

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Joint Application of American )  
Energies Gas Service, LLC/American Energies )  
Pipeline, LLC and Kansas Gas Service, a Division )  
of ONE Gas, Inc. for an Order Approving the )  
Transfer to Kansas Gas Service Certificates of )  
Convenience and Necessity with Respect to )  
AEGS's Natural Gas Utility Business and AEPL's )  
Pipeline Facilities Located in Harvey, Marion, and )  
McPherson Counties, Kansas to Provide Utility )  
Service and for Other Related Relief. )

Docket No. 24-KGSG-284-ACQ

**JOINT MOTION FOR APPROVAL OF UNANIMOUS SETTLEMENT  
AGREEMENT AND MODIFICATION OF THE PROCEDURAL ORDER**

American Energies Gas Service, LLC ("AEGS"), American Energies Pipeline, LLC ("AEPL") (collectively, "AEGS" or "Sellers") and Kansas Gas Service, a division of ONE Gas, Inc. ("Kansas Gas Service") (collectively, AEGS and Kansas Gas Service referred to as "Joint Applicants"), the Staff of the State Corporation Commission of the State of Kansas ("Staff"), the Citizens' Utility Ratepayer Board ("CURB"), and the Kansas Municipal Gas Agency ("KMGA"), by and through their undersigned counsel, and jointly submit this motion to request approval of a Unanimous Settlement Agreement ("Agreement") attached hereto as Attachment A. The Agreement is a comprehensive settlement of all issues relevant to this proceeding involving the acquisition of AEGS's public utility assets by Kansas Gas Service. Joint Applicants, Staff, CURB, and KMGA are collectively referred to herein as "Signatories," or individually as "Signatory." The Joint Applicants also request a modification of the Procedural Order issued in this matter.

I. **PROCEDURAL BACKGROUND**

1. On September 22, 2023, Joint Applicants filed an application, supporting testimony and associated exhibits pursuant to K.S.A. 66-101, *et seq.*, 66-104, 66-117, 66-131, 66-136, 66-1,200

*et seq.*, and other applicable statutes, requesting approval by the Kansas Corporation Commission ("Commission" or "KCC") of a transaction whereby Kansas Gas Service acquires the public utility assets of AEGS pursuant to the terms and conditions contained in an Asset Purchase Agreement dated June 22, 2023 ("APA").

2. The Joint Application sought Commission approval to transfer to Kansas Gas Service: (a) the existing customer-specific certificates of convenience and necessity ("COC") from AEGS's natural gas utility business; and (b) AEPL's pipeline facilities located in Harvey, Marion, and McPherson counties (the "Transaction"). In addition, Kansas Gas Service sought approval to convert AEGS's customer-specific certificate to one that incorporates the geographic territory of the area in which the AEGS customers are located. The Joint Applicants explained why the proposed Transaction promotes the public interest through an application of the Commission's Merger Standards.

3. On September 26, 2023, CURB filed a petition to intervene in this matter, which was granted by Commission Order on October 26, 2023.

4. On January 10, 2024, KMGA filed a petition to intervene in this matter, which was granted by Commission Order on January 25, 2024.

5. On February 19, 2024, the Staff filed its Report and Recommendation ("Staff R&R"). The Staff R&R included a review of the Transaction per the Commission's Merger Standards. The Staff R&R recommended the Commission approve the Joint Application, subject to the following conditions:

a. All transaction costs incurred by Kansas Gas Service to complete the transaction be recorded to a regulatory asset, amortized to Kansas Gas Service's cost of service over 10 years, beginning with the effective date of rates from Kansas Gas Service's next base rate case.

b. The certificate expansion be modified to exclude territory that has been previously certificated to Black Hills Energy.

6. On March 8, 2024, CURB filed its response to the Staff R&R. CURB indicated that it reviewed the Staff R&R from the prospective of residential and small commercial ratepayers. It included an analysis of the Transaction based upon the Commission's Merger Standards. CURB stated that it supports Staff's recommendations, including the conditions proposed by Staff.

