

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

In the Matter of the Application of American)
Energies Gas Service, LLC, to Change its)
Rates for Natural Gas Service and for) Docket No. 15-AEGG-158-RTS
Approval of its New Agreements with)
American Energies Pipeline, LLC)

**NOTICE OF FILING OF STAFF'S
REPORT AND RECOMMENDATION**

The Staff of the Corporation Commission of the State of Kansas ("Staff" and
"Commission", respectively), files its Report and Recommendation, and states the following:

Staff hereby files the attached Report and Recommendation recommending the
Commission approve American Energies Gas Services' revised gas gathering fee of \$1.45 per
Mcf and a revenue decrease of \$20,934 with the following conditions:

- Eliminate the monthly dollar amount stated in AEGS' proposed Operation Services Agreement;
- Approve the Staff amended Operational Services Agreement;
- Approve the Staff amended Natural Gas Sales Agreement;
- Approve Staff's rate design;
- Deny the Company's request to increase service fees and charges; and
- American Energies Gas Services must adopt the FERC Uniform System of Accounts.

Wherefore, Staff submits its Report and Recommendation for Commission review and
consideration and for such other relief as the Commission deems just and proper.

Respectfully submitted,



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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Bill Baldry, Senior Auditor
Tim Rehagen, Regulatory Auditor
Luis Solorio, Senior Research Economist
Lana Ellis, Deputy Chief of Economics and Rates
Robert Glass, Chief of Economic Policy and Planning
Leo Haynos, Chief of Pipeline Safety
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: February 5, 2015

SUBJECT: Docket No. 15-AEGG-158-RTS: In the Matter of the Application of American Energies Gas Service, LLC, to Change its Rates for Natural Gas Service and for Approval of its New Agreements with American Energies Pipeline, LLC.

EXECUTIVE SUMMARY:

On October 2, 2014, American Energies Gas Service (AEGS or Company) filed an Application for approval to change its rates for natural gas. The Company requested approval of new Operational Services and Natural Gas Sale agreements, a \$1.68 per MMBtu gas gathering rate paid to American Energies Pipeline, LLC (AEPL), and a \$22,320 increase in the Revenue Requirement based on test year expenses of 2013 and an 8% rate of return. Staff performed an audit and recommends approval of the agreements (after Staff's suggested revisions), a \$1.45 per Mcf gas gathering rate, and a \$20,934 decrease in AEGS' Revenue Requirement.

BACKGROUND:

Mac County Gas (AEGS' predecessor)

In Docket No. 98-MCCG-796-RTS and Docket No. 01-MCCG-090-RTS, Mac County Gas, Inc. (Mac County) filed rate cases with the Kansas Corporation Commission. The current rates that are in effect for AEGS were approved in the 2001 rate case.¹

¹ Docket No. 01-MCCG-090-RTS, Final Order, ¶1.

Sale of Mac County Gas to American Energies

On February 21, 2003, in Docket No. 03-MCCG-665-ACQ, Mac County Gas and Gas Products & Supply, Inc. requested permission from the Commission to transfer the utility assets to American Energies Corporation (the parent of AEGS and AEPL). The Commission granted permission for the sale to AEGS on June 11, 2003.

AEGS buys most of its natural gas from AEPL. After AEGS buys the gas it needs from AEPL, AEPL sells the remainder to other unaffiliated companies. AEGS buys natural gas from a company other than AEPL only when AEPL cannot supply all of the gas AEGS needs, such as when natural gas wells freeze up during winter. AEGS buys unprocessed natural gas from AEPL and then sells the raw gas to its customers. AEGS operates in McPherson, Marion, and Harvey counties.

2007 Rate Case

On November 9, 2006, AEGS filed an Application to establish new customer rates in Docket No. 07-AEGG-465-RTS (07-465 Docket). As Staff began tracing AEGS' property, plant and equipment listed in the Application to supporting documents, Staff learned from AEGS employees that the previous owners of the Company had no work papers, documents or basis in determining how they allocated the assets between Mac County Gas (the future AEGS) and Gas Products & Supply, Inc. (the future AEPL). AEGS verbally told Staff that when AEGS had a meeting with the previous owners to purchase the two companies, the owners would verbally state the miles of pipeline, right-of-ways, meters, and regulators that belonged to each Company. AEGS had no other method of determining how the assets should be allocated, so AEGS recorded the allocation of property, plant and equipment based on the assertions of the previous owners.

Since there were no written records to support the allocation of property, plant and equipment between the two companies, Staff believed that the previous owners' allocation of property, plant and equipment was arbitrary and could not be relied on in developing an accurate Rate Base and cost of service for AEGS' customers.

Because an accurate cost of service could not be developed in the rate case, Staff began discussions with AEGS about transferring some of AEGS' assets to AEPL. The result of the meetings was that AEGS would transfer most of its assets to AEPL, but AEGS would keep the minimum amount of assets that had to be regulated.

The transmission pipelines were kept with AEGS because American Energies Corporation could not supply all of the natural gas the cities of Hesston and Moundridge needed. Therefore, the two cities had to purchase gas from AEGS plus an additional supplier. Since the two cities were being supplied gas by two suppliers, the pipelines are regarded as common carriers and the owner of the pipelines had to be a regulated entity.

AEGS and Staff developed a Stipulation and Agreement (S&A) that was approved by the Commission on February 19, 2010. The S&A:

- Transferred all of AEGS' assets to AEPL except for customer yard lines, customer meters, and the transmission pipelines that serve the cities of Hesston and Moundridge;
- Included a sales agreement between AEGS and AEPL, a general guaranty, and an operational services agreement that listed all of the duties AEPL would perform for AEGS to operate and maintain AEGS' system. The operational services agreement stated that AEGS would pay AEPL \$10,650 per month;²
- AEGS released service territory that was based on the location of the pipelines being transferred to AEPL;
- AEGS would retain its existing retail and wholesale customers and locations;
- AEGS would withdraw its original request to amend its rate schedules; and
- AEPL was not required to compensate AEGS for the property transferred to AEPL.

Establishment of Tariffed Rates and the \$10,650 Monthly Fee

Because AEGS ultimately withdrew the requested rate schedules in the 07-465 Docket, the 01-MCCG-090-RTS rate case established the current tariffed rates. The tariffed rates were based on a rate base and operating expenses for the calendar year ending December 31, 1999. American Energies Corporation calculated the fee of \$10,650 per month that AEGS pays AEPL in the Operational Services Agreement based on estimated expenses in 2009. Therefore, there is no connection or relationship between the revenues generated in the current rate case (based on the tariffs established in the 2001 rate case) and the \$10,650 monthly fee shown in the Operational Services Agreement.

Sale of American Energies Gas Service to Trek AEC

In Docket No. 12-AEGG-913-ACQ, the Commission approved the sale of AEGS and AEPL to Trek AEC, LLC and Trek SOC, LLC, respectively, on November 15, 2012.

Current Rate Case

In the current Docket, AEGS is requesting an increase in its gas gathering fee of \$1.41 per MMBtu from the current rate of \$0.27 per MMBtu³ to \$1.68 per MMBtu. This is the rate that AEGS pays to AEPL, on top of the cost of purchased gas, in order to service its customers.

AEGS is also requesting a revenue increase of \$22,320, which is being requested as an increase in the customer charge for its various classes of customers. AEGS did not request a change in the volumetric rate of \$3.421 per Mcf.

AEGS is requesting an increase in the monthly amount AEGS pays AEPL to operate and maintain AEGS' system from \$10,650 to \$12,444 in the Operational Services Agreement. The \$12,444 is based on the original agreement of \$10,650 plus one-twelfth of a requested increase of \$21,528. There is a discrepancy between the \$21,528 requested increase on page 3 of the Application and the \$22,320 requested increase in Schedule 3-A of the filing.

² The \$10,650 was based on American Energies Corporation's 2010 estimate of what it should cost to operate and maintain a much smaller AEGS system which is a result of the transfer of assets between AEGS and AEPL.

³ 1 MMBtu and 1 Mcf units of measure are equivalent based on a heat value of 1,000 BTU per cubic foot. See Staff Exhibit 9.

ANALYSIS:

Establishment of AEGS' Rate Base

After the exchange of assets in 2010, AEGS and AEPL were sold to Trek Resources AEC and Trek Resources SOC in 2012. The book values established in the exchange of assets in 2010 became the basis of equipment values for the sale to Trek Resources.

American Energies Pipeline's Gas Gathering Fee

In the current Docket, AEGS is requesting an increase in the gas gathering fee it pays AEPL. AEPL owns and operates a gas gathering system that moves gas from natural gas wells to the Canton yard where the water and natural gas liquids are removed and the dry gas is sold. AEGS' customers are located on the gathering system as the gas moves to the Canton yard. AEPL sells the raw gas to AEGS which in turn sells the gas to AEGS' customers. The requested gas gathering fee allows AEPL to recover its operating and maintenance costs related to the gathering system, plus a requested 8% rate of return on its investment in the system.

The current gas gathering fee AEPL charges AEGS is \$0.27 per MMBtu. In its original Application, AEGS requested to raise the gas gathering fee to \$0.81 per MMBtu. After the discovery of an error in the calculation of the gathering fee, AEGS amended the Application and raised it from \$0.27 per MMBtu to \$1.68 per MMBtu based on AEPL's Revenue Requirement.

GAS GATHERING FEE – AMERICAN ENERGIES PIPELINE

Staff Adjustments

Pipeline Gathering System

AEPL reported that its investment in its pipeline gathering system was \$1,571. Staff compared the reported amount to AEPL's general ledger and noticed a difference. AEPL confirmed that the amount for the gathering system in the general ledger was the correct amount.⁴ This adjustment increases AEPL's pipeline gathering system by \$199,725 to reflect the investment of the Company's Canton gas gathering system.⁵

AEPL Allocation Percentage

AEPL's property, plant and equipment and its operating expenses of the Canton system were directly allocated to the Canton system, except for three assets. AEPL allocated a portion of three assets and its administrative expenses between the Canton system (AEGS is a part of this system) and AEPL's other eleven gas systems. AEPL's Canton system allocation factor is 18.32%.

During 2014, AEGS lost the city of Moundridge as one of its customers, so Staff removed the volume of Moundridge gas sales and re-calculated the allocation percentage to be 17.90%.

⁴ Staff DR No. 87 in Staff Exhibit 10.

⁵ See Staff Exhibit 1.

AEPL's Rate Base

Staff made the following adjustments to AEPL's assets to reflect Staff's lower allocation percentage:

General Plant	(\$400) ⁶
Material and Supplies	(\$30) ⁷
Prepayments	(\$25) ⁸

Staff reduced Accumulated Depreciation by \$359.⁹ The reduction is composed of an adjustment of \$270 to correct an error and an \$89 adjustment to reflect Staff's lower allocation percentage.

AEPL's Expenses

Administrative and General Expense

Staff's adjustment to reduce AEPL's administrative and general (A&G) expense by \$2,417 contains the following two components:¹⁰

The first component removes two-thirds of a Trek Resources' employee's salary for time spent converting AEPL's books to Trek Resources' accounting system. This expense was related to the purchase of AEPL and will not be a normally recurring expense in future years. Staff averaged the non-recurring expense over three years (removed two-thirds of the non-recurring expense, so that the cost of service reflects only one-third of the expense each year). Staff then multiplied the expense by the Company's allocation percentage to get the portion of the expense allocated to the Canton system that resulted in an adjustment of \$867.

The second component results in a decrease to A&G expense of \$1,550 and is due to Staff's lower allocation percentage compared to the Company's allocation percentage.

Depreciation Expense

Staff reduced depreciation expense by \$72 due to Staff's lower allocation percentage of 17.90% versus the Company's percentage of 18.32%, as discussed above.¹¹

AEPL's Adjusted Revenue Requirement

Staff contends that it is inequitable to include in AEPL's gas gathering revenue requirement a rate of return on AEPL's property, plant and equipment; 100% of AEPL's Canton System operating expenses; the Canton system's allocated portion of AEPL's general and administrative expenses; and AEPL's depreciation expense, but not allocate any of these expenses to AEPL's non-regulated operations, specifically, natural gas liquids sales. Staff believes that some of AEPL's rate of return on rate base and some of its expenses should be assigned to AEPL's natural gas liquid sales. If none of AEPL's expenses were assigned to the natural gas liquid sales,

⁶ See Staff Exhibit 1.

⁷ See Staff Exhibit 3.

⁸ See Staff Exhibit 3.

⁹ See Staff Exhibit 2.

¹⁰ See Staff Exhibit 4.

¹¹ See Staff Exhibit 4.

AEPL's natural gas sales customers would pay the entire burden of AEPL's expenses while the Company's NGL sales would be pure profit. This would obviously amount to cross-subsidization and would constitute unjust and unreasonable rates.

To allocate a portion of AEPL's rate of return and expenses to natural gas liquids sales, Staff reduced AEPL's Revenue Requirement by the percentage of NGL sales to AEPL's total revenues.

Percentage of NGL Sales to Total AEPL Revenues:

NGL Sales	\$227,387 ¹²	
	-----	= 19.726%
Total AEPL Revenues	\$1,152,701 ¹³	

Percentage of Natural Gas Sales to Total AEPL Revenues:

$$1.00 - 19.726\% = 80.274\%$$

Staff multiplied the Proforma Revenue Requirement of \$434,253 on Line 7 of the Revenue Requirement page in Staff's Schedules for American Energies Pipeline by 80,274% to equal \$348,592. The \$348,592 is Staff's Revenue Requirement for AEPL's gas gathering Canton System. Staff divided the \$348,592 by Staff's adjusted volume of gas delivered on the Canton System of 240,491 Mcf resulting in a gas gathering rate of \$1.45 per Mcf.

