

REBUTTAL TESTIMONY
OF
MARK W. SMITH
KANSAS GAS SERVICE
DOCKET NO. 17-KGSG-455-ACT

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME.**

3 A. My name is Mark W. Smith.

4

5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR BUSINESS ADDRESS?**

6 A. I am employed by ONE Gas Inc., ("ONE Gas" or "Company"). My business address is 15
7 East Fifth Street, Tulsa, Oklahoma.

8

9 **Q. WHAT IS YOUR POSITION WITH ONE GAS?**

10 A. I am Vice President, Treasury.

11

12 **Q. ARE YOU THE SAME MARK SMITH THAT FILED DIRECT TESTIMONY IN**
13 **THIS DOCKET?**

14 A. Yes.

15

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to provide rebuttal to Staff's positions as stated in the Direct

1 Testimony of Justin T. Grady and William E. Baldry. Specifically, I address the issues
2 raised in Staff's testimony regarding KGS' requested recovery of insurance proceeds
3 relating to MGP costs. The issues addressed in greater detail below are: (1) why ONE Gas
4 should be permitted to recover from insurance proceeds the cash outflow of \$9.49 million
5 before crediting any remaining proceeds to customers; (2) the Company's 2016 accrual of
6 MGP related liabilities and the Company's notification of the accrual to Staff; (3) the
7 Company's response to Staff's concerns regarding the Company's historical treatment of
8 collecting insurance proceeds and to Staff's suggestion that the Commission participate in
9 the Company's decisions as it relates to evaluating future insurance settlements; and (4) why
10 Staff's comments suggesting ONE Gas shareholders may have a possible windfall from
11 insurance settlements is highly unlikely.

12
13 **II. RECOVERY OF INSURANCE PROCEEDS ON THE INITIAL \$9.49 MILLION**
14 **SPENT BY THE UTILITY**

15
16 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH STAFF'S POSITION THAT**
17 **ONE GAS SHOULD NOT BE PERMITTED TO RECOVER THE \$9.49 MILLION**
18 **THE COMPANY SPENT ON MGP COSTS FROM INSURANCE PROCEEDS.**

19 **A.** Based on the review of available records, when ONEOK originally recorded a liability for
20 estimated MGP costs, it was clear that there was existing insurance covering these MGP
21 sites and that the Company reasonably expected that at some point in the future it would be
22 able to recover the environmental costs it was incurring from the insurance companies. This
23 point is further supported by records showing that Westar and ONEOK worked together in

1 the early years to try to settle some of the insurance claims. However, based on our
2 understanding, these efforts were halted when the insurance carriers would only agree to
3 accept complete settlements of the policy as opposed to partial payments under the policy.

4 Despite having learned that insurance companies were only willing to pay claim
5 amounts based on actual expenses incurred and to include clauses barring future claims, it is
6 reasonable to assume that ONEOK's original intent was to hold the insurance carriers
7 responsible for the \$9.49 million liability initially recorded in accordance with GAAP rules,
8 and subsequently spent by ONE Gas, over the last twenty years. Even though it was
9 reasonable to believe insurance would be collected in the future, it appears ONEOK took the
10 conservative approach and did not book a receivable for the insurance proceeds, presumably
11 because there was no reasonable way to estimate the amount of proceeds that would
12 ultimately be collected.

13
14 **III. REVIEW OF THE COMPANY'S 2016 ACCRUAL OF THE \$4.5 MILLION**
15 **LIABILITY FOR WHICH STAFF ALLEGES THAT KGS HAS ALREADY**
16 **RECEIVED A BENEFIT**

17
18 **Q. CAN YOU COMMENT ON STAFF'S ALLEGATION THAT KGS HAS ALREADY**
19 **RECEIVED A BENEFIT FROM THE 2016 ACCRUALS?**

20 A. Yes. In addition to the argument presented in Mr. Rohlf's rebuttal testimony on this issue,
21 (specifically as it relates to the retro-active ratemaking argument), I also disagree with Staff's
22 position. First, the \$4.5 million in accruals made in 2016 were not disclosed publicly until
23 2017. Five hundred thousand of the \$4.5 million was recorded in the 3rd quarter of 2016,

