

Janet Buchanan, Director, Rates and Regulatory
Kansas Gas Service, a Division of ONE Gas, Inc.
7421 W. 129th Street
Overland Park, Kansas 66213
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B. DESCRIPTION OF THE PARTIES

2. Kansas Gas Service is a natural gas public utility operating in the State of Kansas pursuant to certificates of convenience and necessity issued by the Commission. Kansas Gas Service's principal place of business in the State of Kansas is located at 7421 W. 129th Street, Overland Park, Kansas 66213. Kansas Gas Service is a natural gas utility company within the meaning of K.S.A. 66-1,200 of the Kansas Public Utility Act and is engaged in the business of selling and distributing natural gas in various communities located throughout the State of Kansas. Kansas Gas Service is a division of ONE Gas.

3. ONE Gas is an Oklahoma corporation and a 100% regulated natural gas distribution utility. ONE Gas is the largest natural gas distribution company in Oklahoma and Kansas and the third largest in Texas.

4. UIC is wholly owned by ONE Gas. UIC has been formed to provide ONE Gas' distribution companies, Kansas Gas Service, Oklahoma Natural Gas and Texas Gas Service, insurance coverage as described below. UIC's principal place of business is 15 East Fifth Street, Tulsa, Oklahoma 74103. UIC is regulated by the Oklahoma Insurance Department ("OIC").

C. INSURANCE POLICY AGREEMENTS

5. In order for Kansas Gas Service to better control the cost of insurance, UIC will provide insurance coverage to Kansas Gas Service pursuant to the Insurance Policy Agreements attached to this Application. Specifically, under the Insurance Policy Agreements, UIC will provide

the following insurance coverage to Kansas Gas Service:

- a. auto liability claims (Exhibit A);
- b. general liability and employment practice liability claims (Exhibit B);
- c. worker's compensation and employer's liability claims (Exhibit C);
- d. general liability and property claims (Exhibit D); and
- e. miscellaneous types of coverage (Exhibit E), (collectively referred to herein

as "Insurance Policy Agreements").

6. UIC's insurance coverage will cover all claims greater than \$250,000.00. UIC will purchase re-insurance for claims greater than \$2 million, which is the same insurance plan currently held by ONE Gas for Kansas Gas Service.

7. The premiums charged by UIC were designed by an external actuary utilizing 20 years of actual claims history and approved by the OIC. UIC will be audited annually by an outside audit firm. There will be a small initial increase in the premium (approximately \$190,000.00 per year). However, said increase will be offset by a significant reduction in financial risk to Kansas Gas Service and its customers as set forth in paragraph 8 herein.

8. The primary benefit from purchasing insurance coverage from UIC will be a reduction in the deductible per incident to \$250,000.00 from \$2 million. In addition, the premium paid to UIC in excess of claims paid out in a given year will be placed into a reserve for future years and will not be considered income to UIC. Finally, the use of a wholly-owned, or what is referred to in the industry as a "captive insurance company," has been successfully utilized by other regulated utilities such as Westar, Atmos, and American Electric Power ("AEP"), and will provide ONE Gas and Kansas Gas Service flexibility in different market conditions by providing them direct access to reinsurance

markets.

D. SUBMISSION OF THE INSURANCE POLICY AGREEMENTS TO THE COMMISSION

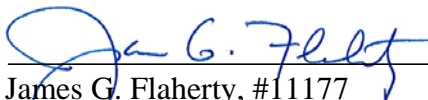
9. The purpose of the Insurance Policy Agreements is to provide formal agreements where UIC will provide insurance coverage to Kansas Gas Service and the other natural gas distribution company divisions of ONE Gas. The Insurance Policy Agreements attached to this Application and incorporated herein by reference are being submitted to this Commission under K.S.A. 66-1402. This section provides:

66-1402. Submission of contracts with affiliated interests to commission. No management, construction, engineering or similar contract, hereafter made, with any affiliated interest, as defined in K.S.A. 66-1401 and amendments thereto, shall be effective unless it shall first have been filed with the Commission. If it be found that any such contract is not in the public interest, the Commission, after investigation and a hearing in accordance with the provision of the Kansas Administrative Procedure Act, is hereby authorized to disapprove such contract.

10. This arrangement will not result in increased risks or burdens to Kansas customers and will provide for more efficient use of resources. Further, the Insurance Policy Agreements will have no detrimental impact of Kansas Gas Service's ability to provide safe and reliable service to its customers. This arrangement will also enhance Kansas Gas Service's existing insurance coverage by providing it with increased flexibility and should result in benefits from the lower deductible UIC will provide to Kansas Gas Service under the Insurance Policy Agreements.

11. Kansas Gas Service has designated the attached Insurance Policy Agreements as confidential pursuant to K.S.A. 66-1220a and K.A.R. 82-1-221a. The Insurance Policy Agreements contain non-public, proprietary information that if released to the public could harm Kansas Gas Service.

WHEREFORE, Kansas Gas Service submits its Insurance Policy Agreements with UIC to the Commission pursuant to K.S.A. 66-1402.



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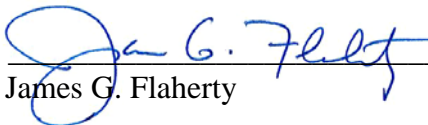
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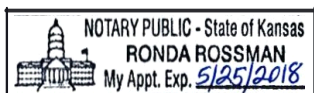
VERIFICATION

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.; that he has read the foregoing Application, and the statements contained therein are true.


James G. Flaherty

SUBSCRIBED AND SWORN to before me this 13th day of March, 2018.



Notary Public

Appointment/Commission Expires:

EXHIBIT A

CONFIDENTIAL

EXHIBIT B

CONFIDENTIAL

EXHIBIT C

CONFIDENTIAL

EXHIBIT D

CONFIDENTIAL

EXHIBIT E
CONFIDENTIAL