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. 16-KGSG-___-RTS

DIRECT TESTIMONY

OF

DENNIS J. OKENFUSS

ON BEHALF OF

KANSAS GAS SERVICE

A DIVISION OF ONE GAS, INC.

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KANSAS GAS SERVICE

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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Dennis J. Okenfuss. My business address is 7421 W. 129th Street, Overland Park, KS 66213.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Vice President of Operations for Kansas Gas Service Company ("KGS" or the "Company").

Q. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. As Vice-President of Operations, I have primary responsibility for leading Kansas Gas Service Field Operations in each of the Company's service areas in Kansas. These responsibilities include:

- Construction and maintenance on our distribution and transmission systems;
- Field customer service;
- Meter reading;
- Collections; and
- Compliance-related activities.

I also have:

- Budget responsibility for operations and maintenance ("O&M") expense and for capital expenditures;
- Leadership development responsibility; and

- Community involvement.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I earned a Bachelor of Science degree in civil engineering in 1984 from the University of Missouri in Columbia and a Master of Business Administration degree in 1994 from Rockhurst University, Kansas City, Missouri.

Currently, I serve as Vice President of Operations of the Kansas Gas Service division of ONE Gas. I served in this same role prior to ONE Gas becoming a standalone publicly traded company separated from ONEOK, Inc. Previously, I held the title of Vice President of Administration of Kansas Gas Service, responsible for business and economic development, community relations, natural gas supply, labor relations, fleet and facilities, and customer services. Prior to that, I was Manager of Business Development of Kansas Gas Service.

I began my career in the utility industry with Western Resources in 1985 as a field engineer. I served in various positions at Western Resources in both the natural gas and electric operations until the natural gas properties were acquired by ONEOK in 1997. I was named director of human resources of Kansas Gas Service at that time.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECTION?

A. Yes, it was.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony provides an overview of the Company's operations in Kansas with a focus on the Company's efforts to continue to provide safe and reliable service. Additionally, I will provide an overview of the Company's asset management tool known as Copperleaf C55 (commonly referred to as "C55").

II. SYSTEM ACTIVITIES

Q. PLEASE DESCRIBE THE COMPANY'S SYSTEM IN KANSAS AND THE IMPACT OF THE COMPANY'S OPERATIONS ON THE STATE'S ECONOMY.

A. Kansas Gas Service has approximately 13,000 miles of Transmission and Distribution pipe servicing approximately 580,000 residential and 55,000 non-residential customers in more than 360 communities in Kansas. KGS and its predecessor utilities have served this area for approximately 90 years and have a considerable operational and economic presence in the state of Kansas. These system assets represent more than $1.7 billion in total investment in utility plant-in-service in Kansas. The Company regularly employs approximately 1,000 people and a comparable amount of contract labor. The Company has an approximate annual payroll of more than $72 million, and remits more than $20 million in annual property taxes to local taxing authorities in Kansas.

Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S SAFETY INITIATIVES AND THE IMPACTS ON THE COMPANY'S OPERATIONS.

A. KGS continues its solid commitment to provide safe and reliable service to our customers and in promoting a culture of safety for all of the company's employees. Currently, the Company has several aggressive infrastructure replacement programs to include the Bare Steel Service Line program as presented in Docket No. 11-KGSG-177-TAR ("177 Docket") and the Company's Cast Iron program as addressed in Docket No. 12-KGSG-721-TAR ("721 Docket").

Additionally, as part of the Settlement Agreement established in Docket No. 14-KGSG-100-MIS ("100 Docket"), the Company has agreed to reductions of response times to natural gas odor calls, below those times established by

PHMSA and a further reduction in the company's average age of existing leaks in their leak inventory. I will discuss each of these issues in further details below.

Q. PLEASE DESCRIBE THE O&M EXPENSES THAT ARE NECESSARY TO PROVIDE SAFE AND RELIABLE SERVICE.

A. Like any gas distribution system of a significant size, activities are performed on a daily basis in order to provide safe and reliable gas service and effective and efficient customer service. Company employees are in the field on a daily basis performing tasks necessary for safety and regulatory compliance, such as:

- Cathodic protection;
- Distribution integrity;
- Leak survey;
- Leak monitoring;
- Leak repair; and
- Line locating.

Similarly, technicians perform tasks that include:

- Meter maintenance;
- Pressure regulation;
- Odorant testing;
- Service initiation; and
- Right-of-way maintenance.

These operational functions are supported by back office functions necessary to operate the natural gas distribution system in a safe and reliable manner and provide outstanding customer service.