1 and was not reported publicly as it was not material. Next, the remaining accrual for \$4.0
2 million was not recorded until the fourth quarter of 2016 and was not made public until
3 earnings were released after the markets closed on February 22, 2017, and the 10-K was
4 filed on February 23, 2017. Therefore, neither accruals made in either the 3rd or 4th quarter
5 of 2016 could have had an impact on the markets in 2016 as alleged in Staff's testimony.
6 Further, the capital markets are complex, and pointing to any one factor, other than some
7 kind of extraordinary event, as impacting or not impacting a company's stock price is highly
8 speculative.

9
10 **Q. DO YOU DISAGREE WITH STAFF'S COMMENTS ALLEGING THE TIMING OF**
11 **THE COMPANY'S NOTIFICATION TO STAFF ABOUT THE MGP COSTS BEING**
12 **ACCRUED ON THE 2016 BOOKS WAS UNREASONABLE?**

13 A. Yes. KGS met with Staff and CURB on February 22, 2017, to discuss this issue and the
14 upcoming filing. This was on the same day that the Company later released the earnings
15 discussed above. At this meeting, KGS explained that the \$4.0 million that was recorded
16 in the fourth quarter would be made public when ONE Gas released its earnings after the
17 close of business on February 22, 2017, and in the 10-K which would be filed the next day
18 (February 23, 2017) after the market closed.

19
20 **Q. DID THE ACCRUAL OF \$4.0 MILLION OF EXPENSE HAVE AN IMPACT ON**
21 **THE COMPANY'S 2016 STOCK RETURNS?**

22 A. No. Contrary to Staff's conclusion, the announcement of the \$4.0 million accrual did not
23 impact the Company's 2016 stock performance because the \$4.0 million was not announced

1 until 2017 as discussed above.

2
3 **Q. FOR THE SAKE OF CLARIFICATION, HAD THE COMPANY ACTUALLY**
4 **SPENT ANY OF THE \$4.5 MILLION ACCRUED IN 2016, PRIOR TO 2017?**

5 A. No. Please see the Rebuttal Testimony of Mr. Dick Rohlfs for further discussion on this
6 concern.

7
8 **IV. RESPONSE TO STAFF'S CONCERNS ABOUT THE UTILITY'S EFFORTS TO**
9 **COLLECT INSURANCE PROCEEDS RELATING TO THE MGP COSTS**

10
11 **Q. HOW DO YOU RESPOND TO STAFF'S RECOMMENDATION THAT THE**
12 **COMMISSION FURTHER EVALUATE THE ISSUE OF WHETHER THE**
13 **COMPANY HAS RECEIVED ANY INSURANCE SETTLEMENTS AND**
14 **WHETHER THOSE SETTLEMENTS HAVE CONTAINED AGREEMENTS TO**
15 **RELEASE THE INSURER FROM ALL FUTURE LIABILITY?**

16 A. Prior to filing its Application in this matter and again in response to data requests issued by
17 Staff, ONE Gas has examined twenty years of records seeking information relating to any
18 prior insurance settlements. Based on the information made available to ONE Gas from
19 ONEOK, ONE Gas has yet to find any settlements with insurance companies except in
20 situations where the insurance company was declaring bankruptcy. After reviewing all the
21 supporting the documents available, the response to KCC Data Request 40, 41 and 45 were
22 related to bankruptcies or bankruptcy settlements. We have amended these responses
23 accordingly. Please see the revised responses attached hereto as "Smith Attachment A."

1 We will also formally update these responses in accordance with the Commission's Staff's
2 Data Response procedures.

3
4 **Q. HAS THE COMPANY IDENTIFIED ANY DOCUMENTS OR INFORMATION**
5 **INDICATING THE COMPANY HAS ENTERED SETTLEMENT AGREEMENTS**
6 **(OTHER THAN BANKRUPTCY-RELATED) THAT WOULD RELEASE THE**
7 **INSURANCE CARRIER FROM ALL FUTURE LIABILITY?**

8 A. No. None of the claims located have been settled in a manner that would have released any
9 viable insurance company from future liability. The only documents located support the
10 fact that the Company (and its predecessors) have only resolved claims where the insurance
11 carriers initiated claims during their respective bankruptcy cases or where those insurance
12 companies were otherwise going out of business.

