelevant; a Commission decision lacks substantial competent evidence when the Commission's determination "is so wide of the mark as to be outside the realm of fair debate."<sup>50</sup> In this case, the Commission reviewed the record consisting of pre-filed testimony from 36 witnesses, including 18 on behalf of Kansas Gas Service, 12 on behalf of Staff, four on behalf of CURB, one on behalf of WoodRiver and one on behalf of KFB-KCGA. The Commission also considered live testimony from two witnesses in support of the Settlement and the Joint Motion for Approval of Partial Unanimous Settlement Agreement.

17. Having reviewed the record as a whole, the Commission finds that the Partial Unanimous Settlement Agreement is supported by substantial competent evidence.

18. Every natural gas public utility in Kansas is required to provide reasonably efficient and sufficient service and establish just and reasonable rates.<sup>51</sup> Under Kansas Supreme Court

---

<sup>47</sup> *Citizens' Util. Ratepayer Bd. v. Kansas Corp. Comm'n.*, 28 Kan.App.2d 313, 316 (2000), *rev. denied* March 20, 2001.

<sup>48</sup> See Docket No. 15-KCPE-116-RTS, *Order on KCP&L's Application for Rate Change*, ¶ 16 (Sept. 10, 2015).

<sup>49</sup> *Farmland Indus., Inc. v. Kansas Corp. Comm'n.*, 25 Kan.App.2d 849, 852 (1999).

<sup>50</sup> *Id.* at 851, 856.

<sup>51</sup> K.S.A. 66-1,202.

precedent, rates must fall within a "zone of reasonableness" which balances the interests of investors versus ratepayers, present versus future ratepayers, and the public interest.<sup>52</sup> The Commission considered these competing interests and finds the agreed upon revenue requirement falls within the "zone of reasonableness." The record contains substantial competent evidence that the agreed-upon rate will provide Kansas Gas Service sufficient revenues and cash flows to meet its financial obligations, yet will keep rates as low as possible while maintaining reliable service for its customers. The Commission finds that approval of the Partial Unanimous Settlement Agreement will result in just and reasonable rates for Kansas Gas Service and its customers.<sup>53</sup> The Commission finds the Partial Unanimous Settlement Agreement fairly represents a balance of the relevant interests and is supported by the evidence.

19. The Commission also finds the terms of the Partial Unanimous Settlement Agreement are fair and reasonable and were fully and fairly negotiated by the parties in conjunction with the acknowledgment that it is unlikely the Commission would accept wholesale any party's pre-filed position.

20. Consistent with the parties' position, the Commission finds that approval of the Partial Unanimous Settlement Agreement is in the public interest.<sup>54</sup> The terms of the Settlement Agreement represent an equitable balancing of the interests of all parties,<sup>55</sup> and the public interest is upheld by minimizing the cost of litigation that would be passed on to ratepayers.<sup>56</sup>

21. Based on the above, the Commission finds that the attached Partial Unanimous Settlement Agreement is supported by substantial competent evidence in the record as a whole,

---

<sup>52</sup> *Kansas Gas and Elec. Co. v. State Corp. Comm'n*, 239 Kan. 483, 488 (1986).

<sup>53</sup> See Joint Motion, pp. 6-7.

<sup>54</sup> Joint Motion, p. 8.

<sup>55</sup> *Id.*

<sup>56</sup> Grady Testimony in Support, p. 18.



results in just and reasonable rates, and is in the public interest. Thus, the Commission approves the Partial Unanimous Settlement Agreement in its entirety. Per agreement of the parties, the Commission will issue a separate order on the Bifurcated Issue.

**THEREFORE, THE COMMISSION ORDERS:**

A. The Joint Motion to Approve the Partial Unanimous Settlement Agreement is granted. The Partial Unanimous Settlement Agreement is approved in its entirety. The terms of the attached Partial Unanimous Settlement Agreement are incorporated into this Order.

B. The Commission approves a base revenue requirement increase of \$21.5 million which is inclusive of the \$5.258 million of revenue currently being collected by Kansas Gas Service through a Commission-approved GSRS. The GSRS surcharge shall be reset to zero upon the effectiveness of the base rates set in this case.

C. The effective date of the rates approved in this Order shall be February 6, 2019.

D. The Commission will issue a separate order on the Bifurcated Issue on or before February 25, 2019.

E. 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).<sup>57</sup>

F. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it deems necessary.

---

<sup>57</sup> K.S.A. 55-162; K.S.A. 55-606; K.S.A. 55-707; K.S.A. 77-503(c); K.S.A. 77-531(b).

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

Keen, Chair; Albrecht, Commissioner; Emler, Commissioner.

Dated: 02/05/2019



---

Lynn M. Retz  
Secretary to the Commission

MJD

## CERTIFICATE OF SERVICE

18-KGSG-560-RTS

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of electronic service on 02/05/2019.

JAMES G. FLAHERTY, ATTORNEY  
ANDERSON & BYRD, L.L.P.  
216 S HICKORY  
PO BOX 17  
OTTAWA, KS 66067  
Fax: 785-242-1279  
jflaherty@andersonbyrd.com

THOMAS J. CONNORS, ATTORNEY AT LAW  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3116  
tj.connors@curb.kansas.gov

TODD E. LOVE, ATTORNEY  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3116  
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3116  
d.nickel@curb.kansas.gov

SHONDA RABB  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3116  
s.rabb@curb.kansas.gov

DELLA SMITH  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3116  
d.smith@curb.kansas.gov

JERROD A. WESTFAHL, ATTORNEY AT LAW  
DEVINE & DONLEY, LLC  
330 POYNTZ AVE STE 260  
MANHATTAN, KS 66502  
jerrod@devineanddonley.com

JOHN F. WILCOX, JR., ATTORNEY  
Dysart Taylor Cotter McMonigle & Montemore, P.C.  
4420 Madison Avenue  
Kansas City, MO 64111  
Fax: 816-931-7377  
jwilcox@dysarttaylor.com

PHOENIX ANSHUTZ, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3354  
p.anshutz@kcc.ks.gov

MICHAEL DUENES, ASSISTANT GENERAL COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3354  
m.duenes@kcc.ks.gov

**CERTIFICATE OF SERVICE**

18-KGSG-560-RTS

MICHAEL NEELEY, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
Fax: 785-271-3167  
m.neeley@kcc.ks.gov

WENDEE D. GRADY  
KANSAS FARM BUREAU  
2627 KFB Plaza  
Manhattan, KS 66503-8116  
gradyw@kfb.org

TERRY D. HOLDREN  
KANSAS FARM BUREAU  
2627 KFB Plaza  
Manhattan, KS 66503  
holdrent@kfb.org

JANET BUCHANAN, DIRECTOR- REGULATORY AFFAIRS  
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.  
7421 W 129TH ST  
OVERLAND PARK, KS 66213-2713  
Fax: 913-319-8622  
janet.buchanan@onegas.com

JUDY JENKINS HITCHYE, MANAGING ATTORNEY  
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.  
7421 W 129TH ST  
OVERLAND PARK, KS 66213-2713  
Fax: 913-319-8622  
judy.jenkins@onegas.com

BRANDON M. DITTMAN  
KISSINGER & FELLMAN, P.C.  
3773 Cherry Creek N. Drive  
Ptarmigan Place, Suite 900  
Denver, CO 80209  
brandon@kandf.com