7. On March 8, 2024, the Joint Applicants filed their response to the Staff R&R. Kansas Gas Service agreed with Staff's treatment of transaction costs. With respect to Staff's recommendation to avoid dual certification in an area currently certificated to Black Hills Energy, Kansas Gas Service concurred with the revised certificated area for Sections 7 and 18 in Harvey County, Kansas, as indicated in Staff Exhibit 2 to the Staff R&R. However, Kansas Gas Service requested that with respect to Section 13, Township 22 South, Range 2 West, it be given a transmission rights only certificate in that section. Kansas Gas Service would not be allowed to serve customers in that section, but would be allowed to use the current AEPL interconnection with Southern Star Central Gas Pipeline so Kansas Gas Service can continue to transport gas from the interconnection to the City of Hesston, Kansas.

8. Settlement discussions began via electronic mail on March 19, 2024, in accordance with the Procedural Schedule adopted by the Commission on January 16, 2024 ("Procedural Order").

9. As a result of the settlement discussions, the Signatories have agreed to the terms and conditions of the Agreement attached to this Joint Motion as a full and complete resolution of the issues raised by Joint Applicants' request for Commission approval of Kansas Gas Service's acquisition of AEGS.

## II. REQUEST FOR APPROVAL OF THE AGREEMENT

10. The attached Agreement represents a full and complete resolution of the issues raised by Joint Applicants' request for Commission approval of Kansas Gas Service's acquisition of AEGS. All parties to this docket are Signatories to the Agreement. Accordingly, the Agreement meets the definition of "unanimous settlement agreement" per K.A.R. 82-1-230a(a)(2).

11. The Agreement meets the Commission's standards for approval of settlements. The Agreement (a) is supported by substantial competent evidence and verified pleadings in the record as a whole; (b) results in just and reasonable rates; and (c) based upon a review by the Joint Applicants, Staff and CURB of the Commission's Merger Standards is in the public interest.

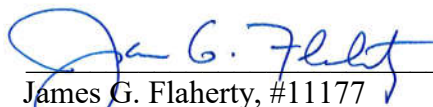
12. The terms of the Agreement are based upon the recommendations included in the Staff R&R. The terms are fair, reasonable and fully supported by the testimony, exhibits, and verified pleadings filed in this docket. The terms were fully and fairly negotiated by the Signatories in good faith and with the opportunity for all parties to the proceeding to participate and represent their unique interests. Therefore, the Signatories submit the terms of the Agreement promote the public interest based upon application of the Merger Standards to the Transaction and should be approved by the Commission.

### III. REQUEST TO MODIFY THE PROCEDURAL SCHEDULE

13. As part of the Agreement, the Signatories agreed that the pre-filed testimony and exhibits of the Joint Applicants' witnesses who have pre-filed testimony in this case, the verified Staff R&R containing the Staff's review of the Transaction based upon the Commission's Merger Standards, the verified response of CURB to Staff's R&R containing CURB's review of the Transaction based upon the Commission's Merger Standards, and the verified response to Staff's R&R filed by Kansas Gas Service, shall be included in the record of the proceeding without the necessity of any of the parties having to take the stand.

14. The Signatories have requested as part of the Agreement attached to this Joint Motion as Attachment A, that the Procedural Order be modified. The Signatories do not believe that a hearing in this matter is necessary. With the Signatories agreement in paragraph 14 of the Agreement to allow for the admission of the verified testimony and pleadings identified in that paragraph, the Signatories submit that the record is sufficient to allow the Commission to find that this Agreement is in the public interest based upon an application of the Commission's Merger Standards and can be approved without the need to file testimony in support of the Agreement or to hold a hearing. The Signatories respectfully request as part of this Joint Motion that the Procedural Order be modified to allow the Commission to make a decision on the Agreement attached to this Joint Motion based upon the written records submitted in this docket and without the necessity of a hearing.

WHEREFORE, for the reasons cited above, the Signatories respectfully request the Commission grant their Joint Motion for approval of the Agreement attached hereto as Attachment A and to modify the Procedural Order to allow the Commission to make a decision on the Agreement attached to this Joint Motion based upon the written records submitted in this docket and without the necessity of a hearing.



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Attorneys for CURB

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*/s/ Terri J. Pemberton*

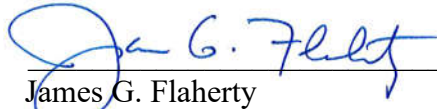
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Attorney for Kansas Municipal Gas Agency

**VERIFICATION**

STATE OF KANSAS  
COUNTY OF FRANKLIN, ss:

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

That he is the attorney for American Energies Gas Service, LLC/American Energies Pipeline, LLC named in the foregoing Joint Motion for Approval of Unanimous Settlement Agreement and Modification of the Procedural Order and is duly authorized to make this affidavit; that he has read the foregoing and knows the contents thereof; and that the facts set forth therein are true and correct.