13 I understand Staff's concern about making sure that the utility maximizes its
14 recoveries from insurance companies to apply against future MGP costs. As I stated earlier,
15 ONEOK (now ONE Gas) had every intention to seek recovery of actual expenditures from
16 the various insurance companies and that is why it decided not to seek recovery from
17 ratepayers of the \$9.49 million that was spent by the utility's shareholders between 1998 and
18 2016. Although some efforts were made by Westar and ONEOK after 1998 to settle with
19 insurance companies, the fact that the Company has not settled any non-bankruptcy claims
20 supports the Company's position that ONE Gas has always been concerned about finalizing
21 any settlement until it had a better understanding of what the final costs would be relating to
22 the clean-up and remediation of the MGP sites. ONE Gas continues to have this concern.

1 **Q. WHAT COMMENT DO YOU HAVE WITH RESPECT TO STAFF’S CONCERN**
2 **THAT IF KGS IS ALLOWED TO APPLY THE FIRST INSURANCE PROCEEDS**
3 **RECEIVED BY THE COMPANY TO THE \$9.49 MILLION SPENT BY THE**
4 **COMPANY BETWEEN 1998 AND 2016, THAT THERE WILL BE NO INSURANCE**
5 **PROCEEDS TO COVER FUTURE MGP COSTS THAT THE UTILITY IS ASKING**
6 **ITS CUSTOMERS TO PAY?**

7 **A.** It is a fact that KGS customers were not asked in the past (and will not be asked in the future)
8 to pay for any of the initial \$9.49 million spent in MGP costs paid by the Company between
9 1998 and 2016. Therefore, it would be unfair to the Company not to receive any of the
10 insurance proceeds for those MGP costs that they paid.

11 Because the Company has proposed to share in the insurance recoveries as
12 recommended in our filing and as established in the 1993 KPS Order, ONE Gas is
13 incentivized to negotiate for the highest settlement amount possible under the insurance
14 policies. While the Company expects that it may have to litigate its claims against some of
15 the insurance companies to obtain coverage and reimbursement of MGP costs, if successful
16 on those claims, then present and future customers will be entitled to their share of those
17 proceeds.

18 Further, as recommended by the Company in the Application for the AAO, the
19 Company will provide an annual report on insurance recoveries and efforts so Commission
20 Staff will be able to track, monitor and ensure that the Company’s efforts are prudent.

21 Additionally, as acknowledged by the Staff and the Commission in the KPS case,
22 KGS has several reasons why it will seek to maximize reimbursements from the insurance
23 companies. As pointed out by Staff in this case, the Company’s shareholders are on the

1 hook to effectively pay 40% of all future MGP costs (to the extent such costs are not
2 recovered from the insurance companies). In addition, if the Commission provides the
3 same incentive it did to KPS that allowed the utility to retain 40% of the insurance proceeds,
4 then the Company will be incentivized to aggressively pursue recovery from the insurance
5 companies.

6
7 **V. RESPONSE TO STAFF'S DISCUSSION REGARDING A POSSIBILITY OF A**
8 **WINDFALL FROM INSURANCE PROCEEDS**

9
10 **Q. DO YOU AGREE WITH STAFF'S COMMENTS STATING THAT ONE GAS'**
11 **SHAREHOLDERS COULD RECEIVE A WINDFALL IF THEY ARE ALLOWED**
12 **TO SHARE IN THE INSURANCE RECOVERIES LIKE WHAT WAS APPROVED**
13 **BY THE COMMISSION IN THE KPS CASE?**

14 A. No, I do not agree. While it is conceivable that insurance could be collected on day one (as
15 discussed in Mr. Grady's simple example), such a result is highly unlikely. In most cases,
16 gas utility companies have had to sue insurance companies to collect on these old policies
17 and such litigation has taken many years to resolve. Therefore, it is highly unlikely that
18 ONE Gas will achieve any windfall in the manner as suggested by Staff.