Q. WHAT STEPS HAS KGS TAKEN TO CONTROL ITS COSTS IN DELIVERING NATURAL GAS TO ITS CUSTOMERS?

A. KGS continuously looks for opportunities to control operating expenses. For example, KGS continues to identify and adopt technological resources such as automated meter reading technology, central dispatching, and a new automated work flow management system integrating several software solutions that will improve operational processes for field employees. Using a common work management system will also enhance our risk mitigation efforts around data capture and compliance by providing our employees with better tools and information in the field and simplifying work by capturing information once and reducing paperwork.

Q. PLEASE ELABORATE ON THE COMPANY'S REGULATORY COMPLIANCE OBLIGATIONS.

A. The Company is subject to many rules and requirements imposed by both the Federal government and the State of Kansas. For example in compliance with the Pipeline and Hazardous Materials Safety Administration's ("PHMSA") requirements, the Company has developed and implemented a distribution integrity management program ("DIMP"). Pursuant to the DIMP rules, natural gas companies are required establish and employ risk-based programs, rather than adhere strictly to a prescript set of regulations. In response, the Company has employed C55. C55, a premier risk-based asset investment planning and management decision support software. This software aids the Company in strategically planning and budgeting replacement projects based upon known risks, the Company's leak survey records, soil types, and field experience.

This system provides a risk-based investment strategy that aligns with DOT integrity management requirements and permits systematic evaluation of the

distribution and transmission systems to determine each pipeline segments likelihood and consequence of failure. C55 ranks safety-related projects for risk mitigation, with projects with the highest risk mitigation being prioritized for replacement or removal.

Q. PLEASE PROVIDE AN UPDATE ON THE COMPANY'S PROGRESS WITH ITS CAST IRON REPLACEMENT PROGRAM AS ADDRESSED IN THE 100 DOCKET.

A. In the 100 Docket, KGS agreed to continue its efforts to replace all identifiable cast iron pipe in its system on or before December 31, 2024. Currently, approximately 50 miles of cast iron remains in the Company's system. Based on the Company's average rate of removal of cast iron, KGS is confident that it will meet this replacement goal.

Q. PLEASE PROVIDE AN UPDATE ON THE COMPANY'S PROGRESS WITH ITS BARE OR UNPROTECTED STEEL SERVICE LINES REPLACEMENT PROGRAM AS ADDRESSED IN THE 177 DOCKET AND 100 DOCKET.

A. Per prior commission orders and approvals, KGS continues its efforts to replace all buried bare or unprotected steel service lines and yard lines used to provide service to our residential customers. As agreed in the 100 Docket, KGS has continued its accelerated the replacement of bare and/or unprotected protected service lines at a rate of 10,000 or more lines per year. In 2014, the Company replaced 10,278; in 2015, the Company replaced 10,451; and, currently the company is on track to replace at least 10,000 service lines for 2016.

Q. PLEASE PROVIDE AN UPDATE ON THE STATUS OF THE COMPANY'S RESPONSE TIME TO NATURAL GAS ODOR CALLS.

A. Pursuant to the Agreement in the 100 Docket, KGS collects and reports annually to Commission Staff, all instances where the time to "Make Safe" any instance of

an unintentional release of natural gas, exceeds 90 minutes. In 2015, which was the first year we tracked this specific data, we had only five recorded events that exceeded the 90 minute threshold out of a total of 22,056 notifications of possible unintentional release of gas.

Q. PLEASE PROVIDE AN UPDATE ON THE STATUS OF THE COMPANY'S EFFORTS TO REDUCE THE AVERAGE AGE OF LEAKS IN THE KGS SYSTEM AS ORDERED IN THE 100 DOCKET.

A. As addressed in the 177 Docket and again in the 100 Docket, KGS continues its efforts to reduce the average age of Class 2 and Class 3 leaks on its system. Specifically, KGS continues to replace any protected bare steel main segments which have experienced three or more main leaks within a block (approximately 500 feet) over the past three years. KGS refers to this program as its 3-5-3 program. Since the issuance of the Commission's December 19, 2013 Order in the 100 Docket, the Company has experienced a 39% reduction of triggered leak sectors in its 3-5-3 program.

Q. IN MS. LAWHORN'S TESTIMONY, SHE INDICATES THAT YOU SPONSOR THE METRIC RESULTS FOR KGS OPERATIONS. CAN YOU PLEASE IDENTIFY THE STANDARDS AND THE RESULTS SINCE THE DATE THE STANDARDS BECAME EFFECTIVE?