  
James G. Flaherty

SUBSCRIBED AND SWORN to before me this 29<sup>th</sup> day of March, 2024.





Notary Public

Appointment/Commission Expires:

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 29<sup>th</sup> day of March, 2024, addressed to:

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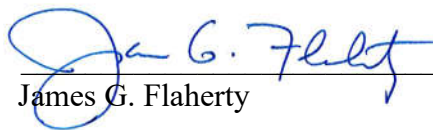
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James G. Flaherty



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Docket No. 24-KGSG-284-ACQ

**UNANIMOUS SETTLEMENT AGREEMENT**

Pursuant to K.A.R. 82-1-230a, American Energies Gas Service, LLC ("AEGS"), American Energies Pipeline, LLC ("AEPL") (collectively, "AEGS" or "Sellers") and Kansas Gas Service, a division of ONE Gas, Inc. ("Kansas Gas Service") (collectively, AEGS and Kansas Gas Service referred to as "Joint Applicants"), the Staff of the State Corporation Commission of the State of Kansas ("Staff"), the Citizens' Utility Ratepayer Board ("CURB"), and the Kansas Municipal Gas Agency ("KMGA"), by and through their undersigned counsel, enter into this Unanimous Settlement Agreement ("Agreement") as a comprehensive settlement of all issues relevant to this proceeding involving the acquisition of AEGS's public utility assets by Kansas Gas Service. Joint Applicants, Staff, CURB, and KMGA are collectively referred to herein as "Signatories," or individually as "Signatory."

I. **PROCEDURAL BACKGROUND**

1. On September 22, 2023, Joint Applicants filed an application, supporting testimony and associated exhibits pursuant to K.S.A. 66-101, *et seq.*, 66-104, 66-117, 66-131, 66-136, 66-1,200

*et seq.*, and other applicable statutes, requesting approval by the Kansas Corporation Commission ("Commission" or "KCC") of a transaction whereby Kansas Gas Service acquires the public utility assets of AEGS pursuant to the terms and conditions contained in an Asset Purchase Agreement dated June 22, 2023 ("APA").

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  - a. the existing customer-specific certificates of convenience and necessity ("COC") from AEGS's natural gas utility business; and
  - b. AEPL's pipeline facilities located in Harvey, Marion and McPherson Counties (the "Transaction").

In addition, Kansas Gas Service sought approval to convert AEGS's customer-specific certificate to one that incorporates the geographic territory of the area in which the AEGS customers are located. The Joint Applicants explained why the proposed Transaction promotes the public interest through an application of the Commission's Merger Standards.

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- a. All transaction costs incurred by Kansas Gas Service to complete the transaction be recorded to a regulatory asset, amortized to Kansas Gas Service's cost of service over 10-years, beginning with the effective date of rates from Kansas Gas Service's next base rate case.

b. The certificate expansion be modified to exclude territory that has been previously certificated to Black Hills Energy.

6. On March 8, 2024, CURB filed its response to the Staff R&R. CURB indicated that it reviewed the Staff R&R from the prospective of residential and small commercial ratepayers. It included an analysis of the Transaction based upon the Commission's Merger Standards. CURB stated that it supports Staff's recommendations, including the conditions proposed by Staff.

7. On March 8, 2024, the Joint Applicants filed their response to the Staff R&R. Kansas Gas Service agreed with Staff's treatment of transaction costs. With respect to Staff's recommendation to avoid dual certification in an area currently certificated to Black Hills Energy, Kansas Gas Service concurred with the revised certificated area for Sections 7 and 18 in Harvey County, Kansas, as indicated in Staff Exhibit 2 to the Staff R&R. However, Kansas Gas Service requested that with respect to Section 13, Township 22 South, Range 2 West, it be given a transmission rights only certificate in that section. Kansas Gas Service would not be allowed to serve customers in that section, but would be allowed to use the current AEPL interconnection with Southern Star Central Gas Pipeline so it can continue to transport gas from the interconnection to the City of Hesston, Kansas.