19
20 **Q. DO YOU AGREE WITH STAFF'S STATEMENT THAT THE MECHANISM, AS**
21 **ESTABLISHED IN THE 1993 KPS DOCKET, DOES NOT PROVIDE AN**
22 **ADEQUATE INCENTIVE TO MAXIMIZE INSURANCE PROCEEDS?**

23 A. No, I do not agree. As I stated earlier, the 1993 KPS docket recognized that the cost should

1 be recovered and that it was reasonable for the Commission to incentivize KPS to make the
2 effort. As a result, the Commission allowed KPS to keep a portion of the insurance
3 proceeds in an attempt to earn the carrying cost on the unamortized portion of the MGP costs
4 that KPS agreed to forego; thus, encouraging the utility to maximize recovery from the
5 insurance companies. Staff has not provided adequate reasons as to why the Commission
6 should deviate from its earlier ruling relating to the recovery of MGP costs on this point.
7

8 **VI. CONCLUSION**

9
10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 **A.** Yes, it does.

VERIFICATION

STATE OF OKLAHOMA

)

) ss.

COUNTY OF TULSA

)

Mark W. Smith, being duly sworn upon his oath, deposes and states that he is Vice President, Treasury for ONE Gas, Inc.; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.



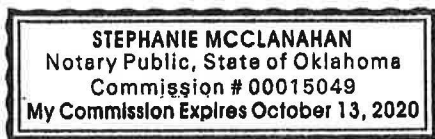
Mark W. Smith

Subscribed and sworn to before me this 22nd day of September 2017.


NOTARY PUBLIC

My appointment Expires:

10/13/20



Smith Attachment A

Kansas Corporation Commission
Docket Number 17-KGSG-455-ACT
Information Request

Data Request: 17-455 KCC-040: Insurance Recoveries Documentation
Company Name: Kansas Gas Service, a Division of ONE Gas, Inc.
Request Date: 6/20/17
Date Information Needed: 6/29/17; 1st Amended 9/1/2017; 2nd Amended 9/25/2017
Requested By: Justin Grady

Page 1 of 1

Please provide the following:

For the Insurance recoveries listed in Exhibit MWS-3, please provide all supporting documentation the company relied on in supporting each entry to the reserve from 2004 to the present. Additionally, for the most recent five insurance recoveries, please provide a copy of the journal entries utilized to book this activity to both One Gas and KGS' books.

KGS 2nd AMENDED Response:

The attachment included with this response is designated as “CONFIDENTIAL” under sections (4), (5) and (6) of paragraph 11 of the Protective/Discovery Order issued in this docket on April 20, 2017.

The attached schedule shows the General Ledger detail for the receipt of checks to the reserve account. Note that 5 lines in the ledger reflect worker compensation refunds for a total of \$1,509.37. The amount for the worker compensation refunds should not have been included in the total. The balance of the information known is in the column labeled as “Comments.” The schedule is the actual entry in the Accounts Receivable system. The column labeled “Notes” is information I have added based on my knowledge of what was being deposited, the description in the comment field, and any other information we have in our files. For the amounts marked “settlement or partial claim,” we do not have the settlement documents.

As per our commitment made in our prior responses, we have diligently continued our pursuit of documents and have not at this time located any “settlement” records. We have taken a closer review of all available information and are now comfortable confirming our position that any insurance proceeds received were received as the direct result of bankruptcy filings. Accordingly, we have updated the spreadsheet to reflect this confirmed position and have attached, hereto as “KCC DR 40 Attachment A.”