A. Yes. As shown in Table DJO-1 below, KGS has met each operating standard established in the 100 docket.

Table DJO-1

Kansas Gas Service
Performance under Metrics established in Docket No. 14-KGSG-100-MIS

Metric	Years	Standard Metric	Apr 14 - Mar 15	Apr 15 - Mar 16
Average Response Time to Odor Reports	**4/14 - 3/15**	Less than 29 Min Avg.	28.6 minutes	N/A
Average Response Time to Odor Reports	**4/15 - 3/16**	Less than 28.5 Min. Avg.	N/A	26.6 minutes
Average Age of Leaks in Inventory	**All**	Less than 18mo	10.7 months	10.9 months

Q. WHAT EFFORTS DOES KGS TAKE TO CONTROL O&M COSTS ON AN ON-GOING BASIS?

A. Executive Management works closely with local management to establish appropriate O&M budgets. KGS routinely reviews its staffing levels and budget forecasts via recurring meetings where any variances of actual expense from the forecasted amounts are identified and explained, all in an effort to maintain a safe and reliable system and provide effective customer service while balancing the need to control O&M expenses.

Q. DOES THE PROCUREMENT PROCESS ALSO CONTROL O&M COSTS?

A. Yes, it does. By utilizing a centralized purchasing department, the Company is able to take advantage of volume discounts through approved vendors who may also provide products and supplies to other ONE Gas' divisions. Direct purchases of materials are kept to a minimum.

Q. IS THE LEVEL OF O&M EXPENSE REQUESTED IN THIS FILING REASONABLE AND NECESSARY?

A. Yes, it is. The level of O&M expense requested is necessary to continue the safe and reliable operation of the system and to provide effective and efficient customer service.

III. CAPITAL INVESTMENT

Q. WHAT IS CAPITAL INVESTMENT?

A. Capital investment is money used for the acquisition and installation of equipment or facilities that are expected to have an extended period of use prior to being replaced or retired.

Q. IS IT NECESSARY FOR KGS TO MAKE CAPITAL INVESTMENT IN ITS SYSTEM?

A. Yes, it is necessary for KGS to make capital investments in the system.

Q. WHY ARE CAPITAL INVESTMENTS MADE IN THE SYSTEM?

A. Capital investment in infrastructure and other assets is necessary in order to maintain and expand the natural gas system. Safety, reliability and growth are the primary driving forces behind most capital investments made in the Kansas system.

Q. HAS THE COMPANY INCLUDED A REQUEST FOR RECOVERY OF CAPITAL INVESTMENT IN THIS RATE FILING?

A. Yes, the Company has included capital investment made through the test year ending December 31, 2015, as well as an adjustment for known and measurable changes. These known and measurable changes include an adjustment for capital investment that will be placed in service by July 31, 2016.

Q. IN TERMS OF CAPITAL PROJECTS, APPROXIMATELY HOW MUCH HAS THE COMPANY INVESTED IN KANSAS SINCE THE LAST RATE CASE FILING?

A. KGS is committed to making the investments necessary to replace aging infrastructure and respond to the needs of its customers. Capital expenditure investments in Kansas since our previous rate case is approximately $230 million.

Q. PLEASE DESCRIBE THE CAPITAL INVESTMENT THAT HAS BEEN AND CONTINUES TO BE MADE IN KANSAS.

A. Capital investment in infrastructure and other assets is necessary in order to maintain and expand the natural gas system. Again, safety, reliability and growth are the primary driving forces behind most capital investments made in the KGS system. Generally speaking, these capital investments are made in the system to: (1) add pipeline for serving new customers; (2) replace pipeline facilities that

have reached the end of their useful service lives; (3) relocate pipeline facilities as required by city, county, and state roadway projects; and (4) comply with regulatory requirements established at the federal, state, and local levels.

Q. PLEASE DESCRIBE THE PROCESS BY WHICH THE COMPANY IDENTIFIES CAPITAL PROJECTS.

A. Projects are identified by the Company's Asset Management, Resource Management, Engineering, and Operations personnel, who in turn work with federal, state, and local governmental authorities, as well as private developers, to determine where new system investments need to be made. For each proposed project, engineering alternatives are evaluated, the preferred course of action selected, and average cost metrics are then applied to develop and assign a cost estimate to each project.

On growth projects, the developers and owners of new development projects meet with our Customer Development Representatives to facilitate their projects through the gas installation process. The Engineering Department determines the technical needs and costs associated with each project, which are communicated to the developer and finalized through a set of engineering design plans and a gas installation agreement. Additionally, the gas installation agreement and design plan are approved by Company management prior to being sent to the customer for execution. Most of these growth projects require the developer to provide an advance for the cost of the project. The advance will be refunded to the developer as customers are connected. These refunds are made once a year over the term of the agreement as the customers meet the usage or meter count commitment. The total amount refunded, of course, may not exceed the amount of the original advance.

For relocation projects located in the public right-of-way, the projects are selected by the state, county, or local officials based upon their roadway plans. KGS works closely with state, county and municipal engineers to determine which of the Company's mains and service lines will be in conflict with the applicable roadway plan. During the design of the roadways, KGS engineers will suggest alternatives, if available, to minimize the impact on our systems and customers. Once the design is completed, the Company works with agency officials to meet their relocation schedules.