REVENUE REQUIREMENT – AMERICAN ENERGIES GAS SERVICE

Staff Adjusting Entries

Rate Case Expense

Staff's adjustment to rate case expense increases AEGS' A&G expense by \$2,973.¹⁴ This adjustment reflects the sum of actual rate case expense for AEGS' consultants through December 31, 2014, and the maximum amount of Staff expense that can be assessed to AEGS amortized over three years. As this rate case progresses, Staff does not object to updating rate case expense.

Administrative and General Expense

Staff's adjustment reduces A&G expense by \$39,424 due to averaging A&G expense for 2012 and 2013.¹⁵ The following A&G expenses were reported by the Company in the KCC Annual Reports for each listed year:

¹² Source: Excel file AEPL Rate Case 2014 corrected.

¹³ Source: Excel file AEPL Rate Case 2014 corrected.

¹⁴ See Staff Exhibit 5.

¹⁵ See Staff Exhibit 6.

2009	\$ 97,853
2010	\$ 42,008
2011	\$ 10,650
2012	\$ 45,541
2013	\$ 124,390

In 2009, AEGS owned \$1.2 million of property, plant and equipment; over 100 miles of pipeline; and reported \$450,000 of revenue and \$98,000 of administrative and general expense. In 2010, AEGS exchanged most of its assets with AEPL, becoming a much smaller regulated utility with only yard lines and meters for 223 customers, two transmission pipelines serving the cities of Hesston and Moundridge, and A&G expense of \$42,008. In 2011, A&G expense dropped to \$11,000 which, in Staff's opinion, does not appear to be an expense level that is representative of normal operations. In 2012, A&G expense bounced back to \$46,000, which was slightly higher than in 2010.

The Company's Application is based on a 2013 Test Year with \$109,000 of property, plant and equipment (9% of its property, plant and equipment balance in 2009), revenues of \$369,000 (82% of 2009 revenues), and A&G expense of \$124,000 (127% of 2009 A&G expense).

Staff requested detailed supporting documents for AEGS' 2013 A&G expenses, but AEGS did not provide work papers in sufficient detail to support the expenses.¹⁶ The majority of the expenses are payroll related, and AEGS could not adequately support the allocation percentages used. Moreover, the 2013 expenses significantly exceed AEGS' historical operations. Without sufficient support for the 2013 A&G expense of \$124,000, Staff concluded that the expense cannot be verified as being representative of AEGS' ongoing normalized operations. Historically, Staff has used a three-year average for the normalization of expenses. However, Staff omitted 2011 from the three-year average as it is not representative of normal operations. Therefore, Staff averaged the 2013 expenses with the 2012 expenses to normalize AEGS' A&G expense.

Other Income – Expenses

Staff's adjustment corrects an error in the Application by reducing Other Income – Expenses by \$6,666. The Other Income – Expenses line in the Application¹⁷ for \$3,333 was reported as an expense, and was added to the other operating expenses to arrive at total operating expense. However, the Other Income – Expenses account in the general ledger shows a credit balance (or a negative expense). To change the Other Income – Expense account in the Application to reflect a credit balance, Staff made an adjustment of a negative \$6,666.¹⁸

Depreciation Expense

Staff increased depreciation expense by \$582.¹⁹ AEGS' depreciation expense in the Application was calculated based on the length of time during 2013 each asset was in service. Some of AEGS' assets were placed in service during the Test Year and reflect only a fraction of a year's

¹⁶ See Staff DR Nos. 2, 84, and 86 in Staff Exhibit 11.

¹⁷ Section 9, Schedule 9-A.

¹⁸ See Staff Exhibit 7.

¹⁹ See Staff Exhibit 8.

depreciation expense. Basing depreciation expense on the time an asset was in service during a year is the method that is used for financial reporting purposes but is not representative of depreciation expense in future years. Staff's adjustment was made to reflect a full year's worth of depreciation expense on AEGS' assets for 2014 and beyond until the Company files its next rate case. Using the Company's method of calculating depreciation expense on the length of time the assets were in service in 2013 understates depreciation expense in 2014 and beyond when the assets will be in service for the entire year.

Income Tax Expense

Staff's Schedules for AEGS reflect an adjustment of \$10,096 to income tax expense. This adjustment increases income tax expense by \$10,096 because the total of all of the other Staff adjustments resulted in a net decrease to operating expenses. If operating expenses decrease (holding revenues constant), net income before income taxes increases. An increase in taxable income causes income tax expense to increase.

Income tax expense is dependent on the other adjustments to the Income Statement. If the Commission does not accept all of the Company's and Staff's adjustments, income tax expense will have to be adjusted to reflect the Commission approved adjustments.

RATE DESIGN ANALYSIS

Cost of Service and Rate Design

AEGS' Cost of Service and Rate Design for the AEPL System²⁰

AEGS allocated AEPL's common costs to the Canton gathering system using a volumetric allocator except for the directly assignable costs.²¹ AEGS summed AEPL's directly assignable costs and common costs plus a pre-tax margin for Canton.²²

AEGS proposes a \$1.41 gas gathering fee per MMBtu increase to \$1.68. To calculate its proposed \$1.68 gas gathering fee, AEGS divided the total operating expense plus the pre-tax margin for the Canton system by the volumes of gas sold through the Canton system.²³

Staff's Cost of Service and Rate Design for the AEPL System

As discussed previously, Staff calculated the proforma revenue requirement needed to operate these systems—\$434,253. Staff directly assigned many of the costs but used a slightly modified method to allocate common or joint costs. Because Staff accepted the Company's City of Moundridge revenue adjustment in the AEGS cost of service calculation, discussed below, Staff excluded the City of Moundridge volumes from both the total system and the Canton system to derive the common cost volumetric allocator—17.90%.²⁴ Staff multiplied the common costs by Staff's allocation percentage and added the direct and common costs for Canton to get the adjusted cost to serve Canton—\$434,253. Because the Canton system is also used to produce

²⁰ AEPL Rate Case 2014 Corrected File.

²¹ $247,360 \text{ MCF} / 1,350,452 \text{ MCF} = 0.1832 * 100 = 18.32\%$.

²² $\text{O\&M } (\$341,696) + \text{Depreciation } (\$49,934) + \text{Other Taxes } (\$0) + \text{Margins } (\$23,818) = \text{Operating income } (\$415,448)$. The \$415,448 equals the revenue requirement for the Canton system.

²³ $\$415,448 / 247,360 \text{ MCF} = \1.68 per MMBtu .

²⁴ $240,491 \text{ MCF} / 1,343,583 \text{ MCF} = 0.1790 * 100 = 17.90\%$.

natural gas liquids, Staff multiplied the proforma revenue requirement by a revenue allocator (80.274%) to remove the revenue requirement allocated to natural gas liquids sales with the remaining amount of \$348,592 allocated to natural gas sales.

Staff proposes a \$1.18 increase to the current gas gathering fee per Mcf to \$1.45. To calculate the \$1.45 gas gathering fee, Staff divided the adjusted cost to serve the Canton system plus the pre-tax margin for the Canton system by Staff's adjusted volumes of gas sold through the Canton system.²⁵

AEGS' Rate Design for the AEGS System²⁶

Currently, AEGS has five customer classes. AEGS proposes to only increase the customer charge for each customer class to collect the \$22,320 revenue deficiency. As a result of collecting the proposed revenue requirement increase exclusively through the customer charge, AEGS' customer charges will be more closely aligned with the customer charge of KGS, Atmos, and Black Hills.²⁷ The tables below show AEGS' current and proposed rates.

AEGS' Current & Proposed Rates

AEGS' Current Rates Table		
<i>Customer Class</i>	<i>Customer Charge (\$)</i>	<i>Volumetric Charge per MCF (\$)</i>
Residential Customer Service	06	3.4210
Commercial Oil/Gas Service	10	3.4210
Commercial Gas Service	10	3.4210
Irrigation Gas Service	10	3.4210
Wholesale Transportation Service	25	0.2300

AEGS' Proposed Rates Table		
<i>Customer Class</i>	<i>Customer Charge (\$)</i>	<i>Volumetric Charge per MCF (\$)</i>
Residential Customer Service	13	3.4210
Commercial Oil/Gas Service	23	3.4210
Commercial Gas Service	23	3.4210
Irrigation Gas Service	23	3.4210
Wholesale Transportation Service	52	0.2300

²⁵ \$348,592/240,491 MCF = \$1.45 per MCF.

²⁶ Staff asked why a Class Cost of Service (CCOS) was not presented in this Application in DR 104. AEGS responded by saying that AEGS did not create a CCOS in this Docket because creating a CCOS would be too expensive. In the absence of a CCOS, AEGS used a proportional increase based on modified total base revenues to allocate the revenue requirement increase.

²⁷ See Staff DR 104 in Staff Exhibit 12.

Staff’s Rate Design for the AEGS System

Due to the relatively small size of the requested increase and relevant size of the AEGS customer base, Staff elected not to perform a Class Cost of Service (CCOS) in order to limit the impact of rate case expense on customers. Because neither AEGS nor Staff introduced a CCOS, it is inappropriate to make any significant adjustments to the rate structure at this time. In the absence of a CCOS, Staff used a base revenue allocation methodology which results in a proportional allocation of Staff’s adjusted revenue requirement.²⁸ The proportional increase closely continues the existing rate structure, thereby minimizing the effect to any customer class.

To derive the existing base revenues, Staff used the 2013 test year billing determinants but excluded the City of Moundridge billing determinants. Then, Staff multiplied and summed the customer charge and volumetric charge revenues for each customer class to isolate the total revenue contribution of each customer class.²⁹ Finally, Staff divided the existing total base revenues by the existing base revenues for each customer class to derive the percentage of the revenue decrease each customer class will get. As a result of the proportional decrease, Staff closely maintained the current rate structure.

Comparison of Rate Structure Table				
Rate Class	Current AEGS		Proposed KCC Staff	
	Base Revenues	Percentage	Base Revenues	Percentage
Column Number	(2)	(3)	(6)	(7)
Residential Customer Service	\$ 59,142	30.2%	\$ 52,220	29.8%
Commercial Oil/Gas Service	\$ 50,752	25.9%	\$ 43,636	24.9%
Commercial Gas Service	\$ 28,149	14.4%	\$ 24,325	13.9%
Irrigation Gas Service	\$ 8,275	4.2%	\$ 7,292	4.2%
Wholesale Transportation Service	\$ 49,810	25.4%	\$ 47,671	27.2%
Total Revenue	\$ 196,129	100.0%	\$ 175,144	100.0%

Unlike AEGS, Staff proposes to only decrease the volumetric charge to each customer class in order to implement the \$20,934 revenue requirement decrease. If Staff decreased the customer charge to each customer class to reflect the revenue requirement decrease, the customer charge difference compared to other Kansas gas utilities would be amplified. Because lowering the customer charge will only exacerbate the customer charge difference, applying the decrease to the customer charge is inappropriate. Instead, Staff proportionally decreased the volumetric charge using the current rate structure as a guide. Furthermore, Staff minimized customer rate shock by capping the transportation decrease to ten percent. Staff then developed the same volumetric charge for each customer class, except for the transportation schedule, to maintain the current rate symmetry.

²⁸ The current rate structure was approved in 2001 using the billing determinants from a 1999 test period.
²⁹ Base Revenue per Customer Class=(Customer Count x Customer Charge) + (Volumetric Charge x Volumes of Gas).

The tables below show AEGS' current rates and Staff's proposed rates.

AEGS' Current Rates & Staff's Proposed Rates

AEGS's Current Rates Table		
<i>Customer Class</i>	<i>Customer Charge (\$)</i>	<i>Volumetric Charge per MCF (\$)</i>
Residential Customer Service	06	3.4210
Commercial Oil/Gas Service	10	3.4210
Commercial Gas Service	10	3.4210
Irrigation Gas Service	10	3.4210
Wholesale Transportation Service	25	0.2300

Staff's Proposed Rates Table		
<i>Customer Class</i>	<i>Customer Charge (\$)</i>	<i>Volumetric Charge per MCF (\$)</i>
Residential Customer Service	06	2.92
Commercial Oil/Gas Service	10	2.92
Commercial Gas Service	10	2.92
Irrigation Gas Service	10	2.92
Wholesale Transportation Service	25	0.22

Miscellaneous Tariffs

Service Fees and Charges

AEGS' expense to rate base ratio is much higher compared to other Kansas utilities.³⁰ Because of the disproportional expense to rate base difference, Staff proposes to keep all service fees and charges the same.

Modification of Contracts

Proposed Operational Services Agreement

Article 4: Operation Services Compensation

AEGS proposes a fixed fee contract with AEPL for operating AEGS' system. Every third year, AEPL is allowed to adjust the fixed fee (subject to KCC approval) to reflect changes in the cost of operating the system.³¹ Additionally, AEPL can increase the fixed fee if additional services associated with a new facility are performed or in the case of extraordinary events or expenses. If the Commission approves a fixed fee lower than the amount proposed, AEPL can cancel the agreement. However, AEPL would be required to continue operating the system until AEGS can obtain another operator.³²

As shown in Staff Exhibit 13, Staff recommends changing the operating agreement from a fixed fee to a cost plus payment. AEPL would be paid all of the legitimate costs it incurs in operating the AEGS system plus an 8% adder. Yet, because the payment to AEPL would occur outside the ratemaking process, the change from a fixed fee to a cost plus contract will not alter the revenue requirement³³ and AEGS' rate would not increase unless AEGS applies for a rate change and the Commission approves a change in rates.

Currently, AEGS records the actual cost AEPL incurs for operating the AEGS system even though a fixed fee contract is in place. Thus, the change to a cost plus contract will reflect the true nature of the accounting relationship between AEGS and AEPL. To avoid the appearance of cross-subsidization, Staff also added language requiring AEGS and AEPL to account for the costs following generally accepted industry accounting practices or standards consistent with the

³⁰ AEGS' expense to rate base ratio is approximately 3:1.