8. Settlement discussions began via electronic mail on March 19, 2024, in accordance with the Procedural Schedule adopted by the Commission on January 16, 2024 ("Procedural Order").

9. As a result of the settlement discussions, the Signatories have agreed to the terms and conditions of this Agreement as a full and complete resolution of the issues raised by Joint Applicants' request for Commission approval of Kansas Gas Service's acquisition of AEGS.

## II. TERMS OF SETTLEMENT AGREEMENT

10. Subject to the conditions set forth in Paragraph 11, the Signatories to this Settlement Agreement have evaluated the proposed Transaction pursuant to the Commission's Merger Standards,

and agree that, in accordance with those Standards, approval of the Transaction and the adoption of this Agreement are in the public interest.

11. The Signatories to this Agreement agree and request that the Commission issue an order in this proceeding that approves the acquisition of AEGS by Kansas Gas Service in accordance with the APA and approves the requests set forth in the Joint Application, subject to the following conditions:

a. All transaction costs incurred by Kansas Gas Service to complete the Transaction be recorded to a regulatory asset, amortized to Kansas Gas Service's cost of service over 10 years, beginning with the effective date of rates from Kansas Gas Service's next base rate case, excluding the pending rate case filed in Docket No. 24-KGSG-610-RTS ("24-610 Docket").

b. The requested certificate expansion shall be modified to exclude territory in Harvey County, Kansas that has been previously certificated to Black Hills Energy. Kansas Gas Service shall be authorized to provide retail natural gas service in the area set forth in Staff Exhibit 2 to the Staff R&R, provided however, with respect to Section 13, Township 22 South, Range 2 West, Kansas Gas Service shall be given a transmission rights only certificate in that section. Kansas Gas Service would not be allowed to provide retail natural gas service to customers in that section, but would be allowed to use the current AEPL interconnection with Southern Star Central Gas Pipeline ("Southern Star") so Kansas Gas Service can continue to transport gas from the Southern Star interconnection to the City of Hesston, Kansas.

c. The rates associated with the new Kansas Gas Service tariff for service to the City of Hesston ("Schedule WTH") will not be changed as part of the 24-610 Docket.

12. This Agreement is the result of negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Agreement in total or materially changes the terms of this Agreement, the Agreement shall be voidable and, if voided, no Signatory shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof. Each Signatory reserves the right to withdraw its support in the event that the Commission materially modifies the Agreement in a manner which is adverse to the Signatory.

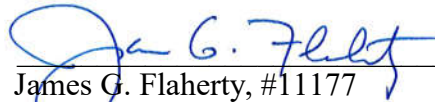
13. This Agreement represents a negotiated settlement that fully resolves the issues raised in this proceeding. The Signatories represent that the terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein, in a manner which is in the public interest. Except as specified herein, the Signatories shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve the Agreement.

14. In the event the Commission accepts the specific terms of this Agreement without material modification, the Signatories waive, with respect to the issues resolved herein and to the extent a hearing on this Agreement is required, cross examination of the Signatories' witnesses on testimony filed in this docket, any respective rights they may have to seek rehearing; and judicial review pursuant to the Kansas Judicial Review Act, K.S.A. 77-601, *et seq.* Furthermore, in the event the Commission accepts the specific terms of this Agreement without material modification, the Signatories agree that the pre-filed testimony and exhibits of the Joint Applicants' witnesses who have pre-filed testimony in this case, the verified Staff R&R containing the Staff's review of the Transaction based upon the Commission's Merger Standards, the verified response of CURB to Staff's R&R containing CURB's review of the Transaction based upon the Commission's Merger Standards, and the verified response to Staff's R&R filed by Kansas Gas Service, shall be included in the record of the proceeding without the necessity of any of the parties having to take the stand.

15. The Signatories have requested as part of this Agreement, that the Procedural Order be modified. The Signatories do not believe that testimony in support of the Agreement is needed. Nor do they believe a hearing in this matter is necessary. With the Signatories agreement in paragraph

14 of this Agreement to allow for the admission of the testimony and pleadings identified in that paragraph, the record is sufficient to allow the Commission to find that this Agreement is in the public interest and should be approved without the need for a hearing.

WHEREFORE, the Signatories hereto recommend that the Commission approve this Agreement in its entirety without modification.



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