Prepared by: Mark W. Smith

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____

Date: _____

Attachment for KCC 40																
Period Year	Period Num	Co	To Co	Fm CC	Natural	ExpInd	RFU	Debit	Credit	Net Activity	Comments	Company	Receipt Number	Receipt Date	Comments	Notes
2004	8	010	0000	0000	2530350	00	000000	\$-	\$ 81,585.92	\$ (81,585.92)	receivables	ONEOK	2276	06-Aug-2004	Andrew Weir Insurance Company	Bankruptcy payment
2005	11	010	0000	0000	2530350	00	000000	\$-	\$ 500,000.00	\$ (500,000.00)	receivables	ONEOK	40-05-15	22-Nov-2005	HSBC/ OMNI Whittington Insurance svcs	Bankruptcy payment
2005	11	010	0000	0000	2530350	00	000000	\$-	\$ 28,415.97	\$ (28,415.97)	receivables	ONEOK	200477	22-Nov-2005	Bermuda Fire & Marine Insurance Co.	Bankruptcy payment
2005	7	010	0000	0000	2530350	00	000000	\$-	\$ 21,186.03	\$ (21,186.03)	receivables	ONEOK	014951	06-Jul-2005	KWELM scheme Payment Principal no 110517	Bankruptcy payment
2005	4	010	0000	0000	2530350	00	000000	\$-	\$ 17,505.77	\$ (17,505.77)	receivables	ONEOK	2425	27-Apr-2005	Andrew Weir claim additional payment	Bankruptcy payment
2006	4	010	0000	0000	2530350	00	000000	\$-	\$ 60,000.00	\$ (60,000.00)	receivables	ONEOK	98586	12-Apr-2006	Kallen Muchin Rosenman	Bankruptcy payment
2006	4	010	0000	0000	2530350	00	000000	\$-	\$ 19,264.34	\$ (19,264.34)	receivables	ONEOK	201965	12-Apr-2006	Bermuda Fire & Marine Insurance Co.	Bankruptcy payment
2006	3	010	0000	0000	2530350	00	000000	\$-	\$ 11,407.89	\$ (11,407.89)	receivables	ONEOK	016040	08-Mar-2006	KWELM	Bankruptcy payment
2006	12	010	0000	0000	2530350	00	000000	\$-	\$ 2,841.60	\$ (2,841.60)	receivables	ONEOK	201215	18-Dec-2006	BFMIC Scheme payments	Bankruptcy payment
2006	2	051	0000	0000	2530350	00	000000	\$-	\$ 746.84	\$ (746.84)	receivables		KGS-KS		Dramer Drug - refund Frank ***** Nov 2005 overpayment	Workers Compensation
2006	12	010	0000	0000	2530350	00	000000	\$-	\$ 284.28	\$ (284.28)	receivables	ONEOK	016942	18-Dec-2006	KWELM Scheme payments	Bankruptcy payment
2006	8	051	0000	0000	2530350	00	000000	\$-	\$ 32.54	\$ (32.54)	receivables		KGS-KS		Walgreens ID - DOB *****0529 1997-03/28/55 Prov - RX ***** Ref	Workers Compensation
2006	8	051	0000	0000	2530350	00	000000	\$-	\$ 32.54	\$ (32.54)	receivables		KGS-KS		Walgreens ID - DOB *****0529 1997-03/28/55 Prov - RX ***** Ref	Workers Compensation
2007	9	010	0000	0000	2530350	00	000000	\$-	\$ 126,033.35	\$ (126,033.35)	receivables	ONEOK	1299	17-Sep-2007	OIC Run-Off Limited and the London andOverseas Insurance Company Ltd.	Bankruptcy payment
2007	11	010	0000	0000	2530350	00	000000	\$-	\$ 9,783.72	\$ (9,783.72)	receivables	ONEOK	01240	21-Nov-2007	Southern American Insurance Co	Bankruptcy payment
2008	5	010	0000	0000	2530350	00	000000	\$-	\$ 12,235.94	\$ (12,235.94)	receivables	ONEOK	1110	14-May-2008	OIC Run-Off LTD & the London & Overseas Ins Co LTD Account	Bankruptcy payment
2008	9	010	0000	0000	2530350	00	000000	\$-	\$ 17,733.01	\$ (17,733.01)	receivables	ONEOK	01634	30-Sep-2008	Southern American Insurance Co	Bankruptcy payment
2008	2	010	0000	0000	2530350	00	000000	\$-	\$ 53,966.70	\$ (53,966.70)	receivables	ONEOK	1004	28-Feb-2008	OIC Run-Off LTD & the London & Overseas Ins Co Ltd Account	Bankruptcy payment