³¹ 4.01 (a) The Operations Fee shall be adjusted every third year based upon AEPL's actual costs to perform such services plus a reasonable margin not to exceed 8% and subject to AEGS receiving approval of any increase in the Operations Fee from the KCC. (AEGS' Proposed Contract).

³² 4.01 (d) In the event the KCC approves an Operations Fee which is less than what is allowed for under this Agreement, then AEGS shall notify AEPL of the Operations Fee approved by the KCC. AEPL shall either accept the Operations Fee approved by the KCC, or have the right to cancel this agreement. In the event AEPL elects to cancel this Agreement, it shall continue operations of the AEGS system at the Operations Fee approved by the KCC until AEGS can obtain another qualified operator. (AEGS' Proposed Contract).

³³ The requested revenue requirement increase was inappropriately tacked on to the current fixed fee contract.

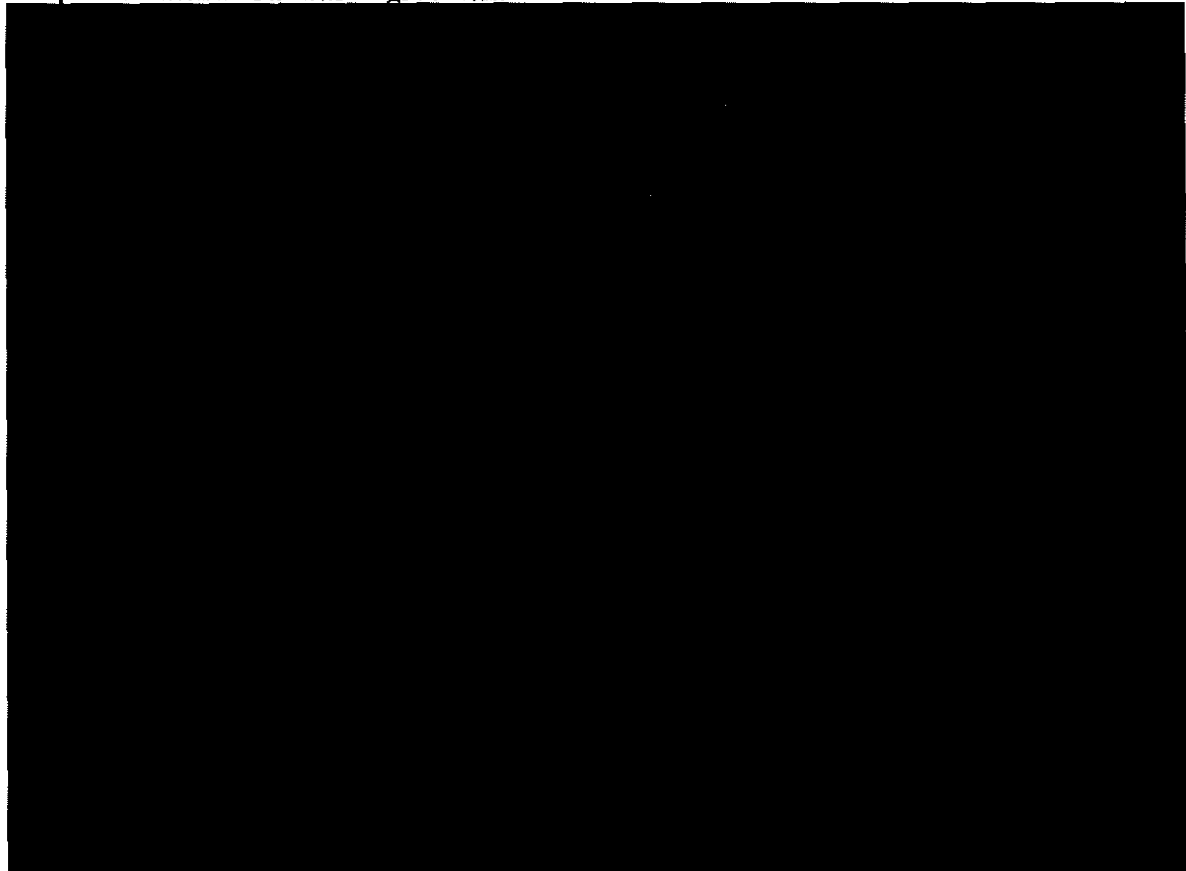
FERC Uniform System of Accounts for any costs incurred for personnel, equipment or services provided pursuant to Schedule 3.01.

Article 8: Term and Termination

AEGS' proposed language would allow the contract to remain in force for three years. After the first three year term, the contract would automatically renew for another three year term. However, the contract would terminate automatically after that second three year term.

Staff proposes to allow the Operational Services Agreement renew every three years automatically unless it is terminated by the parties.³⁴ Further, Staff's proposal also allows AEGS to terminate the agreement by providing one year's notice so that both companies will have the same right to terminate the agreement.

Proposed Natural Gas Sale Agreement



RECOMMENDATION:

Staff recommends approval of AEGS' revised gas gathering fee of \$1.45 per Mcf and a revenue decrease of \$20,934 with the following conditions:

³⁴ Staff's recommendation is very similar to the existing contract language. Like the existing contract, Staff's proposal automatically renews the contract unless terminated by the parties. However, Staff's proposal sets the length of each term to three years instead of two years.

- Eliminate the monthly dollar amount stated in AEGS' proposed Operational Services Agreement;
- Approve the Staff amended Operational Services Agreement;
- Approve the Staff amended Natural Gas Sale Agreement;
- Approve Staff's rate design;
- Deny the Company's request to increase service fees and charges; and
- AEGS must adopt the FERC Uniform System of Accounts.

American Energies Pipeline
 15-AEGG-158-RTS
 Property, Plant and Equipment - Adjusting Entry
 Test Year Ending December 31, 2013

(a)		(b)	(c)	(d)
Line No.	Description	General Plant	Transmission Plant	Distribution Plant
1	Adjusted Property, Plant and Equipment	17,988	431,491.00	54,703.00
2	Less: Property, Plant and Equipment per Application	18,388	231,766.00	54,703.00
3	Property, Plant and Equipment Adjustment	<u>(400)</u>	<u>199,725</u>	<u>0</u>

American Energies Pipeline
 15-AEGG-158-RTS
 Property, Plant and Equipment
 Test Year Ending December 31, 2013

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Line No.	Account No.	Description	Amount per Filing	Allocated Amount per Filing	Staff Adjustment	Adjusted Property Plant & Equipment Before Allocations (c) + (e)	Staff's Canton System Allocation Percentage	Adjusted AEPL PP & E Allocated to Canton System (f) * (g)	Subtotals
<u>General Plant</u>									
1	1500	C.E.M. Systems, Inc.	800.00	(1) 800.00	(1)	800.00	1.0000	(1) 800.00	
2	1500	Office Equipment	7,210.00	(1) 1,321.00	(1)	7,210.00	0.1790	(2) 1,290.59	
3	1505	Vehicles and Pipeline Equipment	88,810.00	(1) 16,267.00	(1)	88,810.00	0.1790	(2) 15,896.99	
4		Total General Plant	96,820.00	18,388.00		96,820.00			17,987.58
<u>Transmission Plant</u>									
5	1582	Pipeline Right of Way	66,200.00	(1) 66,200.00	(1)	66,200.00	1.0000	(1) 66,200.00	
6	1583	Compressor Equipment	150,245.00	(1) 150,245.00	(1)	150,245.00	1.0000	(1) 150,245.00	
7	1584	Pipeline Gathering System	1,571.00	(1) 1,571.00	(1) 199,725.00	201,296.00	1.0000	(1) 201,296.00	
8	1588	Dehydrators, Separators	13,750.00	(1) 13,750.00	(1)	13,750.00	1.0000	(1) 13,750.00	
9		Total Transmission Plant	231,766.00	231,766.00		431,491.00			431,491.00
<u>Distribution Plant</u>									
10	1585	Meters	54,703.00	(1) 54,703.00	(1)	54,703.00	1.0000	(1) 54,703.00	54,703.00
11		Total Property, Plant and Equipment	383,289.00	304,857.00	199,725.00	583,014.00			504,181.58

(1) Source: File Named - AEPL Rate Case 2014 Corrected

(2) Source: Staff's Economics Department

American Energies Pipeline
15-AEGG-158-RTS
Accumulated Depreciation - Adjusting Entry
Test Year Ending December 31, 2013

	(a)	(b)
Line No.	Description	
1	Adjusted Accumulated Depreciation	83,597
2	Less: Accumulated Depreciation - per Application	(83,956)
3	Accumulated Depreciation Adjustment	<u>(359)</u>

American Energies Pipeline
 15-AEGG-158-RTS
 Accumulated Depreciation
 Test Year Ending December 31, 2013

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Line No.	Account No.	Description	Amount per Filing	Allocated Amount per Filing	Staff Adjustment	Adjusted Accumulated Depreciation (c) + (e)	Staff's Canton System Allocation Percentage	Adjusted AEPL Accumulated Depreciation Allocated to Canton System (f) * (g)
1		C.E.M. Systems, Inc.	78.00 (1)	78.00 (1)		78.00	1.0000 (1)	78.00
2	1615	Office Equipment	2,564.00 (1)	470.00 (1)		2,564.00	0.1790 (3)	458.96
3		Vehicles and Pipeline Equipment	18,615.00 (1)	3,410.00 (1)		18,615.00	0.1790 (3)	3,332.09
4		Pipeline Right of Way	7,723.00 (1)	7,723.00 (1)		7,723.00	1.0000 (1)	7,723.00
5		Compressor Equipment	37,526.00 (1)	37,526.00 (1)		37,526.00	1.0000 (1)	37,526.00
6	1618	Pipeline Gathering System	23,531.00 (1)	23,531.00 (1)	(270.00) (2)	23,261.00	1.0000 (1)	23,261.00
7		Meters	8,030.00 (1)	8,030.00 (1)		8,030.00	1.0000 (1)	8,030.00
8		Dehydrators, Separators	3,188.00 (1)	3,188.00 (1)		3,188.00	1.0000 (1)	3,188.00
9		Total Accumulated Depreciation	101,255.00	83,956.00	(270.00)	100,985.00		83,597.05

(1) Source: File Named - AEPL Rate Case 2014 Corrected

(2) Source: Data Request No. 87

(3) Source: Staff's Economics Department

American Energies Pipeline
15-AEGG-158-RTS
Working Capital
Test Year Ending December 31, 2013

	(a)	(b)	(c)
Line No.	Description	Prepaid Insurance	Materials and Supplies
1	Adjusted Allocated Amount	1,079	1,261
2	Less: Allocated Amount - per Application	1,104	1,291
3	Working Capital Adjustment	<u>(25)</u>	<u>(30)</u>

American Energies Pipeline
 15-AEGG-158-RTS
 Working Capital
 Test Year Ending December 31, 2013

Line No.	(a) Description	(b) Amount per Filing	(c) Allocated Amount per Filing	(d) Staff's Canton System Allocation Percentage	(e) AEPL Working Capital Allocated to Canton System (b) * (d)
1	Prepaid Insurance	6,029.00 (1)	1,104.00 (1)	0.1790 (2)	1,079.19
2	Materials and Supplies	7,047.00 (1)	1,291.00 (1)	0.1790 (2)	1,261.41
3	Total Working Capital	13,076.00	2,395.00		2,340.60

(1) Source: File Named - AEPL Rate Case 2014 Corrected

(2) Source: Staff's Economics Department

American Energies Pipeline
 15-AEGG-158-RTS
 Operating and General and Administrative Expenses - Adjusting Entry
 Test Year Ending December 31, 2013

(a)	(b)	(c)	
Line No.	Description	Administrative and General Expense	Depreciation Expense
1	Adjusted Allocated Amount	66,562	49,863
2	Less: Allocated Amount - per Application	68,979	49,935
3	Expense Adjustment	<u>(2,417)</u>	<u>(72)</u>

American Energies Pipeline
 15-AEGG-158-RTS
 Operating and General and Administrative Expenses
 Test Year Ending December 31, 2013