DON KRATTENMAKER, VICE PRESIDENT BUSINESS  
WOODRIVER ENERGY, LLC  
3300 E. 1st Ave., Suite 600  
Denver, CO 80206  
don.krattenmaker@woodriverenergy.com

/S/ DeeAnn Shupe  
DeeAnn Shupe

---

## EXHIBIT A

### BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

In the Matter of the Application of Kansas Gas            )  
Service, a Division of ONE Gas, Inc. for                )  
Adjustment of its Natural Gas Rates in the            )  
State of Kansas.                                                )            Docket No. 18-KGSG-560-RTS

### **JOINT MOTION TO APPROVE PARTIAL UNANIMOUS SETTLEMENT AGREEMENT**

Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS"), the Citizens' Utility Ratepayer Board ("CURB") and WoodRiver Energy, LLC ("WoodRiver") and Kansas Farm Bureau and Kansas Corn Growers Association (collectively, "KFB-KCGA"), (collectively, "Joint Movants" and signatory parties to this Joint Motion), pursuant to K.A.R. 82-1-230a, request that the Commission issue an order approving the Partial Unanimous Settlement Agreement ("Agreement"), attached as Exhibit A. In support of this Motion, the Joint Movants state and allege as follows:

1. On June 29, 2018, KGS filed an Application in this docket to make certain changes in its rates and charges for natural gas service. Pursuant to the Commission's Order dated July 17, 2018, the effective date of the Application was suspended until February 25, 2019. On August 2, 2018, the Commission issued an Order establishing a procedural schedule. This matter is currently set for hearing on December 11-13, 2018.

2. On July 10, 2018, CURB requested intervention in this proceeding and was granted intervention on July 24, 2018. On October 4, 2018, WoodRiver and KFB-KCGA filed for intervention which was approved on October 11, 2018.

## EXHIBIT A

3. The schedules filed with KGS's Application indicated a need to increase base rates by \$45.5 million, based upon normalized operating results for the 12 months ending December 31, 2017, adjusted for known and measurable changes in revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments. The \$45,566,463 increase in base rates includes \$2,873,286 relating to rebasing GSRS surcharge revenues. In its Application, KGS also requested approval to establish a revenue normalization adjustment ("RNA") mechanism. The RNA mechanism is a decoupling mechanism which severs the link between a utility's revenue and customer usage. KGS also sought approval of a cyber-security O&M expense tracker and a depreciation expense tracker. KGS also requested approval to share the savings between customers and shareholders that have resulted from pension expenses having been pre-funded by KGS's shareholders. The amount of savings to be shared was identified as approximately \$5.0 million with one-third of the savings provided to the customers (\$1.7 million) and two-thirds to KGS's shareholders (\$3.3 million). Additionally, KGS included a depreciation study and sought new depreciation rates as part of its Application, and KGS updated its depreciation rates as appropriate for utility plant. In support of its Application, KGS submitted the testimony of 15 witnesses and the schedules required by K.A.R. 82-1-231. Finally, pursuant to the Settlement Agreement regarding KGS, which was approved by the Commission in Docket No. 18-GIMX-248-GIV ("248 Docket"), and the provisions in the Commission's Order dated January 18, 2018 in the 248 Docket, KGS sought approval to offset the tax savings amount accrued as a regulatory liability with KGS's other components of its cost of service.<sup>4</sup> On October 29, 2018, Staff filed its direct testimony (including supporting schedules and exhibits) in the above docket recommending an increase in base rates for KGS in the amount of \$19,828,862. Staff also recommended an adjustment to KGS's proposed depreciation rates and made recommendations regarding return on equity ("ROE") and

## EXHIBIT A

adjustments to the income statement and rate base. Additionally, Staff opposed KGS's RNA mechanism but instead proposed an alternative total revenue requirement ("TRR") decoupling mechanism. Staff supported KGS's cyber-security tracker, opposed both KGS's depreciation tracker and KGS's proposal to share pension expense savings with customers. Finally, Staff opposed KGS's request to offset the tax savings amount accrued as a regulatory liability with KGS's other components of its cost of service.

5. On October 29, 2018, CURB filed testimony in which it recommended a decrease in base rates of \$4,733,365 based upon its recommendation concerning rate of return on equity, capital structure and several adjustments to KGS's income statement base rates. CURB opposed KGS's RNA mechanism and tracking mechanisms for costs associated with cyber-security and for depreciation expenses and its proposal to share pension expense savings with customers. Finally, CURB opposed KGS's request to offset tax savings amounts accrued as a regulatory liability with KGS's other components of its cost of service.

6. On October 29, 2018, WoodRiver filed testimony regarding KGS's proposal on Electric Flow Measurement ("EFM") equipment. On November 11, 2018, KFB-KCGA filed testimony regarding the irrigation sales and irrigation transportation tariff rates and on November 14, 2018, KFB-KCGA filed cross answering testimony in response to Staff and CURB.

7. KGS filed rebuttal testimony on November 19, 2018.8. Subsequently, on November 28, 2018, KGS, Staff, CURB, WoodRiver and KFB-KCGA met to discuss the possible settlement of the issues in this matter. The settlement discussions continued on November 29, 2018. The Joint Movants were able to reach a settlement agreement in principle resolving all issues in the case, except on the issue of whether KGS should be allowed to offset the tax savings amount accrued as a regulatory liability with KGS's other cost of service components, which has been

## EXHIBIT A

preserved for hearing. The Settlement Agreement was executed on December 3, 2018. The resolution of the issues is set forth in the Agreement attached hereto as Exhibit A. Since all parties to the docket signed the Agreement, it is considered a unanimous settlement agreement under the Commission's regulations (K.A.R. 82 1-230a).

9. The Joint Movants believe that the Agreement represents a reasonable and fair resolution of this matter and that the terms contained therein are in the public interest. Joint Movants believe that the Agreement satisfies the five factors that the Commission considers when reviewing a proposed settlement agreement.

10. As the Commission is aware, the five questions the Commission considers when reviewing proposed settlement agreements are as follows:

- (a) was there an opportunity for the opposing party to be heard on their reasons for opposition to the Agreement;
- (b) is the Agreement supported by substantial competent evidence;
- (c) does the Agreement conform with applicable law;
- (d) does the Agreement result in just and reasonable rates; and
- (e) are the results of the Agreement in the public interest?<sup>1</sup>

A. THERE WAS AN OPPORTUNITY FOR THE OPPOSING PARTIES TO BE HEARD ON THEIR REASONS FOR OPPOSITION TO THE AGREEMENT

11. The parties to this docket are Commission Staff, KGS, CURB, WoodRiver and KFB-KCGA. The Agreement addresses all issues between Staff, CURB, KGS, WoodRiver and KFB-KCGA. Representatives from KGS, Staff, CURB, WoodRiver and KFB-KCGA participated

---

<sup>1</sup>Docket No. 08-ATMG-280-RTS, Order Approving Contested Settlement Agreement, issued May 12, 2012, paragraph 11.