2008	3	051	0000	0000	2530350	00	000000	\$-	\$ 42.53	\$ (42.53)	receivables		KGS-KS		Kansas University Physicians Refund on Voucher 8341499 Paid Twice	Workers Compensation
2009	11	010	0000	0000	2530350	00	000000	\$-	\$ 8,368.98	\$ (8,368.98)	receivables	ONEOK	1060	02-Nov-2009	OIC Run-Off Ltd & The London & Overseas Insurance Co Ltd	Bankruptcy payment
2009	2	051	0000	0000	2530350	00	000000	\$-	\$ 654.92	\$ (654.92)	receivables		KGS-KS		Walgreens Inv 3229704588	Workers Compensation
2010	1	010	0000	0000	2530350	00	000000	\$-	\$ 3,057.41	\$ (3,057.41)	receivables	ONEOK	2027	06-Jan-2010	Southern American Insurance Co	Bankruptcy payment
2010	9	010	0000	0000	2530350	00	000000	\$-	\$ 12,568.54	\$ (12,568.54)	receivables	ONEOK	1150	30-Sep-2010	London & Overseas Insurance	Bankruptcy payment
2011	1	010	0000	0000	2530350	00	000000	\$-	\$ 1,082.00	\$ (1,082.00)	Corporate	ONEOK	3376	18-Jan-2011	Sovereign Marine & General Insurance Co Ltd	Bankruptcy payment
2011	7	010	0000	0000	2530350	00	000000	\$-	\$ 75,000.00	\$ (75,000.00)	Corporate	ONEOK	200207	07-Jul-2011	Minster Insurance & Co. Ltd. / MGP Insurance	Bankruptcy payment
2012	11	010	0000	0000	2530350	00	000000	\$-	\$ 89,386.22	\$ (89,386.22)	Corporate	ONEOK	Ironshore Insurance	15-Nov-2012	255 to 010-trf funds received in error from Ironshore Ins.for "Leedey Fire Loss claim"6/29/12 \$44,693.118/14/12 \$44,693.11	Bankruptcy payment
2012	1	010	0000	0000	2530350	00	000000	\$-	\$ 8,392.04	\$ (8,392.04)	Corporate	ONEOK	1229	17-Jan-2012	OIC Run-Off LTD & the London & Overseas Insurance Co LTD	Bankruptcy payment
2012	11	010	0000	0000	2530350	00	000000	\$-	\$ 88.59	\$ (88.59)	Corporate	ONEOK	020450	30-Nov-2012	KWELM / Walbrook / 019154	Bankruptcy payment
2012	11	010	0000	0000	2530350	00	000000	\$-	\$ 3,012.06	\$ (3,012.06)	Corporate	ONEOK	203686	30-Nov-2012	BFMIC / 110517	Bankruptcy payment
2012	12	010	0000	0000	2530350	00	000000	\$-	\$ 8,398.77	\$ (8,398.77)	Corporate	ONEOK	1313	11-Dec-2012	OIC Run-Off Ltd	Bankruptcy payment
2012	12	010	0000	0000	2530350	00	000000	\$-	\$ 8,750.00	\$ (8,750.00)	Corporate	ONEOK	1526	18-Dec-2012	English & American Insurance Company Ltd.	Bankruptcy payment
2012	6	010	0000	0000	2530350	00	000000	\$-	\$ 70,000.00	\$ (70,000.00)	Corporate	ONEOK	1264	28-Jun-2012	English & American Insurance Company LTD	Bankruptcy payment
2013	6	010	0000	0000	2530350	40	000000	\$-	\$ 222.66	\$ (222.66)	Corporate	ONEOK	346054	27-Jun-2013	FTI Consulting InclDID #1632Serengeti Co file #201200049	Bankruptcy payment
2014	3	101	0000	0000	2530350	00	000000	\$-	\$ 5,250.00	\$ (5,250.00)	receivables		2201	05-Mar-2014	English & American Insurance	Bankruptcy payment
2014	3	101	0000	0000	2530350	00	000000	\$-	\$ 4,203.45	\$ (4,203.45)	receivables		000022	12-Mar-2014	Barclays OIC Run-off Ltd	Bankruptcy payment
2016	1	101	0000	0000	2530350	00	000000	\$-	\$ 2,800.00	\$ (2,800.00)	receivables		507748	14-Dec-2015	English & American Insurance	Bankruptcy payment
				Total				\$-	\$ 1,264,334.61	\$ (1,264,334.61)						
				Worker Compensation Total				\$-	\$ 1,509.37	\$ (1,509.37)					Worker Compensation Total	
				Total Less Worker Compensation				\$-	\$ 1,262,825.24	\$ (1,262,825.24)						
				Settlement				\$-	\$ 937,739.85	\$ (937,739.85)						
				Bankruptcy				\$-	\$ 325,085.39	\$ (325,085.39)						