Line No.	Account No.	(b) Description	(a)	(c)	(d)	(e)	(f)	(g)	(h)	
			Amount per Filing	Amount per Filing	Allocated Amount per Filing	Staff Adjustment	Adjusted Expenses Before Allocations (c) + (e)	Staff's Canton System Allocation Percentage	Adjusted AEPL Operating Expenses Allocated to Canton System (f) * (g)	
1	5717	Insurance Property	16,412.00	(1)	16,412.00	(1)	16,412.00	1.0000	(1)	16,412.00
2	5720	Field Payroll Billed to System	29,298.00	(1)	29,298.00	(1)	29,298.00	1.0000	(1)	29,298.00
3	5721	Field Super Billed to System	19,809.00	(1)	19,809.00	(1)	19,809.00	1.0000	(1)	19,809.00
4	5722	PL Trucking / Transport / Hauling	13,310.00	(1)	13,310.00	(1)	13,310.00	1.0000	(1)	13,310.00
5	5723	Pipeline Right of Way Rental Payments	1,125.00	(1)	1,125.00	(1)	1,125.00	1.0000	(1)	1,125.00
6	5725	Pipeline Contract Labor	608.00	(1)	608.00	(1)	608.00	1.0000	(1)	608.00
7	5730	Kansas One Call Line Marking	6,349.00	(1)	6,349.00	(1)	6,349.00	1.0000	(1)	6,349.00
8	5750	Pipeline Repairs & Maintenance	34,336.00	(1)	34,336.00	(1)	34,336.00	1.0000	(1)	34,336.00
9	5751	Pipeline Taxes, Fees, and License	25,284.00	(1)	25,284.00	(1)	25,284.00	1.0000	(1)	25,284.00
10	5752	Regulatory / Safety	126.00	(1)	126.00	(1)	126.00	1.0000	(1)	126.00
11	5755	Mearurement & Meters	12,385.00	(1)	12,385.00	(1)	12,385.00	1.0000	(1)	12,385.00
12	5758	Pipeline On Call Time	961.00	(1)	961.00	(1)	961.00	1.0000	(1)	961.00
13	5759	Chiller Rental	25,734.00	(1)	25,734.00	(1)	25,734.00	1.0000	(1)	25,734.00
14	5760	Compressor Repairs & Parts	10,469.00	(1)	10,469.00	(1)	10,469.00	1.0000	(1)	10,469.00
15	5761	Compressor Rental	276.00	(1)	276.00	(1)	276.00	1.0000	(1)	276.00
16	5765	Pipeline Chemicals	26,379.00	(1)	26,379.00	(1)	26,379.00	1.0000	(1)	26,379.00
17	5768	Pipeline - Rental Equipment	150.00	(1)	150.00	(1)	150.00	1.0000	(1)	150.00
18	5770	Pipeline Supplies	8,858.00	(1)	8,858.00	(1)	8,858.00	1.0000	(1)	8,858.00
19	5771	Pipeline Site Maint / Mowing	1,048.00	(1)	1,048.00	(1)	1,048.00	1.0000	(1)	1,048.00
20	5775	PL Utilitcies / Electric	18,791.00	(1)	18,791.00	(1)	18,791.00	1.0000	(1)	18,791.00
21	5780	Pipeline Vehicle Fuel & Maint	14,511.00	(1)	14,511.00	(1)	14,511.00	1.0000	(1)	14,511.00
22	5781	Pipeline Vehicle Repairs	6,391.00	(1)	6,391.00	(1)	6,391.00	1.0000	(1)	6,391.00
23	5785	Pipeline Miscellaneous Exp	156.00	(1)	156.00	(1)	156.00	1.0000	(1)	156.00
24	5795	Rebillable Customer Charges - AEGS	(50.00)	(1)	(50.00)	(1)	(50.00)	1.0000	(1)	(50.00)
25		Total Operating Expense	272,716.00		272,716.00		272,716.00			272,716.00

American Energies Pipeline
 15-AEGG-158-RTS
 Operating and General and Administrative Expenses
 Test Year Ending December 31, 2013

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Line No.	Account No.	Description	Amount per Filing	Allocated Amount per Filing	Staff Adjustment	Adjusted Expenses Before Allocations (c) + (e)	Staff's Canton System Allocation Percentage	Adjusted AEPL Operating Expenses Allocated to Canton System (f) * (g)
26	7000	Administrative and Accounting	105,064.00	(1) 19,244.00	(1) (4,734.00)	(3) 100,330.00	0.1790	(2) 17,959.07
27	7005	Advertising / Business Promotion	712.00	(1) 131.00	(1)	712.00	0.1790	(2) 127.45
28	7050	Auto Expense - G & A	1,323.00	(1) 242.00	(1)	1,323.00	0.1790	(2) 236.82
29	7090	Audit and Tax Prep	14,999.00	(1) 2,747.00	(1)	14,999.00	0.1790	(2) 2,684.82
30	7120	Bank Charges	141.00	(1) 26.00	(1)	141.00	0.1790	(2) 25.24
31	7201	Computer Programs & Supplies	753.00	(1) 138.00	(1)	753.00	0.1790	(2) 134.79
32	7250	Consulting Fees	15,613.00	(1) 2,860.00	(1)	15,613.00	0.1790	(2) 2,794.73
33	7260	Contract Labor - G & A	75,130.00	(1) 13,761.00	(1)	75,130.00	0.1790	(2) 13,448.27
34	7265	Contributions / Donations	475.00	(1) 87.00	(1)	475.00	0.1790	(2) 85.03
35	8000	Legal Services	588.00	(1) 108.00	(1)	588.00	0.1790	(2) 105.25
36	8100	Logs, Maps & Reports	102.00	(1) 19.00	(1)	102.00	0.1790	(2) 18.26
37	8230	Meals & Entertainment	178.00	(1) 33.00	(1)	178.00	0.1790	(2) 31.86
38	8270	Miscellaneous	100.00	(1) 18.00	(1)	100.00	0.1790	(2) 17.90
39	8435	Office Equipment Rental	77.00	(1) 14.00	(1)	77.00	0.1790	(2) 13.78
40	8440	Office Supplies	2,565.00	(1) 470.00	(1)	2,565.00	0.1790	(2) 459.14
41	8490	Parking Expense	340.00	(1) 62.00	(1)	340.00	0.1790	(2) 60.86
42	8500	Payroll - Salaries	95,406.00	(1) 17,475.00	(1)	95,406.00	0.1790	(2) 17,077.67
43	8503	Payroll - Bonuses	5,800.00	(1) 1,062.00	(1)	5,800.00	0.1790	(2) 1,038.20
44	8507	Payroll Tax Expense	7,824.00	(1) 1,433.00	(1)	7,824.00	0.1790	(2) 1,400.50
45	8510	Payroll Expense - Benefits / Ins	34,489.00	(1) 6,317.00	(1)	34,489.00	0.1790	(2) 6,173.53
46	8511	Payroll Expense - Workers' Comp Ins	331.00	(1) 61.00	(1)	331.00	0.1790	(2) 59.25
47	8560	Postage and Fed Ex	1,401.00	(1) 257.00	(1)	1,401.00	0.1790	(2) 250.78
48	8600	Recording Fees	847.00	(1) 155.00	(1)	847.00	0.1790	(2) 151.61
49	8700	OH Reimbursement	(1,960.00)	(1) (359.00)	(1)	(1,960.00)	0.1790	(2) (350.84)
50	8725	Office Repairs & Maintenance	783.00	(1) 143.00	(1)	783.00	0.1790	(2) 140.16
51	8800	Seminars / Training	1,683.00	(1) 308.00	(1)	1,683.00	0.1790	(2) 301.26
52	8842	Tax - Ad Valorem	1,155.00	(1) 212.00	(1)	1,155.00	0.1790	(2) 206.75
53	8870	Telephone	7,327.00	(1) 1,342.00	(1)	7,327.00	0.1790	(2) 1,311.53

American Energies Pipeline
 15-AEGG-158-RTS
 Operating and General and Administrative Expenses
 Test Year Ending December 31, 2013

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Line No.	Account No.	Description	Amount per Filing	Allocated Amount per Filing	Staff Adjustment	Adjusted Expenses Before Allocations (c) + (e)	Staff's Canton System Allocation Percentage	Adjusted AEPL Operating Expenses Allocated to Canton System (f) * (g)
54	8880	Travel	2,395.00	(1) 439.00	(1)	2,395.00	0.1790	(2) 428.71
55	8940	Utilities - Office	948.00	(1) 174.00	(1)	948.00	0.1790	(2) 169.69
56		Total General and Administrative	<u>376,589.00</u>	<u>68,979.00</u>	<u>(4,734.00)</u>	<u>371,855.00</u>		<u>66,562.07</u>
57		Total Gas Operating Expense	<u>649,305.00</u>	<u>341,695.00</u>	<u>(4,734.00)</u>	<u>644,571.00</u>		<u>339,278.07</u>
<u>Depreciation Expense</u>								
58		C.E.M. Systems Inc.	78.00	(1) 78.00	(1)	78.00	1.000000	(1) 78.00
59		Office Equipment	1,992.00	(1) 365.00	(1)	1,992.00	0.1790	(2) 356.57
60		Vehicles and Pipeline Equipment	15,231.00	(1) 2,790.00	(1)	15,231.00	0.1790	(2) 2,726.35
61		Pipeline Right of Way	4,413.00	(1) 4,413.00	(1)	4,413.00	1.000000	(1) 4,413.00
62		Compressor Equipment	21,455.00	(1) 21,455.00	(1)	21,455.00	1.000000	(1) 21,455.00
63		Pipeline Gathering System	13,260.00	(1) 13,260.00	(1)	13,260.00	1.000000	(1) 13,260.00
64		Meters	5,672.00	(1) 5,672.00	(1)	5,672.00	1.000000	(1) 5,672.00
65		Dehydrators, Separators	1,902.00	(1) 1,902.00	(1)	1,902.00	1.000000	(1) 1,902.00
66		Total Depreciation Expense	<u>64,003.00</u>	<u>49,935.00</u>	<u>0.00</u>	<u>64,003.00</u>		<u>49,862.92</u>
67		Total Expense	<u><u>713,308.00</u></u>	<u><u>391,630.00</u></u>	<u><u>(4,734.00)</u></u>	<u><u>708,574.00</u></u>		<u><u>389,140.99</u></u>

(1) File: - AEPL Rate Case 2014 Corrected

(2) Source: Staff's Economics Department

(3) Salary Adjustment

American Energies Pipeline
 15-AEGG-158-RTS
 Administrative Expense
 Test Year Ending December 31, 2013

(a)		(b)		(c)	(d)
Line No.	Account No.	Date	Description	Amount	Amount
1	7000	2/28/2013	Administrative and Accounting - M H Cole	6,300.00 (1)	
2	7000		Less: Average Monthly Amount for M H Cole	(2,600.00) (1)	
3			Administrative Expense Above Monthly Average		3,700.00
4	7000	3/31/2013	Administrative and Accounting - M H Cole	6,000.00 (1)	
5	7000		Less: Average Monthly Amount for M H Cole	(2,600.00) (1)	
6			Administrative Expense Above Monthly Average		3,400.00
7			Total Administrative Expense Above Monthly Average		7,100.00
8			Divide by 3 Years		/ 3
9			Annual Amortized Administrative Expense Greater Than Monthly Average		2,367.00
10			Multiply by 2		X 2
11			Amount That Needs to be Removed so Administrative Expense Reflects only \$2,367 Greater than the Monthly Average		4,734.00

(1) Source: American Energies Pipeline's general ledger

American Energies Pipeline
 15-AEGG-158-RTS
 General and Administrative Expense
 Test Year Ending December 31, 2013

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
Line No.	Account No.	Description	Amount per Filing	Allocated Amount per Filing	Staff Adjustment	Adjusted Expenses Before Allocations (c) + (e)	AEPL's Allocation Percentage	Adjusted Allocated Amount per Filing (f) * (g)	Difference Between Adjusted and Allocated Amounts (h) - (d)	Staff's Canton System Allocation Percentage	Adjusted AEPL Operating Expenses Allocated to Canton System (f) * (j)	Difference Between Adjusted and Allocated Amounts (k) - (d) - (i)
1	7000	Admin. and Accounting	105,064.00	(1) 19,244.00	(1) (4,734.00)	(3) 100,330.00	0.183168	(1) 18,377.25	(866.75)	0.1790	(2) 17,959.07	(418.18)
2	7005	Advertising / Bus Promo	712.00	(1) 131.00	(1)	712.00				0.1790	(2) 127.45	(3.55)
3	7050	Auto Expense - G & A	1,323.00	(1) 242.00	(1)	1,323.00				0.1790	(2) 236.82	(5.18)
4	7090	Audit and Tax Prep	14,999.00	(1) 2,747.00	(1)	14,999.00				0.1790	(2) 2,684.82	(62.18)
5	7120	Bank Charges	141.00	(1) 26.00	(1)	141.00				0.1790	(2) 25.24	(0.76)
6	7201	Computer Programs	753.00	(1) 138.00	(1)	753.00				0.1790	(2) 134.79	(3.21)
7	7250	Consulting Fees	15,613.00	(1) 2,860.00	(1)	15,613.00				0.1790	(2) 2,794.73	(65.27)
8	7260	Contract Labor - G & A	75,130.00	(1) 13,761.00	(1)	75,130.00				0.1790	(2) 13,448.27	(312.73)
9	7265	Contributions	475.00	(1) 87.00	(1)	475.00				0.1790	(2) 85.03	(1.97)
10	8000	Legal Services	588.00	(1) 108.00	(1)	588.00				0.1790	(2) 105.25	(2.75)
11	8100	Logs, Maps & Reports	102.00	(1) 19.00	(1)	102.00				0.1790	(2) 18.26	(0.74)
12	8230	Meals & Entertainment	178.00	(1) 33.00	(1)	178.00				0.1790	(2) 31.86	(1.14)
13	8270	Miscellaneous	100.00	(1) 18.00	(1)	100.00				0.1790	(2) 17.90	(0.10)
14	8435	Office Equip. Rental	77.00	(1) 14.00	(1)	77.00				0.1790	(2) 13.78	(0.22)
15	8440	Office Supplies	2,565.00	(1) 470.00	(1)	2,565.00				0.1790	(2) 459.14	(10.86)
16	8490	Parking Expense	340.00	(1) 62.00	(1)	340.00				0.1790	(2) 60.86	(1.14)
17	8500	Payroll - Salaries	95,406.00	(1) 17,475.00	(1)	95,406.00				0.1790	(2) 17,077.67	(397.33)
18	8503	Payroll - Bonuses	5,800.00	(1) 1,062.00	(1)	5,800.00				0.1790	(2) 1,038.20	(23.80)
19	8507	Payroll Tax Expense	7,824.00	(1) 1,433.00	(1)	7,824.00				0.1790	(2) 1,400.50	(32.50)
20	8510	Payroll Exp - Ben / Ins	34,489.00	(1) 6,317.00	(1)	34,489.00				0.1790	(2) 6,173.53	(143.47)
21	8511	Payroll Exp - W C Ins	331.00	(1) 61.00	(1)	331.00				0.1790	(2) 59.25	(1.75)
22	8560	Postage and Fed Ex	1,401.00	(1) 257.00	(1)	1,401.00				0.1790	(2) 250.78	(6.22)
23	8600	Recording Fees	847.00	(1) 155.00	(1)	847.00				0.1790	(2) 151.61	(3.39)
24	8700	OH Reimbursement	(1,960.00)	(1) (359.00)	(1)	(1,960.00)				0.1790	(2) (350.84)	8.16
25	8725	Office Repairs	783.00	(1) 143.00	(1)	783.00				0.1790	(2) 140.16	(2.84)
26	8800	Seminars / Training	1,683.00	(1) 308.00	(1)	1,683.00				0.1790	(2) 301.26	(6.74)
27	8842	Tax - Ad Valorem	1,155.00	(1) 212.00	(1)	1,155.00				0.1790	(2) 206.75	(5.25)
28	8870	Telephone	7,327.00	(1) 1,342.00	(1)	7,327.00				0.1790	(2) 1,311.53	(30.47)
29	8880	Travel	2,395.00	(1) 439.00	(1)	2,395.00				0.1790	(2) 428.71	(10.29)
30	8940	Utilities - Office	948.00	(1) 174.00	(1)	948.00				0.1790	(2) 169.69	(4.31)
31	Total General & Admin.		<u>376,589.00</u>	<u>68,979.00</u>	<u>(4,734.00)</u>	<u>371,855.00</u>			<u>(866.75)</u>		<u>66,562.07</u>	<u>(1,550.18)</u>