## EXHIBIT A

in the settlement negotiations in this docket on November 28-29, 2018. A settlement of all issues, except whether KGS should be allowed to offset the tax savings amount accrued as a regulatory liability with KGS's other cost of service components, which has been reserved for hearing, was reached by the Joint Movants resulting in the Agreement attached as Exhibit A which is being filed with this Motion. All Parties have had an opportunity to be heard with respect to the terms of the Agreement.<sup>2</sup>

### B. THE AGREEMENT IS SUPPORTED BY SUBSTANTIAL COMPETENT EVIDENCE

12. There is substantial competent evidence in the record to support the agreement reached by the Joint Movants. In total, eighteen (18) KGS witnesses filed direct and/or rebuttal testimony along with the testimony of a witness being filed in support of the Agreement. In addition to Staff's and CURB's testimony in support of the Agreement, twelve (12) Staff witnesses and four (4) CURB witnesses also filed direct testimony in this docket and the intervenors (WoodRiver and KFB-KCGA) filed testimony as well. The Agreement is consistent with the testimony filed in this docket and reflects a compromise of the positions taken by the Parties as set forth in their direct and rebuttal testimonies and exhibits.

### C. THE AGREEMENT CONFORMS WITH APPLICABLE KANSAS LAW

13. The Agreement was fully and fairly negotiated and represents a reasonable compromise based on all Parties' pre-filed positions and will result in just and reasonable rates for KGS's customers. Kansas law recognizes a strong policy favoring and encouraging settlements.<sup>3</sup> Standards for reviewing the reasonableness of a settlement agreement requires the Commission to

---

<sup>2</sup>The parties have agreed to submit this one issue to the Commission for a decision.

<sup>3</sup>*Bright v. LSI Corp.*, 254 Kan. 853, 858, 869 P.2d 686 (1994).

## EXHIBIT A

make a finding, supported by substantial competent evidence from a review of the record as a whole, that the settlement will establish just and reasonable rates.<sup>4</sup> That standard is met in this case.

14. Settlement negotiations were thorough and comprehensive and the Joint Movants had differing opinions about certain items. However, the Joint Movants were able to negotiate a compromise that satisfied each Joint Movant in all respects. This was done, in part, by agreeing to a revenue requirement without explicitly stating the resulting conclusions on every item in dispute. Where it was necessary to specifically state the settlement reached by the Joint Movants on a particular item for setting future rates or for other reasons, the Joint Movants did so.

### D. THE AGREEMENT WILL RESULT IN JUST AND REASONABLE RATES

15. Kansas case law dealing with utility rate cases indicates the "just and reasonable" standard coincides with the "zone of reasonableness" test adopted by the Kansas courts. The "just and reasonable" standard was first outlined by the United States Supreme Court.<sup>5</sup> The Court emphasized that when evaluating whether rates are just and reasonable, the focus of inquiry is properly on the end result or "total effect" of the rate order, rather than on the specific rate-setting method employed. In addition, the *Hope* case was followed by another Supreme Court case,<sup>6</sup> which found the Natural Gas Act's articulated "just and reasonable" standard coincides with the applicable constitutional standards and any rate selected by a regulatory commission within the "broad zone of reasonableness" cannot properly be attacked as confiscatory.

---

<sup>4</sup>*Farmiland Industries v. Kansas Corporation Commission*, 24 Kan.App.2d 172, 186-188, 943 P.2d 470 (1997); *Citizens' Utility Ratepayer Board v. State Corp. Comm'n of the State of Kansas*, 28 Kan.App.2d 313, 316-317, 16 P.3rd 319 (Kan.App.2000).

<sup>5</sup>*Power Comm'n v. Hope Gas Co.*, 320 U.S. 591, 64 S.Ct. 281, 88 L.Ed. 333 (1944).

<sup>6</sup>*Permian Basin Area Rate Cases*, 390 U.S. 747, 770, 88 S.Ct. 1344, 20 L.Ed.2d 312, *reh denied* 392 U.S. 917, 88 S.Ct. 2050 (1968).

## EXHIBIT A

16. Applying these standards to the Agreement, the agreed-upon revenue increase of \$21.5 million falls within the range of increases proposed by Staff, CURB and KGS and is consistent with Kansas law regarding the reasonableness of rates. The Kansas Supreme Court has discussed the "zone of reasonableness" as it applies to the Commission's ratemaking function as follows:

There is an elusive range of reasonableness in calculating a fair rate of return. A court can only concern itself with the question as to whether a rate is so unreasonably low or so unreasonably high as to be unlawful. The in-between point, where the rate is most fair to the utility and its customers, is a matter for the State Corporation Commission's determination.<sup>7</sup>

17. The schedules filed with KGS's Application indicated an increase in base rates of \$45.5 million for KGS. Staff recommended an increase in base rates of \$19.8 million. CURB recommended a decrease in base rates of \$4.7 million. Accordingly, the stipulated increase in base rates of \$21.5 million clearly falls within the zone of reasonableness when one considers the stipulated revenue increase is well within the positions of the Joint Movants. When combined with the evidence presented by the Joint Movants through filed testimony and schedules, the stipulated revenue requirement is supported by substantial competent evidence and results in just and reasonable rates. The stipulated amount also satisfies the balancing test aspect of the zone of reasonableness evaluation because the stipulated amount necessarily represents the Joint Movants' recognition of the risk of litigation and that a party will likely not prevail on every element of the pre-filed case.

18. In addition to the establishment of an overall revenue increase, the other specific provisions of the Agreement were fully and fairly negotiated by the Joint Movants in conjunction with the knowledge that it is unlikely the Commission would accept all or any of the Joint Movants'

---

<sup>7</sup>*Southwestern Bell Tel. Co. v. State Corporation Commission*, 192 Kan. 39, 41, 386 P.2d 515 (1963).

## EXHIBIT A

pre-filed positions. Each Joint Movant carefully considered the issues before the Commission and used their best judgment and knowledge of Commission precedent to determine where it might be successful and where compromise was warranted and appropriate.

### E. THE AGREEMENT IS IN THE PUBLIC INTEREST

19. Each Joint Movant has a duty to protect the interest of the party it represents. KGS has a duty to its customers, employees and shareholders. The Staff and the Commission are in the unique position of being required to weigh and balance the interests of the company, the customers, and the public generally. CURB represents the interests of residential and small commercial customers. As referenced in the *Kansas Gas & Electric* case, "the focus of the inquiry (in setting "just and reasonable" rates) is properly on the end result or "total effect" of the rate order, rather than upon the rate-setting employed."<sup>8</sup> The "total effect" of the terms of the Agreement results in just and reasonable rates and represents an equitable balancing of the interest of all the Parties. Thus, the Agreement is in the public interest and should be approved by the Commission in its entirety.

20. The Joint Movants are filing testimony in support of the Agreement on December 4, 2018.

21. The Joint Movants have agreed to bifurcate the issue of whether KGS should be allowed to offset the tax savings accrued as a regulatory liability with KGS's other cost of service components and to allow the Parties to present their already pre-filed testimony at the hearing on this issue and legal arguments in their post hearing briefs. The Commission's decision regarding this bifurcated issue shall have no impact on the Agreement attached to this Joint Motion and the miscellaneous provisions contained in Section IV of the Agreement shall not be applicable to the

---

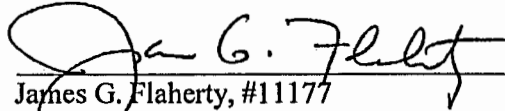
<sup>8</sup>*Kansas Gas & Electric*, 239 Kan. 483, 489 (1986).

## EXHIBIT A

bifurcated issue.

WHEREFORE, for the reasons set forth herein, KGS, Staff, CURB, WoodRiver and KFB-KCGA request this Joint Motion be granted and that the Agreement attached hereto be approved.