Kansas Corporation Commission
Docket Number 17-KGSG-455-ACT
Information Request

Data Request: 17-455 KCC-041: Insurance Proceeds Delay
Company Name: Kansas Gas Service, a Division of ONE Gas, Inc.
Request Date: 6/20/17
Date Information Needed: 6/29/17
Requested By: Justin Grady

Page 1 of 1

Please provide the following:

Exhibit MWS-3 appears to support the fact that Oneok didn't receive any Insurance proceeds associated with MGP remediation costs until August of 2004. Is this accurate? If so, please explain in detail the activities occurring between 1997 and 2004 related to the Insurance recovery process and explain why it took over 6 and one half years to receive any insurance proceeds through these processes.

KGS Response:

Yes, it is accurate. Based on ONE Gas's (formerly, ONEOK's) accounting records, no insurance proceeds were received until August 2004. From the transaction date until sometime in 2000, ONE Gas and Westar (formerly, WRI) were researching the various insurance policies and companies in preparation to make a reasonable claim. Once the claim was made in 2000, the insurance companies responded with extremely low offers and implied that their intent was not to make partial payments. In fact, some of the insurance carriers offered to only make payments in exchange for the return of the policies and an agreement from the Company to not hold the carrier liable for any future obligations. At that time, ONE Gas decided not to move forward. As a result, these claims remain open with the carriers and have not been settled to date, (except for bankruptcy and bankruptcy settlements) based on our analysis of the records. Also, some insurance companies have gone into bankruptcy and in accordance with the bankruptcy rulings have paid ONE Gas a share of their run-off proceeds. Additionally, settlements were reached in bankruptcy with a handful of the companies. (See, KGS Response to DR 40 for additional detail on the settlements).

Prepared by: Mark W. Smith

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____

Date: _____

Kansas Corporation Commission
Docket Number 17-KGSG-455-ACT
Information Request

Data Request: 17-455 KCC-045: Detail Behind Insurance Recoveries

Company Name: Kansas Gas Service, a Division of ONE Gas, Inc.

Request Date: 6/20/17

Date Information Needed: 6/29/17; Amended 9/25/17

Requested By: Justin Grady

Page 1 of 1

Please provide the following:

Mr. Smith's testimony generally discusses One Gas' past actions and strategy for pursuing insurance settlements. On Page 11, beginning at line 5, Mr. Smith states that the insurance companies, who hold these policies, are generally unwilling to enter into partial settlements but instead demand full release from any future liability under the policy. For each of the insurance settlements/recoveries that One Gas has received to date, please provide the name of the insurance company, the amount of the settlement, the site or sites that were covered under the policy, the year of recovery, and whether the settlement/recovery included a release of all future liability for ONE Gas MGP costs with that insurance company.

KGS Response:

As disclosed in the response to data request number 40, the insurance recoveries received to date are believed to have come from those insurance companies who have become insolvent resulting in the Company receiving partial reimbursement through the associated bankruptcy proceedings. The one item that was previously believed to be a settlement was actually a bankruptcy settlement. Please see, the 2nd Amended response to data request number 40 for the information requested.

Prepared by: Mark W. Smith

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____

Date: _____