(1) File: AEPL Rate Case 2014 Corrected
 (2) Source: Staff's Economics Department
 (3) Salary Adjustment

American Energies Gas Service
15-AEGG-158-RTS
Rate Case Expense Adjustment
Test Year Ending December 31, 2013

Line No.	(a) Description	(b) Amount
1	Rate Case Expense Adjusted	8,973
2	Less: Rate Case Expense per Application	(6,000)
3	Rate Case Adjustment	<u>2,973</u>

American Energies Gas Service
 15-AEGG-158-RTS
 Rate Case Expense - Detail
 Test Year Ending December 31, 2013

Staff Exhibit 5(a)

Line No.	(a) Description	(b) Month Service Was Rendered	(c) Amount
1	Dick's Consulting Service	June 2014	(1) 3,520.00
2	Dick's Consulting Service	July 2014	(1) 1,600.00
3	Dick's Consulting Service	August 2014	(1) 980.00
4	Dick's Consulting Service	September 2014	(1) 880.00
5	Dick's Consulting Service	October 2014	(2) 1,600.00
6	Dick's Consulting Service	November 2014	(2) 2,320.00
7	Dick's Consulting Service	December 2014	(2) 1,416.00
8	Anderson & Byrd	June 2014	(1) 318.75
9	Anderson & Byrd	July 2014	(1) 400.35
10	Anderson & Byrd	August 2014	(1) 711.78
11	Anderson & Byrd	September 2014	(1) 2,103.55
12	Anderson & Byrd	October 2014	(2) 3,191.92
13	Anderson & Byrd	November 2014	(2) 2,251.20
14	Anderson & Byrd	December 2014	(2) 1,774.35
15	Commission Staff	10/02/2015 - 01/10/2015	(3) 3,851.85
16	Total Rate Case Expense		<u>26,919.75</u>
17	Amortize Rate Case Expense Over Three Years		/ 3
18	Annual Rate Case Expense		<u>8,973.00</u>

(1) Source: Data Request No. 17

(2) Source: Data Request No. 70

(3) Source: Commission Fiscal Office

American Energies Gas Service
 15-AEGG-158-RTS
 General and Administrative Expense - Adjusting Entry
 Test Year Ending December 31, 2013

	(a)	(b)
Line No.	Description	Amount
1	Average Administrative and General Expense	84,966
2	Less: Administrative and General Expense per Application	(124,390)
3	Administrative and General Expense Adjustment	<u>(39,424)</u>

American Energies Gas Service
 15-AEGG-158-RTS
 General and Administrative Expense
 Test Year Ending December 31, 2013

Line No.	(a) Description	(b) Amount
1	Administrative and General Expense - 2012 (1)	45,541
2	Administrative and General Expense - 2013 (2)	124,390
3	Total	<u>169,931</u>
4	Divide by 2	<u>/ 2</u>
5	Average Administrative and General Expense	84,966

(1) Source: Gas Utility Kansas Supplemental Annual Report

(2) Source: Section 9, Schedule 9-A of the Application

American Energies Gas Service
15-AEGG-158-RTS
Other Income - Expense Adjustment
Test Year Ending December 31, 2013

Line No.	(a) Description	(b) Amount
1	Other Income - Expense Balance per Application	3,333.00
2	Adjustment to Other Income - Expense	(6,666.00)
3	Other Income - Expense Balance per General Ledger (1)	<u>(3,333.00)</u>

(1) Source: General Ledger Account 4850

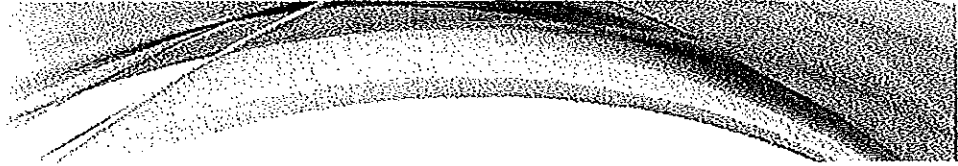
American Energies Gas Service
15-AEGG-158-RTS
Depreciation Expense Adjustment
Test Year Ending December 31, 2013

	(a)	(b)
Line No.	Description	Amount
1	Staff Depreciation Expense	9,235
2	Less: American Energies Gas Service Depreciation Expense - per Application	(8,653)
3	Depreciation Expense Adjustment	<u>582</u>

American Energies Gas Service
 15-AEGG-158-RTS
 Schedule of Property, Plant and Equipment and Depreciation Expense
 Test Year Ending December 31, 2013

Staff Exhibit 8(a)

(a) Line No.	(b) Description	(c) 01/01/13 Balance	(d) (e) (f) Asset Cost			(g) Asset Life	(h) (i) (j) (k) Accumulated Depreciation			
			Property Additions	Disposals	12/31/13 Balance		01/01/13 Balance	Depreciation Expense	Disposals	12/31/13 Balance
<u>1500 - ZZZZZ Office Equipment / Software</u>										
1	From SS	7/31/2012	3,000.00		3,000.00	3 Years	500.00	1,000.00		1,500.00
2	Creative Technologies	8/7/2012	1,687.75		1,687.75	3 Years	281.29	562.58		843.87
3	C.E.M. Systems	12/13/2013		800.31	800.31	3 Years	0.00	266.77		266.77
Total of 1500 - ZZZZZ			4,687.75	800.31	0.00		781.29	1,829.35	0.00	2,610.64
<u>1584 - Cities (Pipeline Gathering System) City of Hesston</u>										
	From Pipeline Mileage Rendition	7/31/2012	38,660.20		38,660.20	15 Years	1,450.00	2,577.35		4,039.28
Total of City of Hesston			38,660.20	0.00	0.00		1,450.00	2,577.35	0.00	4,039.28
<u>1584 - Cities (Pipeline Gathering Systems) City of Moundridge</u>										
	From Pipeline Mileage Rendition	7/31/2012	33,797.34		33,797.34	15 Years	1,276.21	2,253.16		3,529.37
	TSF from AEPL - Chase Card	7/31/2013		357.80	357.80	15 Years	0.00	23.85		23.85
Total of City of Moundridge			33,797.34	357.80	0.00		1,276.21	2,277.01	0.00	3,553.22
<u>1585 - Meters, Processing Equip - AEGS System</u>										
	American Energies Gas Service	7/31/2012	38.96		38.96	10 Years	2.07	3.90		5.97
	From Meter List on Rendition	7/31/2012	23,898.00		23,898.00	10 Years	1,268.05	2,389.80		3,657.85
	Gas Products Sales - New	12/6/2012	1,571.25		1,571.25	10 Years	5.56	157.13		162.69
Total of 1585 AEGS			25,508.21	0.00	0.00		1,275.68	2,550.82	0.00	3,826.50
Total of Fixed Assets			102,653.50	1,158.11	0.00	103,811.61	4,783.18	9,234.53	0.00	14,029.64



ENERGY CONVERSION FACTORS

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Energy Units can often be confusing. For quick calculations use our online Energy Factor Conversion Calculator. Below is a quick summary of frequently used units of measure.

Frequently Used Units of Measure				
1 MMBTU	=	10 Therms	=	1 dekatherm (dth)
1 MCF	=	1000 cubic feet	=	1 MMBTU*
1 BCF	=	1 billion cubic feet	=	1 million MMBTU*
1 TCF	=	1 trillion cubic feet	=	1000 BCF
1 gigajoule	=	0.9478 MMBTU		
1 Kilowatt-hr	=	3412 BTU		
#2 oil	=	139,000 BTU/gal		
#6 oil	=	150,000 BTU/gal		
Propane	=	91,800 BTU/gal		

*Based on natural gas approximate heat value of 1,000 BTU per cubic foot.

[Click here for a table of additional conversion factors.](#)

Request No. 87

Re: AEPL - Gas Gathering System

In the file called 'AEPL Rate Case 2014 Corrected,' page 1, line 22 of the Gas Revenue Deficiency workpaper reflects the pipeline gathering system investment amounting to \$1,571.

In Staff Data Request No. 2, the company supplied a general ledger for American Energies Pipeline. On pages 141 and 142, account 1584, the investment in the Canton pipeline gathering system amounted to \$201,296.48.

1. Please explain why the Gas Revenue Deficiency workpaper shows \$1,571, but AEPL's general ledger shows \$201,296.48.
2. Please state which of these amounts is correct. If neither amount is correct, please state the correct amount and provide a copy of the documents that support the correct amount.

Response:

The \$201,296.48 is the correct number. The \$1,571 amount was left over from a file Mr. Rohlf's was using to prepare the AEGS revenue requirement. It is the amount for a meter. Additionally, the amount for the Accumulated Depreciation associated with the asset is incorrect. That amount should be \$23,261 instead of the \$23,531 shown in the AEPL work paper. The document that supports the correct numbers and all of the plant assets of AEPL is attached.

Request No. 2

2. Please provide an electronic copy of the work papers showing the allocation of costs from American Energies Pipeline to American Energies Gas Service.

Response: Actual charges are recorded on the AEGS statements with two exceptions: The first exception is for payroll. AEPL employees allocate a portion of their time to AEGS. The allocation attached in XLS format. The allocation is reviewed every 6 months and adjusted as needed. Additionally, TREK employees charge time spent on AEGS directly to AEGS for time spent on AEGS matters. The second is for insurance, it is allocated at 25%, similar to the payroll allocation.

Request No. 84 Re: Cost Allocations

Re: DR Nos. 2, 52, 53, & 69 Cost Allocations

In DR No. 2, Staff asked the Company to provide an electronic copy of the work papers showing the allocation of costs from Trek AEC to American Energies Pipeline and the allocation of costs from American Energies Pipeline to American Energies Gas Service.

a. The responses to Staff's data requests referred to above were not adequate. Staff is requesting a copy of the work papers that support the allocation percentages in the Company's response to DR No. 2 and a copy of the work papers that support the expenses allocated to AEGS in accounts 7000, 7260, 8500, 8503, and 8511.

b. It is Staff's understanding that general and administrative expenses are allocated based on volume, but the response to DR No. 52 states payroll is allocated based on the time employees spend on each entity. Please state the allocation method used for each G & A account.

c. Please provide a copy of the work papers by G & A account that show the allocation method used for each account, and the resulting dollar amount (based on the allocation method) for each line item in the general ledger for the applicable account. If the expense is based on volume, please provide the volume, the rate and the applicable dollar amount that matches the amount in the general ledger. For payroll expenses, please provide a copy of the work papers used to develop the allocation percentages, the employee's salary rate, and the time each employee spent on AEGS business.

Response:

Staff's understanding is incorrect that A&G expenses of TREK AEC or AEPL are allocated on the basis of volumes to AEGS. It is correct that the A&G expenses of AEPL were allocated to the Canton system based on the percentage of volumes gathered on the Canton System to total gas gathered on all AEPL Gathering Systems. This allocation – AEPL A&G to the Canton gathering system - was done to allocate for rate making purposes the AEPL A&G to the Canton System so that Canton system would reflect a reasonable portion of the total AEPL A&G expenses.

As state in the response to Staff request no. 2 "Actual direct charges are recorded on AEGS statements with two exceptions – labor and insurance. The payroll charges allocation was provided in response to Staff data request no. 2 and insurance expenses allocation was discussed in response to Staff data request no. 54. Additionally in the response to data request no. 53 it was stated that the employees named are employed by Trek Resources. Trek Resources is not Trek AEC or AEPL. It further states that Trek Resources employees may from time to time work on matters related to AEGS. Those employees would direct a portion of their time to AEGS based the actual time spent on the AEGS matter(s).

Moreover, as noted in the response to Staff data request No. 42, "one of the issues noted in last rate proceeding was the lack of detail financial records". Trek Resources after acquiring the properties in 2012 implemented accounting controls on these companies (i.e., AEPL and AEGS). See Staff's report and recommendation in Docket No. 07-AEGG-465-RTS prepared by Jeffrey McClanahan, Leo Haynos, John Bell and William Baldry. As a result of the accounting controls and to better understand the cost structure of AEGS, Trek Resources ceased recording the Operating Fee payment to AEPL after 2012 and began recording actual expenses on AEGS's financial statements.

- a. Account 7000 – Administrative and Accounting and Account 7260 Contract labor A&G – These charges are the individual employee time and charges based on actual time spent by Trek Resources employees on AEGS matters. There is no allocation for this account.

Account 7260 – Contract labor G&A - These charges are the individual employee time and charges based on actual time spent by Trek Resources employees on AEGS matters. There is no allocation for this account.

Account 8500 – Payroll Salaries AEGS G&A - This is the allocated payroll provided in response to Staff data request no 2.

Account 8503 – Payroll Bonuses AEGS G&A – This account records the retention bonus to assure continuity of employees following the acquisition of AEGS by Trek Resources in August 2012.