Respectfully submitted:



James G. Flaherty, #11177  
ANDERSON & BYRD, LLP  
216 S. Hickory, P. O. Box 17  
Ottawa, Kansas 66067  
(785) 242-1234, telephone  
(785) 242-1279, facsimile  
[jflaherty@andersonbyrd.com](mailto:jflaherty@andersonbyrd.com)

Judy Jenkins Hitchye, #23300  
KANSAS GAS SERVICE  
7421 West 129<sup>th</sup> Street  
Overland Park, Kansas 66213-2634  
(913) 319-8615, telephone  
(913) 319-8622, facsimile  
[judy.jenkins@onegas.com](mailto:judy.jenkins@onegas.com)

Attorneys for Kansas Gas Service,  
a Division of ONE Gas, Inc.

/s/ Michael R. Neeley

Michael R. Neeley, #25027  
Phoenix Anshutz, #27617  
Litigation Counsel  
Kansas Corporation Commission  
1500 S. W. Arrowhead Road  
Topeka, Kansas 66604  
[m.neeley@kcc.ks.gov](mailto:m.neeley@kcc.ks.gov)  
[p.anshutz@kcc.ks.gov](mailto:p.anshutz@kcc.ks.gov)

For Commission Staff

## EXHIBIT A

/s/ David W. Nickel

---

David W. Nickel, #11170  
Thomas J. Connors, #27039  
Citizens' Utility Ratepayer Board  
1500 SW Arrowhead Road  
Topeka, KS 66604  
(785) 271-3200  
(785) 271-3116 Fax  
[d.nickel@curb.kansas.gov](mailto:d.nickel@curb.kansas.gov)  
[tj.connors@curb.kansas.gov](mailto:tj.connors@curb.kansas.gov)  
Attorneys for CURB

/s/ Brandon M. Dittman

---

Brandon M. Dittman, #47583  
KISSINGER & FELLMAN, P.C.  
3773 Cherry Creek N. Drive  
Ptarmigan Place, Suite 900\  
Denver, Colorado 80209  
Telephone: 303-320-6100  
Facsimile: 303-327-8601  
Email: [brandon@kandf.com](mailto:brandon@kandf.com)

John F. Wilcox, Jr., #16594  
DYSART, TAYLOR COTTER  
MCMONIGLE & MONTEMORE, P.C.  
4420 Madison Avenue  
Kansas City, Missouri 64111  
Telephone: 816-931-2700  
Facsimile: 816-931-7377  
Email: [jwilcox@dysarttaylor.com](mailto:jwilcox@dysarttaylor.com)

Attorneys for WoodRiver Energy, LLC

/s/ Terry D. Holdren

---

Terry D. Holdren, KFB General Counsel, #18198  
Wendee D. Grady, KFB Asst. Gen. Counsel, #22652  
2627 KFB Plaza  
Manhattan, KS 66503-8116  
Fax (785) 587-6879  
Phone (785) 587-6000  
[holdrent@kfb.org](mailto:holdrent@kfb.org)  
[gradyw@kfb.org](mailto:gradyw@kfb.org)  
Attorneys for KFB

## EXHIBIT A

/s/ Jerrod Westfahl

Jerrod Westfahl

Devine & Donley, LLC

330 Poyntz Avenue, Suite 260

Manhattan, KS 66502

Phone: 785.341.6071

[jerrod@devineanddonley.com](mailto:jerrod@devineanddonley.com)

Attorney for Kansas Corn Growers Association

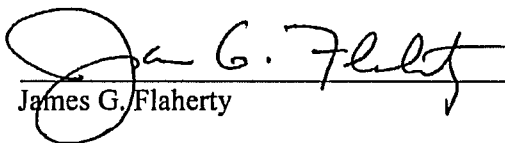
EXHIBIT A

VERIFICATION

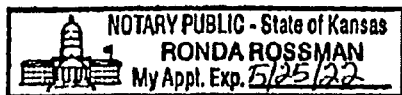
STATE OF KANSAS, COUNTY OF FRANKLIN, ss:


James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Kansas Gas Service, a Division of ONE Gas, Inc., named in the foregoing Joint Motion to Approve Unanimous Settlement Agreement, and is duly authorized to make this affidavit; that he has read the foregoing Joint Motion, and knows the contents thereof; and that the facts set forth therein are true.

  
James G. Flaherty

SUBSCRIBED AND SWORN to before me this 3<sup>rd</sup> day of December, 2018.



  
Notary Public

Appointment/Commission Expires:



## EXHIBIT A

### CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via U.S. Mail, postage prepaid, hand-delivery, or electronically, this 3<sup>rd</sup> day of December, 2018, addressed to:

Thomas J. Connors  
[tj.connors@curb.kansas.gov](mailto:tj.connors@curb.kansas.gov)

Michael R. Neeley  
[m.neeley@kcc.ks.gov](mailto:m.neeley@kcc.ks.gov)

Todd E. Love  
[t.love@curb.kansas.gov](mailto:t.love@curb.kansas.gov)

Wendee D. Grady  
[gradyw@kfb.org](mailto:gradyw@kfb.org)

David W. Nickel  
[d.nickel@curb.kansas.gov](mailto:d.nickel@curb.kansas.gov)

Terry D. Holdren  
[holdrent@kfb.org](mailto:holdrent@kfb.org)

Shonda Rabb  
[s.rabb@curb.kansas.gov](mailto:s.rabb@curb.kansas.gov)

Janet Buchanan  
[janet.buchanan@onegas.com](mailto:janet.buchanan@onegas.com)

Della Smith  
[d.smith@curb.kansas.gov](mailto:d.smith@curb.kansas.gov)

Judy Jenkins Hitchye  
[judy.jenkins@onegas.com](mailto:judy.jenkins@onegas.com)

John F. Wilcox  
[jwilcox@dysarttaylor.com](mailto:jwilcox@dysarttaylor.com)

Brandon M. Dittman  
[brandon@kandf.com](mailto:brandon@kandf.com)

Phoenix Z. Anshutz  
[p.anshutz@kcc.ks.gov](mailto:p.anshutz@kcc.ks.gov)

Don Krattenmaker  
[don.krattenmaker@woodriverenergy.com](mailto:don.krattenmaker@woodriverenergy.com)

Michael J. Duenes  
[m.duenes@kcc.ks.gov](mailto:m.duenes@kcc.ks.gov)

Jerrod Westfahl  
[jerrod@devineanddonley.com](mailto:jerrod@devineanddonley.com)

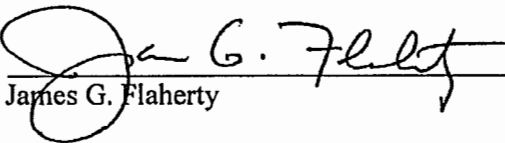
  
James G. Flaherty

EXHIBIT A

EXHIBIT A

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas Gas            )  
Service, a Division of ONE Gas, Inc. for                )  
Adjustment of its Natural Gas Rates in the            )  
State of Kansas.                                                )            Docket No. 18-KGSG-560-RTS

**PARTIAL UNANIMOUS SETTLEMENT AGREEMENT**

This Partial Unanimous Settlement Agreement ("Agreement") is entered into between and among the Staff of the State Corporation Commission of the State of Kansas ("Staff"), Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS"), the Citizens' Utility Ratepayer Board ("CURB"), and WoodRiver Energy, LLC ("WoodRiver") and Kansas Farm Bureau and Kansas Corn Growers Association ("KFB-KCGA") (collectively referred to herein as the "Parties"). This Agreement is being submitted to the Commission for its approval pursuant to K.A.R. 82-1-230a.