For replacement projects, the Company's Engineering and Operations personnel identify potential projects. The Asset Management Department then optimizes potential projects utilizing a risk-based approach, using the C55 model as discussed previously, and validates the recommendation with our local Engineering and Operations personnel prior to finalizing the capital plan and determining the sequence or priority of replacement.

General plant expenditures are reviewed to identify and prioritize investment projects needed to maintain working equipment and structures, ensure safety, enhance efficiencies, and meet regulatory requirements.

Q. ARE ALL CAPITAL INVESTMENTS ESTABLISHED AT THE BEGINNING OF EACH FISCAL YEAR?

A. No, it is our experience that some investment needs will arise during the year that are not specifically known in advance. For example, leaks can occur on the system at any time of year, and the Company must budget and allocate capital accordingly. Likewise, state, county, and municipal officials make relocation requests throughout the year. For example, it is not uncommon for a government agency to schedule a project then postpone or delay a project until late in the year if funds are not available for the project earlier in the year. The projected

level of capital expenditures for these items is developed based on past experience and through working with the appropriate planning departments as projects arise. Growth budgets are based on known projects and past experience. KGS's investments in General Plant are identified through Company work processes and are subject to capital funding evaluation.

Q. DOES THE COMPANY HAVE PROCESSES IN PLACE TO CONTROL CAPITAL COSTS?

A. Yes, all of the Company's processes for identifying, prioritizing, evaluating, reviewing, and managing capital projects are designed to ensure that every capital investment in the system is necessary and reasonable in cost. Once a project has been approved, the Company's capital budgeting process includes additional cost controls to ensure that construction proceeds and stays within funded limits. Before the work on a project begins, and before payments are made, required managerial approvals are obtained. KGS's senior management also meets on a regular basis to review capital spending levels and make adjustments as appropriate.

Q. DOES THE PROCUREMENT PROCESS ALSO CONTROL CAPITAL COSTS?

A. Yes, by utilizing a centralized purchasing department, the Company is able to take advantage of volume discounts through approved vendors. Direct purchases of materials are kept to a minimum.

Q. HAVE ANY ADJUSTMENTS BEEN MADE TO CAPITAL INVESTMENTS IN THIS FILING?

A. Yes, the Company has proposed several adjustments to capital investment which are addressed by Company witness Lorna Eaton.

Q. IS ALL OF THE CAPITAL INVESTMENT INCLUDED IN THE COMPANY'S FILING AND BOOKED TO PLANT USED AND USEFUL IN PROVIDING UTILITY SERVICE?

A. Yes, all investments included in this filing are currently used and useful or will be used and useful in providing utility service during the course of Staff's review of the rate case.

IV. KGS OPERATIONS FOLLOWING THE TRANSFER TO ONE GAS

Q. HAS KGS BECOMING A DIVISION OF ONE GAS, INC. HAD AN IMPACT ON THE COMPANY'S PROVISION OF SERVICE WITHIN KANSAS?

A. No, it has not. The transfer of assets and operations from ONEOK to ONE Gas as it relates to KGS's customers has been seamless. Upon the completion of the transaction, KGS began to be operated as a division of ONE Gas, just as it operated as a division of ONEOK. ONE Gas continues to use the "Kansas Gas Service" name to provide natural gas service to all of its Kansas customers. KGS continues to abide by the current rules of service on file with its regulators. The local management and employees that provided service under ONEOK have been transferred to ONE Gas, and there has been no reduction in workforce due to the transition. Thus, the expertise developed in providing service over many decades remains intact. Most importantly, KGS continues to provide safe and reliable gas service to its customers and plays an important role in the communities that it serves.

Q. HAS KGS MET THE ODOR REPORT RESPONSE TIME AND AVERAGE AGE OF LEAK METRICS INCLUDED WITHIN THE STIPULATION IN DOCKET NO. 14-KGSG-100-MIS?

A. Yes. The standard for the average response time to emergency calls were 29 and 28.5 minutes, respectively for the reporting periods ended March 31, 2015 and 2016, respectively. The actual response times for these periods were 28.6 and 26.6 minutes, respectively.

The standard established for the average age of leaks in inventory was eighteen months. The actual average age of leaks in inventory was 10.7 and 10.9 months, respectively for the periods ending March 31, 2015 and 2016.

V. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Name, being duly sworn upon his oath, deposes and states that he/she is Title for Kansas Gas Service, a Division of ONE Gas, Inc.; that he/she 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/her knowledge, information, and belief.

NAME

Subscribed and sworn to before me this 26 day of April 2016.

JILL TENNANT
My Appointment Expires
June 21, 2018

NOTARY PUBLIC

My appointment Expires:

June 21, 2018