Account 8511 - Payroll Exp- Workers' Comp Ins - AEGS G&A – This is the workers comp insurance based on the payroll charged to AEGS by the various employees.

- b. As stated above staff's understanding is incorrect. The G&A expenses recorded on the AEPL books are for the direct G&A expenses of AEPL. The allocation in the filing was to reflect an reasonable amount of the total AEPL G&A expenses to the Canton gathering system
- c. The work papers developing the allocation of the AEPL G&A expenses were provided previously by Mr. Rohlf. The documents were provided in October shortly after the filing. Allocation of employees time between AEPL and AEGS was provided in responses to Staff request no. 2 and insurance allocation was provided in response to staff data request no. 54.

Request No. 86

Re: Administrative and General Expense

On page 16, line 29 of the 2012 Supplemental Annual Report, the administrative and general expense amount was \$45,541. On page 16, line 29 of the 2013 Supplemental Annual Report, the administrative and general expense amount was \$127,726.

a. Please explain in detail why the administrative and general expense increased so much from 2012 to 2013.

b. Response:

It appears that the \$45,000 amount represents expenses from the period of time that Trek Resources acquired the Company in 2012 through the end of 2012 while the \$127,000 is the G&A expenses recorded by AEGS during 2013.

American Energies Gas Service
15-AEGG-158-RTS
DR No. 2 Allocations
Test Year Ending December 31, 2013

AEGS PAYROLL ALLOCATIONS

<u>NAME</u>	<u>ROLE</u>	<u>% ALLOC</u>	<u>ACCOUNT</u>
KS	PL EXEC	8%	8500 SALARY G&A
BC	PL MGR	10%	5721 FIELD SUPER
GS	PL SUPER	25%	5721 FIELD SUPER
MG	OFF MGR	30%	8500 SALARY G&A
EJ	BILLING	40%	8500 SALARY G&A
CJ	FIELD LABOR	EXACT HOURS	5700 FIELD HOURLY
GJ	FIELD LABOR	25%	5720 FIELD WORK

Request No. 104 Re: CCOS Expense and Service Fees and Charges Increase

In reference to the meetings and discussions between Staff and Dick Rohlfs, please explain why no CCOS was presented in this docket. Additionally, please explain the reason why AEGS proposed increasing the Service Fees and Charges.

Response:

Regarding the Class Cost of Service: There was no Class Cost of Service Study (CCOSS) prepared because the cost to prepare one was greater than the benefits. AEGS is a relatively small utility with approximately \$350,000 of gross revenue and a rate base less than \$100,000. A CCOSS would likely have double or triple the rate case expense. Moreover, a review of the rates of the AEGS – Residential, General Service and Transportation Service – it was evident that the customer charges was significantly below the other gas utilities in Kansas. Therefore it was proposed to increase the customer charge to be more in line with the other gas utilities with no change to the commodity charge. Even with the proposed increase to the Customer Charge as proposed the charge is still below the other gas utilities.

Regarding the proposed increase to the Service Fees: These fees were increased to recover the cost to perform the task covered by the fee as explained on the attached document. Moreover, comparing the current AEGS fees with other utilities indicated that the fees were below the fees that other utilities charge. For Example, Westar Energy's Disconnection Charge is either \$15 or \$20 depending on the location of the disconnection (booting the meter or disconnecting at the pole) and the reconnection charge is either \$20 or \$30 depending on location. Additionally the meter test fee at Westar is \$30.

Verification of Response

To KCC information requests number 104

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.

Name	Dick F Rohlfs
Date	January 26, 2015

Operational Services Compensation

Staff's Language Changes to Articles 1, 4, and 5

1.15 ~~Operations Fee, Operation Services Compensation.~~ See Section 4.01.

4.01 ~~Operations Fee, Operation Services Compensation.~~ As compensation for the performance of the Services hereunder (excluding construction, as defined on Schedule 3.01(b) which shall be billed separately by AEPL to AEGS), and subject to this Agreement, ~~and the operations fee being approved by the KCC without conditions unacceptable to AEGS, AEGS shall pay to AEPL the actual cost of performing the Services plus a reasonable profit margin of 8% a monthly fee in the amount of \$ \$12,444 ("Operations Fee"), payable on or before the 10th Day of each month. AEPL's sole consideration and compensation for providing the Services shall be:~~

- Reimbursement for actual direct or indirect labor costs;
- Reimbursement for prorated share of employer-provided benefits for involved employees;
- Reimbursement for use of company-owned or personal vehicle(s) at the approved IRS mileage rate; and
- Reimbursement for fees, out-of pocket and incidental expenses incurred in the ordinary course of business, attendance of meetings and training.

~~AEGS shall pay to AEPL the actual cost of performing the Services plus a reasonable profit margin of 8%, payable on or before the 10th Day of each month. In order to avoid cross-subsidization (or the appearance thereof) between AEGS and AEPL, AEPL shall strictly account for, and in accordance with generally accepted acceptable industry accounting practices or standards consistent with the FERC Uniform System of Accounts, any costs incurred for personnel, equipment or services provided pursuant to Schedule 3.01. The Operations Fee will remain fixed, and shall be adjusted only as follows:~~

- (a) ~~The Operations Fee Shall be adjusted every third year based upon AEPL's actual costs to perform such services plus a reasonable margin not to exceed 8%, and subject to AEGS receiving approval of any increase in the Operations Fee from the KCC.~~
- (b) ~~In accordance with Schedule 3.01, the Operations Fee will be adjusted to compensate AEPL for any additional Services it has agreed to perform that were on any New Facility(ies), whenever any such new Facility(ies) may be proposed, constructed or acquired.~~
- (c) ~~The Operations Fee. Shall be adjusted at any time to compensate for extraordinary events or expenses. "extraordinary events or expenses" shall include those caused by acts, omissions or occurrences beyond AEPL's reasonable control, and shall include~~

~~but not be limited to acts of God or subsequently enacted or amended laws, which may cause a change in the level of Services performed by AEPL, which causes an increase or decrease in AEPL's cost of performance by greater than four percent (4%).~~

- (d) ~~In the event the KCC approves an Operations FEE which is less than what is allowed for under this Agreement, then AEGS shall notify AEPL of the Operations Fee approved by the KCC. AEPL shall either accept the Operations Fee approved by the KCC, or have the right to cancel this Agreement. In the event AEPL elects to cancel this Agreement, it shall continue operations of the AEGS system at the Operations Fee approved by the KCC until AEGS can obtain another qualified operator.~~

Ad valorem Taxes

- 5.02 Ad valorem taxes. AEPL shall render for ad valorem taxation all AEGS' Assets that by Law should be rendered for such taxes. AEGS shall pay all such taxes assessed thereon before they become delinquent. AEPL shall bring any tax assessment that AEPL believes in its sole discretion to be unreasonable to the attention of AEGS and, shall upon notification to AEGS, have the sole discretion to determine whether to protest such valuation within a timely manner prescribed by Law and prosecute such protests to a final determination. But when any such protests in valuation shall have been finally determined, AEGS shall pay the assessment, together with any interest and penalty accrued thereto. All ad valorem tax payments shall be treated as costs to be charged to AEGS, in addition to the fees- operation services compensation described in Article 4. AEPL shall be fully reimbursed (in addition to the fees- compensation provided in Article 4) from AEGS for the costs and expenses (including legal fees and costs incurred in prosecuting tax protests) incurred in performing the duties outlined in this Section.

Termination Clause**Staff's Language Changes to Article 8**

- 8.01 ~~Term. Subject to this Agreement being approved by the KCC, t~~ This Agreement shall continue in full force and effect for a ~~primary term beginning on the Effective Date and ending on the~~ until the 3rd anniversary of the Effective Date, ~~and a secondary term of three years in length unless cancelled by either party within one year prior to the end of the primary term.~~ Thereafter, this Agreement shall be automatically extended for 3-year terms, unless terminated in accordance with Sections 8.02 or 8.03 below.
- 8.02 **Termination by AEGS.** AEGS shall have the right to terminate this Agreement upon the occurrence of any of the following events:
- (a) Delivery of ~~not less than 1 year's prior written notice to AEPL~~ not less than 1 year prior to the proposed termination date;
 - (b) AEPL commits a material breach of this Agreement; or
 - (c) The bankruptcy of AEPL.
- 8.03 **Termination by AEPL.** AEPL shall have the right to terminate this Agreement upon the occurrence of any of the following events:
- (a) Delivery of ~~not less than 1 year's prior written notice to AEGS~~ not less than 1 year prior to the proposed termination date;
 - (b) AEPL and any Affiliate thereof shall cease to collectively own at least 51% of the equity of AEGS;
 - (c) AEGS commits a material breach of this Agreement; or
 - (d) The Bankruptcy of AEGS.

Modification of Natural Gas Sale Agreement
[CONFIDENTIAL]

In the Matter of the Application of American)
Energies Gas Service, LLC, to Change its)
Rates for Natural Gas Service and for) DOCKET NO. 15-AEGG-158-RTS
Approval of its New Agreements with)
American Energies Pipeline, LLC)

SCHEDULES

FOR AMERICAN ENERGIES GAS SERVICE, LLC

PREPARED BY

STAFF

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

AMERICAN ENERGIES GAS SERVICE, LLC
DOCKET NO. 15-AEGG-158-RTS

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SCHEDULE
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B-2	STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
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KCC/EXCEL/09-2008
WEB/AEGS Schedules
REV REQ
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AMERICAN ENERGIES GAS SERVICE, LLC
STAFF REVENUE REQUIREMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
SCHEDULE REV REQ

LINE NO.	DESCRIPTION	STAFF ADJUSTED
1	PROFORMA RATE BASE	\$109,220
2	STAFF RATE OF RETURN	<u>8.0000%</u>
3	OPERATING INCOME REQUIRED	8,738
4	STAFF ADJUSTED OPERATING INCOME	<u>24,438</u>
5	DIFFERENCE	(15,700)
6	INCOME TAX FACTOR	<u>0.75</u>
7	PROFORMA REVENUE REQUIREMENT INCREASE/(DECREASE)	<u><u>(\$20,934)</u></u>

KCC/EXCEL/09-2008
 WEB/AEGS Schedules
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AMERICAN ENERGIES GAS SERVICE, LLC
 STAFF ADJUSTED AND PRO FORMA RATE BASE
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 07-AEGG-465-RTS
 SCHEDULE A-1

LINE NO.	DESCRIPTION	A APPLICANT BALANCES PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED	D STAFF ADJUSTMENTS	E STAFF ADJUSTED	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA
<u>GAS PLANT IN SERVICE:</u>								
1	INTANGIBLE PLANT	\$0	\$0	\$0	\$0	\$0		\$0
2	PRODUCTION PLANT	0	0	0	0	0		0
3	UNDERGROUND STORAGE PLANT	0	0	0	0	0		0
4	TRANSMISSION PLANT	0	0	0	0	0		0
5	DISTRIBUTION PLANT	98,323	0	98,323	0	98,323		98,323
6	GENERAL PLANT	5,488	0	5,488	0	5,488		5,488
7	CORPORATE ALLOCATED PLANT	0	0	0	0	0		0
8	TOTAL GAS PLANT IN SERVICE	\$103,811	\$0	\$103,811	\$0	\$103,811	\$0	\$103,811
9	LESS: ACCUM. PROV. FOR DEPR. & AMORT.	13,436	0	13,436	0	13,436		13,436
10	NET GAS PLANT IN SERVICE	\$90,375	\$0	\$90,375	\$0	\$90,375	\$0	\$90,375
<u>WORKING CAPITAL:</u>								
11	MATERIALS & SUPPLIES	\$18,110	\$0	\$18,110	\$0	\$18,110		\$18,110
12	GAS STORAGE INVENTORY	0	0	0	0	0		0
13	PREPAYMENTS	735	0	735	0	735		735
14	ACCUMULATED DEFERRED INC. TAX LIAB	0	0	0	0	0		0
15	ACC. DEF. INC. TAX LIAB. - CORPORATE	0	0	0	0	0		0
16	CUSTOMER DEPOSITS	0	0	0	0	0		0
17	CUSTOMER ADVANCES	0	0	0	0	0		0
18	EMPLOYEE BENEFIT ASSETS/LIABILITIES	0	0	0	0	0		0
19	MOBILE HOME REPLACEMENT DEFERRALS	0	0	0	0	0		0
20	CASH WORKING CAPITAL	0	0	0	0	0		0
21	TOTAL WORKING CAPITAL	\$18,845	\$0	\$18,845	\$0	\$18,845	\$0	\$18,845
22	TOTAL RATE BASE	\$109,220	\$0	\$109,220	\$0	\$109,220	\$0	\$109,220

KCC/EXCEL/09-2008
 WEB/AEGS Schedules
 B-1
 2/4/15
 1:06 PM

AMERICAN ENERGIES GAS SERVICE, LLC
 STAFF ADJUSTED AND PRO FORMA OPERATING INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE B-1