**I. KGS's APPLICATION**

1. On June 29, 2018, KGS filed an Application with the Commission to make certain changes in its rates and charges for natural gas service, which was docketed as the above captioned proceeding. Pursuant to the Commission's Order dated July 17, 2018, the effective date of the Application was suspended until February 25, 2019. On August 2, 2018, the Commission issued an Order establishing a procedural schedule. This matter is currently set for hearing on December 11-13, 2018.

## EXHIBIT A

2. The schedules filed with KGS's Application indicated a need to increase base rates by \$45,566,463, based upon normalized operating results for the 12 months ending December 31, 2017, adjusted for known and measurable changes in revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments. The \$45,566,463 increase in base rates includes \$2,873,286 relating to rebasing GSRS surcharge revenues. In its Application, KGS also requested approval to establish a revenue normalization adjustment ("RNA") mechanism. The RNA mechanism is a decoupling mechanism which serves the link between a utility's revenue and customer usage.

KGS also sought a cyber-security O&M expense tracker, a Depreciation Expense Tracker, and approval to share the savings between customers and shareholders that have resulted from pension expenses having been pre-funded by KGS's shareholders. The amount of pension savings to be shared was \$5.0 million with one-third of the savings provided to the customers (\$1.7 million) and two-thirds to KGS's shareholders (\$3.3 million). Additionally, KGS included a depreciation study and requested new depreciation rates as part of this Application (to include updated depreciation rates as appropriate for utility plant). Finally, pursuant to the Settlement Agreement between KGS, Staff and CURB, which was approved by the Commission in Docket No. 18-GIMX-248-GIV ("248 Docket"), and the provisions of the Commission's Order dated January 18, 2018 in the 248 Docket, KGS requested approval to offset the tax savings amount accrued as a regulatory liability with KGS's other components of its cost of service.

3. In support of its Application, KGS submitted the testimony of 15 witnesses and the schedules required by K.A.R. 82-1-231.

4. The following parties have requested and been granted intervention in this proceeding: CURB, WoodRiver and KFB-KCGA.

## EXHIBIT A

### **II. STAFF AND OTHER PARTIES' PRE-FILED POSITIONS**

5. On October 29, 2018, Staff filed its direct testimony, including supporting schedules and exhibits in the above docket recommending an increase in base rates for KGS in the amount of \$19,828,862. Staff recommended an adjustment to KGS's proposed depreciation rates. Staff also made recommendations regarding return on equity and adjustments to the income statement and rate base. Staff opposed KGS's RNA mechanism. Staff supported KGS's proposed cyber-security mechanism with some modifications. Staff opposed KGS's proposal to share pension expense savings between shareholders and customers. Staff opposed KGS's depreciation tracker. Finally, Staff opposed KGS's request to offset the tax savings amount accrued as a regulatory liability with KGS's other components of its cost of service.

6. On October 29, 2018, CURB filed testimony in which it recommended a rate decrease of \$4,733,365 based upon its recommendation concerning rate of return on equity, capital structure and several adjustments to KGS's income statement and rate base. CURB opposed KGS's RNA mechanism. CURB opposed KGS's tracking mechanisms for costs associated with cyber-security and for depreciation expenses and its proposal to share pension expense savings with customers. Finally, CURB opposed KGS's request to offset tax savings amounts accrued as a regulatory liability with KGS's other components of its cost of service.

7. On October 29, 2018, WoodRiver filed testimony regarding KGS's proposal on Electric Flow Measurement ("EFM") equipment. On November 11, 2018, KFB-KCGA filed testimony regarding the irrigation sales and irrigation tariff rates and on November 14, 2018, KFB-KCGA filed cross answering testimony in response to Staff and CURB.

## EXHIBIT A

8. KGS filed rebuttal testimony on November 19, 2018.

9. Subsequently, on November 28, 2018, KGS, Staff, CURB, WoodRiver and KFB-KCGA met to discuss the possible settlement of the issues in this matter. The settlement discussions continued on November 29, 2018, and a settlement in principle was reached by the parties. On December 3, 2018, the Parties executed and filed this Agreement with the Commission. Because it is executed by all parties to this docket, this Agreement is considered a unanimous settlement agreement under the Commission's regulations (K.A.R. 82-1-230a).

### **III. SETTLEMENT PROVISIONS**

#### **A. STIPULATED REVENUE REQUIREMENT**

10. The Parties agree that the Commission should authorize an overall annual increase in base rates of Twenty-One Million Five Hundred Thousand Dollars (\$21,500,000.00). This increase includes \$2,873,286 related to rebasing GSRS surcharge revenues.<sup>1</sup>

#### **B. MISCELLANEOUS ISSUES**

11. The Parties agree the revenue requirement specified in paragraph 10 above includes implementation of the depreciation rates proposed by Staff witness Roxie McCullar and set forth in Appendix A to this Agreement. KGS agrees it will adopt the depreciation rates in Appendix A. By agreeing to the depreciation rates set forth in Appendix A, KGS is not agreeing to the policy recommendation made by Ms. McCullar. Further, KGS is not precluded from advancing positions or arguments in future rate filings that differ from the policy recommendation made by Ms. McCullar.

---

<sup>1</sup>At the time of filing this rate case, the Commission had approved recovery of \$2.873 million through the GSRS mechanism. After the filing of the rate case, KGS requested, and the Commission approved, additional recovery through the GSRS mechanism. A new GSRS which became effective on December 1, 2018, in the amount of \$5.258 million. The amount recovered through the GSRS mechanism will be reduced to zero upon the effectiveness of the base rates set in this case.

## EXHIBIT A

12. Pursuant to the Commission's Order in Docket No. 12-KCPE-764-RTS, Staff addressed the issue of incentive compensation in pre-filed testimony. Testimony regarding incentive compensation was also filed by KGS in its direct and rebuttal testimony. CURB also filed testimony regarding incentive compensation. The Parties agree that nothing in this Agreement constitutes an agreement by KGS that Staff's and CURB's proposed adjustments to incentive compensation are appropriate and this Agreement does not prevent KGS or other parties from challenging such adjustments in the future.

13. The Parties agree that nothing in this Agreement constitutes an agreement by the Parties to the capital structure proposals presented in this case and this Agreement does not prevent the Parties from challenging such proposals in the future.

14. KGS agrees to withdraw, without prejudice, (1) its proposed RNA mechanism; (2) its proposal to share pension expense savings with customers; (3) its depreciation tracker; (4) its proposal to move Brehm Storage costs from base rates in the COGR; (5) its proposal relating to GTI research funding; (6) its proposal to require EFM for new transportation customers; and (7) its proposal to amend Section 10 of its General Terms and Conditions as it relates to the cash out provisions.

### C. ACCOUNTING MATTERS

15. Subject to the other provisions in this paragraph, for purposes of filing KGS's Ad Valorem Surcharge Rider in December 2019 (and subsequent years until rebased in KGS's next base rate case), the Parties agree that the ad valorem expenses embedded in base rates shall be \$21,144,627. Because the rates resulting from this rate proceeding will be implemented after January 1, 2019, for the months in 2019 in which the new rates were not in effect, KGS shall use the ad valorem expense agreed to in KGS's 2015 rate case, Docket No. 16-KGSG-491-RTS, to

## EXHIBIT A

calculate the Ad Valorem Surcharge Rider for those months.<sup>1</sup>

16. Amortization periods and/or expenses are established as follows:

- (a) KGS's actual rate case expense - three years;
- (b) KGS's Pension (\$1,834,955) and OPEB deferrals ((\$3,165,117)) - three years;
- (c) amortization of deferred manufactured gas plant expense of \$97,706.72 per year as allowed under the order issued in Docket No. 17-KGSG-455-ACT;
- (d) with respect to item 16(a) above, and consistent with the policy position in the Direct Testimony of Staff witness Kristina Luke-Fry in this docket, Staff reserves the right to recommend the Commission disallow recovery of any unamortized rate case expense balance in KGS's next full general rate proceeding. In KGS's next full general rate proceeding, any other party may assert any position regarding recovery of unamortized portions of this docket's rate case expense and KGS reserves its right to seek recovery of the unamortized balance of any rate case expense in the next rate case filing;
- (e) with respect to item 16(b) above, KGS shall have the right to recover any unamortized amount relating to Pension and OPEB deferrals.

17. For the purposes of calculating KGS's pension tracker going forward, the Parties agree that the base rates agreed to in this Agreement include the following expenses:

- (a) KGS's Pension Expense:  
\$9,020,003
- (b) KGS's OPEB Expense:

---

<sup>1</sup>The amount of ad valorem expense that was included in Docket No. 16-KGSG-491-RTS and that will be used for purposes of KGS's December 2019 ad valorem filing is \$20,954,008.

## EXHIBIT A

\$458,420

18. For purposes of calculating KGS's GSRS, the carrying charges to be applied to recoverable investments in such filings shall be calculated using a carrying charge of 9.0984% gross of tax, which is based on state and federal tax rates in effect as of the date of this Agreement. The Parties agree this carrying charge is solely for purposes of subsequent GSRS filings and is not precedential for any other purpose.

19. For allocating costs among customer classes in a GSRS filing, such costs shall be allocated among KGS's classes of customers based on the rate allocation approved in this rate case.

### D. CLASS COST OF SERVICE AND RATE DESIGN

20. The Parties agree the rate increase shall be allocated among the respective classes of customers according to the amounts indicated for each class as shown in Appendix B attached hereto. In its next rate case filing, KGS agrees to evaluate its allocation of costs to irrigation customers and propose modifications to its cost of service allocation study, as necessary, to reasonably account for any changes indicated by that evaluation. The Parties reserve the right to contest any cost of service allocation study proposed by KGS or any other Party in any rate case.

### E. WEATHER NORMALIZATION ADJUSTMENT ("WNA") ISSUES

21. The Parties agree to KGS's proposal to apply the WNA to the small transport class of customers. For the purpose of calculating the WNAR factor, the Parties agree to use Staff's Heating Sensitivity Factors, Staff's Heating Degree Day Normals, and apply the WNA to the small transport class of customers.

### F. EXCESS DEFERRED INCOME TAXES

22. Amortization expense associated with the excess accumulated deferred income taxes will be recorded by KGS using the following periods:



## EXHIBIT A

- (a) Protected - Average Rate Assumption Method ("ARAM")
- (b) Unprotected - Five (5) Years.

EDIT shall be included in base rates with a regulatory assets/liability to track difference between amortization and actual ARAM calculation on the protected amounts. The EDIT amount associated with the ARAM calculation and included in base rates is \$2,161,779. Any differences tracked in the regulatory asset/liability calculation should account for the effect of the "tax gross up" of the amounts being deferred.

### G. GENERAL TERMS AND CONDITIONS

23. KGS agrees to include in its general terms and conditions and miscellaneous charges, the proposed changes included in Justin Clements' rebuttal testimony except with respect to EFM and cash out provisions.

### H. CYBER-SECURITY TRACKER

24. KGS's proposed cyber-security tracker, as revised to reflect the modifications specified on pages 38-39 of Staff witness Justin Grady's Direct Testimony in this docket, shall be approved. The amount of cyber-security costs included in base rates is \$763,430.

### I. TAX SAVINGS AMOUNTS ACCRUED AS A REGULATORY LIABILITY

25. The Parties agree that KGS shall be allowed to submit its request to offset the tax savings amounts accrued as a regulatory liability with KGS's other components of its cost of service to the Commission for a hearing and determination and that Staff and CURB shall be allowed to submit their respective opposition to KGS's request at said hearing. The hearing on this issue shall occur at the same time the Joint Motion for Approval of this Agreement is set for hearing. The Parties shall be allowed to present their pre-filed testimony currently on file with the Commission relating to the bifurcated issue at the hearing and each party shall be allowed to

## EXHIBIT A

cross-examine the witnesses who are presenting that testimony. The Parties shall also be allowed to file post-hearing briefs on this issue. The Parties agree to bifurcate the issue of whether KGS should be allowed to offset the tax savings accrued as a regulatory liability with KGS's other cost of service components from the other issues presented in this rate case. The Commission's decision regarding this bifurcated issue shall have no impact on this Agreement and the miscellaneous provisions contained in Section IV of this Agreement shall not be applicable to this bifurcated issue.

### J. EFM CHARGE

26. The EFM charge shall be \$17.40 per month.

## IV. MISCELLANEOUS PROVISIONS

### A. THE COMMISSION'S RIGHTS

27. Nothing in this Agreement is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation, including the obligation to ensure that KGS is providing efficient and sufficient service at just and reasonable rates.

### B. PARTIES' RIGHTS

28. The Parties, including Staff, shall have the right to present pre-filed testimony in support of this Agreement. Such testimony shall be filed formally in the docket and presented by witnesses at a hearing on this Agreement. Such testimony shall be filed on or before December 4, 2018, as required by the procedural schedule filed in this docket.

### C. WAIVER OF CROSS-EXAMINATION AND POST-HEARING BRIEFS

29. Except for the issue of whether KGS should be allowed to offset the tax savings amount accrued as a regulatory liability with KGS's other components of its cost of service, the

## EXHIBIT A

Parties waive cross examination on all testimony filed prior to the filing of this Agreement. The Parties agree that all such pre-filed testimony and exhibits may be incorporated into the record without objection. The Parties shall be allowed to cross-examine witnesses relating to the above-mentioned issue and the Parties request the opportunity to submit post-hearing briefs regarding said issue as required by the procedural schedule filed in this docket.

### D. NEGOTIATED SETTLEMENT

30. This Agreement represents a negotiated settlement that fully resolves all but one of the issues in this docket among the Parties. The Parties represent that the terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the Parties shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement in the instant proceeding. If the Commission accepts this Agreement in its entirety and incorporates the same into a final order without material modification, the Parties shall be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein and in accordance with the terms hereof, and will not appeal the Commission's order on these issues.

### E. INTERDEPENDENT PROVISIONS

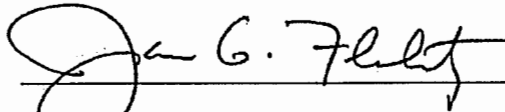
31. The provisions of this Agreement have resulted from negotiations among the Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, the Agreement shall be voidable and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof. Further, in such event, this Agreement shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding.