LINE NO.	DESCRIPTION	A	B	C	D	E	F	G
		APPLICANT JURISDICTIONAL PER BOOKS	APPLICANT TEST YEAR ADJUSTMENTS	APPLICANT ADJUSTED	STAFF ADJUSTMENTS	STAFF ADJUSTED	STAFF PRO FORMA ADJUSTMENTS	STAFF PRO FORMA
*****	*****	*****	*****	*****	*****	*****	*****	*****
OPERATING REVENUES:								
1	GAS REVENUES	\$358,650	(\$1,858)	\$356,792	\$0	\$356,792	(\$20,934)	\$335,858
2	SERVICE AND OTHER	12,195	0	12,195	0	12,195		12,195
3	TOTAL REVENUES	\$370,845	(\$1,858)	\$368,987	\$0	\$368,987	(\$20,934)	\$348,053
OPERATING EXPENSES:								
4	GAS PURCHASED	\$154,297	\$0	\$154,297	\$0	\$154,297		\$154,297
5	UNDERGROUND STORAGE	0	0	0	0	0		0
6	TRANSMISSION	0	0	0	0	0		0
7	DISTRIBUTION	\$2,325	0	\$2,325	0	\$2,325		\$2,325
8	CUSTOMER ACCOUNTS	0	0	0	0	0		0
9	CUSTOMER SERVICE	0	0	0	0	0		0
10	SALES	0	0	0	0	0		0
11	ADMINISTRATIVE AND GENERAL	124,390	5,940	130,330	(36,451)	93,879		93,879
12	OTHER INCOME - EXPENSES	3,333	0	3,333	(6,666)	(3,333)		(3,333)
13	TOTAL OPERATING EXPENSES	\$364,345	\$5,940	\$370,285	(\$43,117)	\$327,168	\$0	\$327,168
14	DEPRECIATION AND AMORTIZATION	\$8,653	\$0	\$8,653	\$582	\$9,235		\$9,235
15	TAXES OTHER THAN INCOME TAXES	0	0	0	0	0		0
16	INCOME TAXES - CURRENT	0	(1,950)	(1,950)	10,096	8,146	(5,233)	2,913
17	INCOME TAXES - DEFERRED	0	0	0	0	0		0
18	INVESTMENT TAX CREDITS	0	0	0	0	0		0
19	TOTAL EXPENSES	\$372,998	\$3,990	\$376,988	(\$32,439)	\$344,549	(\$5,233)	\$339,316
20	OPERATING INCOME	(\$2,153)	(\$5,848)	(\$8,001)	\$32,439	\$24,438	(\$15,701)	\$8,737

AMERICAN ENERGIES GAS SERVICE, LLC
 STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.	DESCRIPTION	A APPLICANT ADJUSTED	B STAFF ADJUSTMENT NO. 1	C STAFF ADJUSTMENT NO. 2	D STAFF ADJUSTMENT NO. 3	E STAFF ADJUSTMENT NO. 4	F STAFF ADJUSTMENT NO. 5	G TOTAL ADJUSTMENTS	H STAFF ADJUSTED

<u>OPERATING REVENUES:</u>									
1	GAS REVENUES	\$356,792						\$0	\$356,792
2	SERVICE AND OTHER	12,195						0	12,195
3	TOTAL REVENUES	\$368,987	\$0	\$0			\$0	\$0	\$368,987
<u>OPERATING EXPENSES:</u>									
4	GAS PURCHASED	\$154,297						\$0	\$154,297
5	UNDERGROUND STORAGE	0						0	0
6	TRANSMISSION	0						0	0
7	DISTRIBUTION	82,325						0	82,325
8	CUSTOMER ACCOUNTS	0						0	0
9	CUSTOMER SERVICE	0						0	0
10	SALES	0						0	0
11	ADMINISTRATIVE AND GENERAL	150,330	2,973	(39,424)				(36,451)	93,879
12	OTHER INCOME - EXPENSES	3,333			(6,666)			(6,666)	(3,333)
13	TOTAL OPERATING EXPENSES	\$370,285	\$2,973	(\$39,424)	(\$6,666)	\$0	\$0	(\$43,117)	\$327,168
14	DEPRECIATION AND AMORTIZATION	\$8,653				\$582		\$582	\$9,235
15	TAXES OTHER THAN INCOME TAXES	0						0	0
16	INCOME TAXES - CURRENT	(1,950)					10,096	10,096	\$,146
17	INCOME TAXES - DEFERRED	0						0	0
18	INVESTMENT TAX CREDITS	0						0	0
19	TOTAL EXPENSES	\$376,988	\$2,973	(\$39,424)	(\$6,666)	\$582	\$10,096	(\$32,439)	\$344,549
20	OPERATING INCOME	(\$8,001)	(\$2,973)	\$39,424	\$6,666	(\$582)	(\$10,096)	\$32,439	\$24,438

AMERICAN ENERGIES GAS SERVICE, LLC
EXPLANATION OF STAFF ADJUSTMENTS TO OPERATIONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.		INCREASE / (DECREASE) TO OPERATIONS
*****		*****
	<u>STAFF ADJUSTMENT NO. 1</u> (Baldry)	
1	ADMINISTRATIVE AND GENERAL	\$2,973
2	To adjust rate case expense to actual expense amortized over three years.	
	<u>STAFF ADJUSTMENT NO. 2</u> (Baldry)	
3	ADMINISTRATIVE AND GENERAL	(\$39,424)
4	To adjust general and administrative expense to reflect a two-year average based on the years 2012 and 2013.	
	<u>STAFF ADJUSTMENT NO. 3</u> (Baldry)	
5	OTHER INCOME - EXPENSES	(6,666)
6	To adjust other income - expenses to reflect the net credit balance in the Company's general ledger.	
	<u>STAFF ADJUSTMENT NO. 4</u> (Baldry)	
7	DEPRECIATION AND AMORTIZATION	582
8	To adjust depreciation expense to reflect a full year's depreciation expense for each asset.	
	<u>STAFF ADJUSTMENT NO. 5</u> (Baldry)	
9	INCOME TAXES CURRENT	\$10,096
10	To adjust current income taxes to reflect Staff's adjustments.	

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AMERICAN ENERGIES GAS SERVICE, LLC
 STAFF ADJUSTED AND PRO FORMA CALCULATION OF TAXABLE INCOME
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE B-4
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LINE NO.	DESCRIPTION	A APPLICANT JURISDICTIONAL PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED	D STAFF TEST YEAR ADJUSTMENTS	E STAFF ADJUSTED	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA
1	OPERATING INCOME BEFORE INCOME TAXES	(\$2,153)	(\$7,798)	(\$9,951)	\$42,535	\$32,584	(\$20,934)	\$11,650
	<u>INCREASE (DECREASE) TO OPERATING INCOME BEFORE INCOME TAXES:</u>							
2	INTEREST ON DEBT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	OTHER INCOME AND DEDUCTIONS	0	0	0	0	0	0	0
4	SUBTOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	TAXABLE INCOME	(\$2,153)	(\$7,798)	(\$9,951)	\$42,535	\$32,584	(\$20,934)	\$11,650
6	KANSAS TAX RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7	KANSAS INCOME TAX	0	0	0	0	0	0	0
8	ADJUSTMENTS	0	0	0	0	0	0	0
9	KANSAS INCOME TAX - CURRENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	TAXABLE FEDERAL INCOME	(\$2,153)	(\$7,798)	(\$9,951)	\$42,535	\$32,584	(\$20,934)	\$11,650
11	FEDERAL TAX RATE	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
12	FEDERAL INCOME TAX	(538)	(1,950)	(2,488)	10,634	8,146	(5,234)	2,913
13	ADJUSTMENTS	0	0	0	0	0	0	0
14	FEDERAL INCOME TAX - CURRENT	(\$538)	(\$1,950)	(\$2,488)	\$10,634	\$8,146	(\$5,234)	\$2,913
	SUMMARY OF INCOME TAXES - CURRENT							
15	KANSAS INCOME TAX	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	FEDERAL INCOME TAX	(538)	(1,950)	(2,488)	10,634	8,146	(5,234)	2,913
17	TOTAL INCOME TAXES - CURRENT	(\$538)	(\$1,950)	(\$2,488)	\$10,634	\$8,146	(\$5,234)	\$2,913

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AMERICAN ENERGIES GAS SERVICE, LLC
INTEREST EXPENSE CALCULATION
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
SCHEDULE B-4-1

LINE NO.	DESCRIPTION	A STAFF ADJUSTED	B STAFF PRO FORMA
1	RATE BASE	\$109,220	\$109,220
2	WEIGHTED COST OF DEBT (Schedule C-1)	<u>0.0000%</u>	<u>0.0000%</u>
3	INTEREST EXPENSE	<u>\$0</u>	<u>\$0</u>

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AMERICAN ENERGIES GAS SERVICE, LLC
 STAFF ADJUSTED CAPITAL STRUCTURE
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE C-1

LINE NO.	DESCRIPTION	A TOTAL COMPANY	B COMPANY ADJUSTMENTS	C COMPANY ADJUSTED BALANCE	E STAFF ADJUSTMENTS	F STAFF ADJUSTED KANSAS GAS JURISDICTIONAL	G CAPITALIZATION RATIO'S	H COST OF CAPITAL	I WEIGHTED COST OF CAPITAL
1	LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.0000%	0.0000%	0.0000%
2	COMMON EQUITY	300,000	0	\$300,000	0	\$300,000	100.0000%	8.0000%	8.0000%
3	TOTAL CAPITALIZATION	\$300,000	\$0	\$300,000	\$0	\$300,000	100.0000%		8.0000%
4	Total Weighted Cost of Debt: Long Term Debt							0.0000%	

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AMERICAN ENERGIES GAS SERVICE, LLC
 STAFF ADJUSTMENTS TO CAPITAL STRUCTURE
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE C-2

LINE NO.	DESCRIPTION	A COMPANY ADJUSTED BALANCE	B STAFF ADJUSTMENT NO. 1	C TOTAL STAFF ADJUSTMENTS	D STAFF ADJUSTED KANSAS GAS JURISDICTIONAL
1	LONG TERM DEBT	\$0	\$0	\$0	\$0
2	COMMON EQUITY	300,000	0	0	300,000
3	TOTAL CAPITALIZATION	\$300,000	\$0	\$0	\$300,000

In the Matter of the Application of American)
Energies Gas Service, LLC, to Change its)
Rates for Natural Gas Service and for) DOCKET NO. 15-AEGG-158-RTS
Approval of its New Agreements with)
American Energies Pipeline, LLC)

SCHEDULES

FOR AMERICAN ENERGIES PIPELINE, LLC

PREPARED BY

STAFF

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

AMERICAN ENERGIES PIPELINE, LLC
DOCKET NO. 15-AEGG-158-RTS

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AMERICAN ENERGIES PIPELINE, LLC
 STAFF REVENUE REQUIREMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE REV REQ

LINE NO.	DESCRIPTION	STAFF ADJUSTED
1	PROFORMA RATE BASE	\$422,926
2	STAFF RATE OF RETURN	<u>8.0000%</u>
3	OPERATING INCOME REQUIRED	33,834
4	STAFF ADJUSTED OPERATING INCOME	<u>(291,856)</u>
5	DIFFERENCE	325,690
6	INCOME TAX FACTOR	<u>0.75</u>
7	PROFORMA REVENUE REQUIREMENT INCREASE/(DECREASE)	<u>\$434,253</u>
8	MULTIPLY BY 1 - PROPORTIONATE SHARE OF NGL SALES TO TOTAL SALES	<u>0.80274</u>
9	ADJUSTED PROFORMA REVENUE REQUIREMENT INCREASE (DECREASE)	<u>\$348,592</u>
10	DIVIDE BY VOLUMES OF GAS DELIVERED - CANTON SYSTEM	240,491 MCF
11	COST PER MCF DELIVERED	<u>\$1.45</u>

AMERICAN ENERGIES PIPELINE, LLC
 STAFF ADJUSTED AND PRO FORMA RATE BASE
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.	DESCRIPTION	A APPLICANT BALANCES PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED	D STAFF ADJUSTMENTS	E STAFF ADJUSTED	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA
<u>GAS PLANT IN SERVICE:</u>								
1	INTANGIBLE PLANT	\$0	\$0	\$0	\$0	\$0		\$0
2	PRODUCTION PLANT	0	0	0	0	0		0
3	UNDERGROUND STORAGE PLANT	0	0	0	0	0		0
4	TRANSMISSION PLANT	231,766	0	231,766	199,725	431,491		431,491
5	DISTRIBUTION PLANT	54,703	0	54,703	0	54,703		54,703
6	GENERAL PLANT	18,388	0	18,388	(400)	17,988		17,988
7	CORPORATE ALLOCATED PLANT	0	0	0	0	0		0
8	TOTAL GAS PLANT IN SERVICE	\$304,857	\$0	\$304,857	\$199,325	\$504,182	\$0	\$504,182
9	LESS: ACCUM. PROV. FOR DEPR. & AMORT.	\$3,955	0	\$3,955	(359)	\$3,596		\$3,596
10	NET GAS PLANT IN SERVICE	\$220,902	\$0	\$220,902	\$199,684	\$420,586	\$0	\$420,586
<u>WORKING CAPITAL:</u>								
11	MATERIALS & SUPPLIES	\$1,291	\$0	\$1,291	(\$30)	\$1,261		\$1,261
12	GAS STORAGE INVENTORY	0	0	0	0	0		0
13	PREPAYMENTS	1,104	0	1,104	(25)	1,079		1,079
14	ACCUMULATED DEFERRED INC. TAX LIAB	0	0	0	0	0		0
15	ACC. DEF. INC. TAX LIAB. - CORPORATE	0	0	0	0	0		0
16	CUSTOMER DEPOSITS	0	0	0	0	0		0
17	CUSTOMER ADVANCES	0	0	0	0	0		0
18	EMPLOYEE BENEFIT ASSETS/LIABILITIES	0	0	0	0	0		0
19	MOBILE HOME REPLACEMENT DEFERRALS	0	0	0	0	0		0
20	CASH WORKING CAPITAL	0	0	0	0	0		0
21	TOTAL WORKING CAPITAL	\$2,395	\$0	\$2,395	(\$55)	\$2,340	\$0	\$2,340
22	TOTAL RATE BASE	\$223,297	\$0	\$223,297	\$199,629	\$422,926	\$0	\$422,926