## EXHIBIT A

F. SUBMISSION OF DOCUMENTS TO THE COMMISSION OR STAFF

32. To the extent this Agreement provides for information, documents or other data to be furnished to the Commission or Staff, such information, documents or data shall be filed with the Commission and a copy served upon the Commission's Director of Utilities. Such information, documents, or data shall be marked and identified with the docket number of this proceeding.

IN WITNESS WHEREOF, the Parties have executed and approved this Stipulated Settlement Agreement, effective as of the 3<sup>rd</sup> day of December, 2018, by subscribing their signatures below.



James G. Flaherty, #11177  
**ANDERSON & BYRD, LLP**  
216 S. Hickory, P. O. Box 17  
Ottawa, Kansas 66067  
(785) 242-1234, telephone  
(785) 242-1279, facsimile  
[jflaherty@andersonbyrd.com](mailto:jflaherty@andersonbyrd.com)

Judy Jenkins Hitchye, #23300  
**KANSAS GAS SERVICE**  
7421 West 129<sup>th</sup> Street  
Overland Park, Kansas 66213-2634  
(913) 319-8615, telephone  
(913) 319-8622, facsimile  
[judy.jenkins@onegas.com](mailto:judy.jenkins@onegas.com)  
Attorneys for Kansas Gas Service,  
a Division of ONE Gas, Inc.

/s/ Michael R. Neeley  
Michael R. Neeley, #25027  
Phoenix Anshutz, #27617  
Litigation Counsel  
Kansas Corporation Commission  
1500 S. W. Arrowhead Road  
Topeka, Kansas 66604  
[m.neeley@kcc.ks.gov](mailto:m.neeley@kcc.ks.gov)  
[p.anshutz@kcc.ks.gov](mailto:p.anshutz@kcc.ks.gov)

## EXHIBIT A

For Commission Staff

/s/ David W. Nickel

---

David W. Nickel, #11170  
Thomas J. Connors, #27039  
Citizens' Utility Ratepayer Board  
1500 SW Arrowhead Road  
Topeka, KS 66604  
(785) 271-3200  
(785) 271-3116 Fax  
[d.nickel@curb.kansas.gov](mailto:d.nickel@curb.kansas.gov)  
[tj.connors@curb.kansas.gov](mailto:tj.connors@curb.kansas.gov)  
Attorneys for CURB

/s/ Brandon M. Dittman

---

Brandon M. Dittman, #47583  
KISSINGER & FELLMAN, P.C.  
3773 Cherry Creek N. Drive  
Ptarmigan Place, Suite 900\

Denver, Colorado 80209  
Telephone: 303-320-6100  
Facsimile: 303-327-8601  
Email: [brandon@kandf.com](mailto:brandon@kandf.com)

John F. Wilcox, Jr., #16594  
DYSART, TAYLOR COTTER  
MCMONIGLE & MONTEMORE, P.C.  
4420 Madison Avenue  
Kansas City, Missouri 64111  
Telephone: 816-931-2700  
Facsimile: 816-931-7377  
Email: [jwilcox@dysarttaylor.com](mailto:jwilcox@dysarttaylor.com)  
Attorneys for WoodRiver Energy, LLC

/s/ Terry D. Holdren

---

Terry D. Holdren, KFB General Counsel, #18198  
Wendee D. Grady, KFB Asst. Gen. Counsel, #22652  
2627 KFB Plaza  
Manhattan, KS 66503-8116  
Fax (785) 587-6879  
Phone (785) 587-6000  
[holdrent@kfb.org](mailto:holdrent@kfb.org)  
[gradyw@kfb.org](mailto:gradyw@kfb.org)  
Attorneys for KFB

## EXHIBIT A

/s/ Jerrod Westfahl

Jerrod Westfahl

Devine & Donley, LLC

330 Poyntz Avenue, Suite 260

Manhattan, KS 66502

Phone: 785.341.6071

[jerrod@devineanddonley.com](mailto:jerrod@devineanddonley.com)

Attorney for Kansas Corn Growers Association

## EXHIBIT A

## KANSAS GAS SERVICE

## SUMMARY OF DEPRECIATION RATES

Account	Description	Current			Staff Recommendation			Difference from Current
		Investment	Net Salvage	Total	Investment	Net Salvage	Total	
		N	O	P=N+O	U	V	W=U+V	
<b>TRANSMISSION PLANT</b>								
365.20	Rights of Way	1.92%	-0.01%	1.91%	1.42%	-0.01%	1.41%	0.10%
366.10	Compressor Station Structures	1.76%	0.74%	2.50%	2.20%	0.75%	2.95%	0.45%
366.20	Meas. and Reg. Station Structures	1.49%	0.45%	1.94%	1.67%	0.51%	2.18%	0.24%
367.00	Mains	1.80%	0.05%	1.85%	1.92%	0.46%	2.38%	0.53%
368.00	Compressor Station Equipment	2.25%	0.75%	3.00%	2.71%	0.82%	3.53%	0.53%
369.00	Meas. and Reg. Station Equipment	2.31%	0.64%	2.95%	2.48%	0.70%	3.18%	0.23%
	<b>Total Transmission Plant</b>	<b>1.85%</b>	<b>0.15%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>0.49%</b>	<b>2.48%</b>	<b>0.49%</b>
<b>DISTRIBUTION PLANT</b>								
374.20	Rights of Way	1.38%	0.00%	1.38%	1.45%	0.00%	1.45%	0.07%
375.00	Structures and Improvements	3.08%	0.53%	3.61%	3.30%	0.54%	3.84%	0.23%
376.10	Mains - Metallic	1.34%	0.33%	1.67%	1.56%	0.90%	2.46%	0.79%
376.20	Mains - Plastic	1.89%	0.37%	2.26%	2.08%	0.58%	2.66%	0.40%
376.90	Mains - Cathodic Protection	1.34%	0.33%	1.67%	<15 Year Amortization>		6.46%	4.79%
378.00	Meas. and Reg. Station Equip. - General	1.90%	0.44%	2.34%	1.89%	0.55%	2.44%	0.10%
379.00	Meas. and Reg. Station Equip. - City Gate	1.57%	0.36%	1.93%	1.60%	0.53%	2.13%	0.20%
380.10	Services - Metallic	1.62%	1.99%	3.61%	2.06%	2.58%	4.63%	1.02%
380.20	Services - Plastic	2.07%	1.04%	3.11%	2.32%	1.37%	3.69%	0.58%
381.00	Meters	2.48%	0.01%	2.49%	2.71%	0.13%	2.84%	0.35%
381.50	AMR Communication Devices	6.67%	0.00%	6.67%	<15 Year Amortization>		6.67%	0.00%
382.00	Meter Installations	1.98%	1.04%	3.02%	2.11%	1.09%	3.20%	0.18%
383.00	House Regulators and Installations	1.87%	0.07%	1.94%	1.88%	0.09%	1.97%	0.03%
386.00	Other Property - Customer Premises	0.25%	0.00%	0.25%	16.24%	0.00%	16.24%	15.99%
	<b>Total Distribution Plant</b>	<b>1.95%</b>	<b>0.61%</b>	<b>2.56%</b>	<b>2.26%</b>	<b>0.90%</b>	<b>3.16%</b>	<b>0.60%</b>
<b>GENERAL PLANT</b>								
<b>Depreciable</b>								
390.10	Structures and Improvements	1.48%	0.04%	1.52%	1.53%	0.04%	1.57%	0.05%
392.00	Transportation Equipment	5.86%	-1.13%	4.73%	6.00%	-1.09%	4.91%	0.18%
396.00	Power Operated Equipment	5.13%	-0.68%	4.45%	5.37%	-0.63%	4.74%	0.29%
	<b>Total Depreciable</b>	<b>3.75%</b>	<b>-0.53%</b>	<b>3.23%</b>	<b>3.87%</b>	<b>-0.50%</b>	<b>3.37%</b>	<b>0.14%</b>
<b>Amortizable</b>								
391.10	Office Furniture and Equipment	5.00%		5.00%	< 20 Year Amortization>		4.79%	-0.21%
391.25	Computer Equipment	12.19%		12.19%	< 7 Year Amortization>		14.01%	1.82%
393.00	Stores Equipment	5.00%		5.00%	< 20 Year Amortization>		4.88%	-0.12%
394.00	Tools, Shop and Garage Equipment	6.51%		6.51%	< 15 Year Amortization>		6.54%	0.03%
395.00	Laboratory Equipment	6.67%		6.67%	< 15 Year Amortization>		6.67%	0.00%
397.00	Communication Equipment	6.42%		6.42%	< 15 Year Amortization>		5.34%	-1.09%
398.00	Miscellaneous Equipment	5.00%		5.00%	< 15 Year Amortization>		5.00%	0.00%
	<b>Total Amortizable</b>	<b>7.45%</b>	<b>0.00%</b>	<b>7.45%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>7.62%</b>	<b>0.17%</b>
	<b>Total General Plant</b>	<b>4.73%</b>	<b>-0.39%</b>	<b>4.34%</b>	<b>4.86%</b>	<b>-0.37%</b>	<b>4.49%</b>	<b>0.15%</b>
	<b>TOTAL GAS UTILITY</b>	<b>2.10%</b>	<b>0.48%</b>	<b>2.58%</b>	<b>2.38%</b>	<b>0.76%</b>	<b>3.14%</b>	<b>0.56%</b>