AMERICAN ENERGIES PIPELINE, LLC
 STAFF ADJUSTMENTS TO APPLICANT ADJUSTED RATE BASE
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.	DESCRIPTION	A APPLICANT ADJUSTED	B STAFF ADJUSTMENT NO. 1	C STAFF ADJUSTMENT NO. 2	D STAFF ADJUSTMENT NO. 3	E STAFF ADJUSTMENT NO. 4	F STAFF ADJUSTMENT NO. 5	G TOTAL STAFF ADJUSTMENTS	H STAFF ADJUSTED
<u>GAS PLANT IN SERVICE:</u>									
1	INTANGIBLE PLANT	\$0						\$0	\$0
2	PRODUCTION PLANT	0						0	0
3	UNDERGROUND STORAGE PLANT	0						0	0
4	TRANSMISSION PLANT	231,766	199,725					199,725	431,491
5	DISTRIBUTION PLANT	54,703						0	54,703
6	GENERAL PLANT	18,388		(400)				(400)	17,988
7	CORPORATE ALLOCATED PLANT	0						0	0
8	TOTAL GAS PLANT IN SERVICE	\$504,857	\$199,725	(\$400)	\$0	\$0	\$0	\$199,325	\$504,182
9	LESS: ACCUM. PROV. FOR DEPR. & AMORT.	83,955			(359)			(359)	83,596
10	NET GAS PLANT IN SERVICE	\$220,902	\$199,725	(\$400)	\$359	\$0	\$0	\$199,684	\$420,586
<u>WORKING CAPITAL:</u>									
11	MATERIALS & SUPPLIES	\$1,291				(30)		(\$30)	\$1,261
12	GAS STORAGE INVENTORY	0						0	0
13	PREPAYMENTS	1,104					(25)	(25)	1,079
14	ACCUMULATED DEFERRED INC. TAX LIAB	0						0	0
15	ACC. DEF. INC. TAX LIAB. - CORPORATE	0						0	0
16	CUSTOMER DEPOSITS	0						0	0
17	CUSTOMER ADVANCES	0						0	0
18	EMPLOYEE BENEFIT ASSETS/LIABILITIES	0						0	0
19	MOBILE HOME REPLACEMENT DEFERRALS	0						0	0
20	CASH WORKING CAPITAL	0					0	0	0
21	TOTAL WORKING CAPITAL	\$2,395	\$0	\$0	\$0	(\$30)	(\$25)	(\$55)	\$2,340
22	TOTAL RATE BASE	\$225,297	\$199,725	(\$400)	\$359	(\$30)	(\$25)	\$199,629	\$422,926

AMERICAN ENERGIES PIPELINE, LLC
EXPLANATION OF STAFF ADJUSTMENTS TO RATE BASE
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.		INCREASE / (DECREASE) TO RATE BASE *****

	<u>STAFF ADJUSTMENT NO. 1</u> (Baldry)	
1	TRANSMISSION PLANT	\$199,725
2	To reflect the per book balance of AEPL's investment in transmission plant.	
	<u>STAFF ADJUSTMENT NO. 2</u> (Baldry)	
3	GENERAL PLANT	(\$400)
4	To reflect Staff's allocation percentage for the general plant.	
	<u>STAFF ADJUSTMENT NO. 3</u> (Baldry)	
5	ACCUMULATED DEPRECIATION	(\$359)
6	To reflect the correction of an error in the Pipeline Gathering System's balance, and to reflect Staff's allocation percentage for accumulated depreciation.	
	<u>STAFF ADJUSTMENT NO. 4</u> (Baldry)	
7	MATERIALS & SUPPLIES	(\$30)
8	To reflect Staff's allocation percentage for materials and supplies.	
	<u>STAFF ADJUSTMENT NO. 5</u> (Baldry)	
9	PREPAYMENTS	(\$25)
10	To reflect Staff's allocation percentage for prepayments.	

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AMERICAN ENERGIES PIPELINE, LLC
 STAFF ADJUSTED AND PRO FORMA OPERATING INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE B-1

LINE NO.	DESCRIPTION	A	B	C	D	E	F	G
		APPLICANT JURISDICTIONAL PER BOOKS	APPLICANT TEST YEAR ADJUSTMENTS	APPLICANT ADJUSTED	STAFF ADJUSTMENTS	STAFF ADJUSTED	STAFF PRO FORMA ADJUSTMENTS	STAFF PRO FORMA
*****	*****	*****	*****	*****	*****	*****	*****	*****
<u>OPERATING REVENUES:</u>								
1	GAS REVENUES	\$0	\$0	\$0	\$0	\$0	\$434,253	\$434,253
2	SERVICE AND OTHER	0	0	0	0	0		0
3	TOTAL REVENUES	\$0	\$0	\$0	\$0	\$0	\$434,253	\$434,253
<u>OPERATING EXPENSES:</u>								
4	GAS PURCHASED	\$0	\$0	\$0	\$0	\$0		\$0
5	UNDERGROUND STORAGE	0	0	0	0	0		0
6	TRANSMISSION	272,717	0	272,717	0	272,717		272,717
7	DISTRIBUTION	0	0	0	0	0		0
8	CUSTOMER ACCOUNTS	0	0	0	0	0		0
9	CUSTOMER SERVICE	0	0	0	0	0		0
10	SALES	0	0	0	0	0		0
11	ADMINISTRATIVE AND GENERAL	68,979	0	68,979	(2,417)	66,562		66,562
12	OTHER INCOME - EXPENSES	0	0	0	0	0		0
13	TOTAL OPERATING EXPENSES	\$341,696	\$0	\$341,696	(\$2,417)	\$339,279	\$0	\$339,279
14	DEPRECIATION AND AMORTIZATION	\$49,934	\$0	\$49,934	(\$72)	\$49,862		\$49,862
15	TAXES OTHER THAN INCOME TAXES	0	0	0	0	0		0
16	INCOME TAXES - CURRENT	0	0	0	(97,285)	(97,285)	108,563	11,278
17	INCOME TAXES - DEFERRED	0	0	0	0	0		0
18	INVESTMENT TAX CREDITS	0	0	0	0	0		0
19	TOTAL EXPENSES	\$391,630	\$0	\$391,630	(\$99,774)	\$291,856	\$108,563	\$400,419
20	OPERATING INCOME	(\$391,630)	\$0	(\$391,630)	\$99,774	(\$291,856)	\$325,690	\$33,834

AMERICAN ENERGIES PIPELINE, LLC
 STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.	DESCRIPTION	A APPLICANT ADJUSTED	B STAFF ADJUSTMENT NO. 1	C STAFF ADJUSTMENT NO. 2	D STAFF ADJUSTMENT NO. 3	E TOTAL ADJUSTMENTS	F STAFF ADJUSTED
<u>OPERATING REVENUES:</u>							
1	GAS REVENUES	\$0				\$0	\$0
2	SERVICE AND OTHER	0				0	0
3	TOTAL REVENUES	\$0	\$0	\$0	\$0	\$0	\$0
<u>OPERATING EXPENSES:</u>							
4	GAS PURCHASED	\$0				\$0	\$0
5	UNDERGROUND STORAGE	0				0	0
6	TRANSMISSION	272,717				0	272,717
7	DISTRIBUTION	0				0	0
8	CUSTOMER ACCOUNTS	0				0	0
9	CUSTOMER SERVICE	0				0	0
10	SALES	0				0	0
11	ADMINISTRATIVE AND GENERAL	68,979	(2,417)			(2,417)	66,562
12	OTHER INCOME - EXPENSES	0				0	0
13	TOTAL OPERATING EXPENSES	\$341,696	(\$2,417)	\$0	\$0	(\$2,417)	\$339,279
14	DEPRECIATION AND AMORTIZATION	\$49,934		(\$72)		(\$72)	\$49,862
15	TAXES OTHER THAN INCOME TAXES	0				0	0
16	INCOME TAXES - CURRENT	0			(97,285)	(97,285)	(97,285)
17	INCOME TAXES - DEFERRED	0				0	0
18	INVESTMENT TAX CREDITS	0				0	0
19	TOTAL EXPENSES	\$391,630	(\$2,417)	(\$72)	(\$97,285)	(\$99,774)	\$291,856
20	OPERATING INCOME	(\$391,630)	\$2,417	\$72	\$97,285	\$99,774	(\$291,856)

AMERICAN ENERGIES PIPELINE, LLC
EXPLANATION OF STAFF ADJUSTMENTS TO OPERATIONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO. *****		INCREASE / (DECREASE) TO OPERATIONS *****
	<u>STAFF ADJUSTMENT NO. 1</u> (Baldry)	
1	ADMINISTRATIVE AND GENERAL	(\$2,417)
2	To remove the nonrecurring portion of an employee's salary incurred due to the purchase of AEPL, and to reflect Staff's allocation percentage for administrative and general expense .	
	<u>STAFF ADJUSTMENT NO. 2</u> (Baldry)	
3	DEPRECIATION AND AMORTIZATION EXPENSE	(\$72)
4	To reflect Staff's allocation percentage for depreciation and amortization expense.	
	<u>STAFF ADJUSTMENT NO. 3</u> (Baldry)	
5	INCOME TAXES CURRENT	(\$97,285)
6	To adjust current income taxes to reflect Staff's adjustments.	

AMERICAN ENERGIES PIPELINE, LLC
 STAFF ADJUSTED AND PRO FORMA CALCULATION OF TAXABLE INCOME
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

LINE NO.	DESCRIPTION	A APPLICANT JURISDICTIONAL PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED	D STAFF TEST YEAR ADJUSTMENTS	E STAFF ADJUSTED	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA
1	OPERATING INCOME BEFORE INCOME TAXES	(\$391,630)	\$0	(\$391,630)	\$2,489	(\$389,141)	\$434,253	\$45,112
	<u>INCREASE (DECREASE) TO OPERATING INCOME BEFORE INCOME TAXES:</u>							
2	INTEREST ON DEBT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	OTHER INCOME AND DEDUCTIONS	0	0	0	0	0	0	0
4	SUBTOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	TAXABLE INCOME	(\$391,630)	\$0	(\$391,630)	\$2,489	(\$389,141)	\$434,253	\$45,112
6	KANSAS TAX RATE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7	KANSAS INCOME TAX	0	0	0	0	0	0	0
8	ADJUSTMENTS	0	0	0	0	0	0	0
9	KANSAS INCOME TAX - CURRENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	TAXABLE FEDERAL INCOME	(\$391,630)	\$0	(\$391,630)	\$2,489	(\$389,141)	\$434,253	\$45,112
11	FEDERAL TAX RATE	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
12	FEDERAL INCOME TAX	(97,908)	0	(97,908)	622	(97,285)	108,563	11,278
13	ADJUSTMENTS	0	0	0	0	0	0	0
14	FEDERAL INCOME TAX - CURRENT	(\$97,908)	\$0	(\$97,908)	\$622	(\$97,285)	\$108,563	\$11,278
	SUMMARY OF INCOME TAXES - CURRENT							
15	KANSAS INCOME TAX	\$0	\$0	\$0	\$0	\$0	\$0	\$0
16	FEDERAL INCOME TAX	(97,908)	0	(97,908)	622	(97,285)	108,563	11,278
17	TOTAL INCOME TAXES - CURRENT	(\$97,908)	\$0	(\$97,908)	\$622	(\$97,285)	\$108,563	\$11,278

KCC/EXCEL/09-2008
WEB/AEGS Schedules
B-4-1
2/4/15
8:44 AM

AMERICAN ENERGIES PIPELINE, LLC
INTEREST EXPENSE CALCULATION
FOR THE TEST YEAR ENDED DECEMBER 31, 2015

DOCKET NO. 15-AEGG-158-RTS
SCHEDULE B-4-1

LINE NO.	DESCRIPTION	A STAFF ADJUSTED	B STAFF PRO FORMA
1	RATE BASE	\$422,926	\$422,926
2	WEIGHTED COST OF DEBT (Schedule C-1)	0.0000%	0.0000%
3	INTEREST EXPENSE	\$0	\$0

KCC/EXCBI/09-2008
 WEB/ABGS Schedules
 C-1
 2/4/15
 8:44 AM

AMERICAN ENERGIES PIPELINE, LLC
 STAFF ADJUSTED CAPITAL STRUCTURE
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE C-1

LINE NO.	DESCRIPTION	A TOTAL COMPANY	B COMPANY ADJUSTMENTS	C COMPANY ADJUSTED BALANCE	E STAFF ADJUSTMENTS	F STAFF ADJUSTED KANSAS GAS JURISDICTIONAL	G CAPITALIZATION RATIO'S	H COST OF CAPITAL	I WEIGHTED COST OF CAPITAL
1	LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.0000%	0.0000%	0.0000%
2	COMMON EQUITY	<u>300.000</u>	0	<u>\$300.000</u>	0	<u>\$300.000</u>	<u>100.0000%</u>	<u>8.0000%</u>	<u>8.0000%</u>
3	TOTAL CAPITALIZATION	<u>\$300.000</u>	<u>\$0</u>	<u>\$300.000</u>	<u>\$0</u>	<u>\$300.000</u>	<u>100.0000%</u>		<u>8.0000%</u>
4	Total Weighted Cost of Debt: Long Term Debt							<u>0.0000%</u>	

KCC/EXCEL/09-2008
 WEB/ABGS Schedules
 C-2
 2/4/15
 8:44 AM

AMERICAN ENERGIES PIPELINE, LLC
 STAFF ADJUSTMENTS TO CAPITAL STRUCTURE
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

DOCKET NO. 15-AEGG-158-RTS
 SCHEDULE C-2

LINE NO.	DESCRIPTION	A COMPANY ADJUSTED BALANCE	B STAFF ADJUSTMENT NO. 1	C TOTAL STAFF ADJUSTMENTS	D STAFF ADJUSTED KANSAS GAS JURISDICTIONAL
1	LONG TERM DEBT	\$0	\$0	\$0	\$0
2	COMMON EQUITY	300,000	0	0	300,000
3	TOTAL CAPITALIZATION	\$300,000	\$0	\$0	\$300,000

CERTIFICATE OF SERVICE

15-AEGG-158-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 5th day of February, 2015, to the following:

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Administrative Specialist