## Sources:

Direct Testimony and Schedule of Rowle McCullar  
Schedule RMM-1, Page 1

KANSAS GAS SERVICE  
RATES/PROOF OF REVENUE  
REDACTED/PUBLIC

Staff's Proof of Revenue										
Class	Staff Customer Count	Staff Volumetric Total	Current Service Charge	Current Delivery Charge	Revenues at Current Rates	Proposed Service Charge	Proposed Delivery Charge	Proposed Revenue Increase	Proposed Total Revenues	Percentage Increase
Residential	583,049	41,430,893	\$ 16.70	\$ 2.2316	\$ 209,300,263	\$ 18.70	\$ 2.3485	\$ 18,836,455	\$ 228,136,718	9.0%
General Service - Small	36,896	3,781,870	\$ 28.65	\$ 2.3472	\$ 21,561,638	\$ 28.65	\$ 2.3472	\$ -	\$ 21,561,638	0.0%
General Service - Large	11,621	5,714,601	\$ 36.00	\$ 1.7810	\$ 15,197,959	\$ 45.00	\$ 1.8145	\$ 1,446,503	\$ 16,644,462	9.5%
General Service - Transport Eligible	500	1,113,229	\$ 60.00	\$ 1.5293	\$ 2,062,306	\$ 60.00	\$ 1.8177	\$ 321,055	\$ 2,383,361	15.6%
Small Generator Service	676	12,622	\$ 52.20	\$ 0.6427	\$ 431,454	\$ 52.20	\$ 0.6427	\$ -	\$ 431,454	0.0%
Irrigation Sales	214	141,754	\$ 36.00	\$ 1.6819	\$ 330,821	\$ 36.00	\$ 1.6890	\$ 1,006	\$ 331,827	0.3%
Kansas Gas Supply	1	21,846	\$ 350.00	\$ 0.8673	\$ 23,147	\$ 360.00	\$ 0.9574	\$ 2,088	\$ 25,235	9.0%
Sales for Resale (1)								\$ -		0.0%
Sales for Resale - BH (1)								\$ -		0.0%
Small Transport k-System	3,497	6,151,668	\$ 60.00	\$ 1.4598	\$ 11,498,231	\$ 60.00	\$ 1.4598	\$ -	\$ 11,498,231	0.0%
Small Transport t-System	1,211	1,862,195	\$ 60.00	\$ 1.9170	\$ 4,441,906	\$ 60.00	\$ 1.9170	\$ -	\$ 4,441,906	0.0%
CNG k-System	9	191,059	\$ 60.00	\$ 0.8199	\$ 163,179	\$ 60.00	\$ 0.8199	\$ -	\$ 163,179	0.0%
CNG t-System	2	67,350	\$ 60.00	\$ 0.8199	\$ 56,990	\$ 70.00	\$ 0.9674	\$ 10,229	\$ 67,219	17.9%
Irrigation Transport	513	843,484	\$ 36.00	\$ 1.6819	\$ 1,640,105	\$ 38.00	\$ 1.7452	\$ 65,695	\$ 1,705,800	4.0%
Large Transport k - Tier 1	214	1,154,072	\$ 208.00	\$ 0.8714	\$ 1,540,207	\$ 260.00	\$ 0.9023	\$ 169,298	\$ 1,709,505	11.0%
Large Transport k - Tier 2	94	1,491,344	\$ 252.00	\$ 0.8714	\$ 1,582,364	\$ 295.00	\$ 0.9023	\$ 94,339	\$ 1,676,703	6.0%
Large Transport k - Tier 3	45	1,360,883	\$ 323.00	\$ 0.8714	\$ 1,358,792	\$ 340.00	\$ 0.9023	\$ 51,152	\$ 1,409,945	3.8%
Large Transport k - Tier 4	61	6,922,224	\$ 392.00	\$ 0.8714	\$ 6,318,113	\$ 400.00	\$ 0.9023	\$ 219,735	\$ 6,537,849	3.5%
Large Transport t - Tier 1	43	304,861	\$ 288.00	\$ 1.3103	\$ 548,658	\$ 360.00	\$ 1.3521	\$ 50,043	\$ 598,701	9.1%
Large Transport t - Tier 2	31	464,028	\$ 367.00	\$ 1.3103	\$ 742,844	\$ 430.00	\$ 1.3521	\$ 42,541	\$ 785,386	5.7%
Large Transport t - Tier 3	14	381,651	\$ 495.00	\$ 1.3103	\$ 580,583	\$ 520.00	\$ 1.3521	\$ 20,019	\$ 600,602	3.4%
Large Transport t - Tier 4	32	3,983,601	\$ 621.00	\$ 1.3103	\$ 5,457,969	\$ 630.00	\$ 1.3521	\$ 169,968	\$ 5,627,937	3.1%
Wholesale Transport	27	916,740	\$ 85.00	\$ 1.2497	\$ 1,173,190	\$ 85.00	\$ 1.2497	\$ -	\$ 1,173,190	0.0%
	638,757	78,382,787			\$ 286,108,376			\$ 21,500,127	\$ 307,608,504	7.5%

(1) Sales for Resale and Sales for Resale-BH are combined for purposes of calculating the Gas System Reliability Surcharge.

EXHIBIT A