

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

In the Matter of the Application of Kansas Gas	)	
Service, a Division of ONE Gas, Inc., for	)	
Approval of a Privatization Contract	)	
Establishing the Terms, Conditions, Rates, and	)	Docket No. 19-KGSG-194-CON
Charges for Ownership and Operation of the	)	
Natural Gas Distribution System Serving Fort	)	
Riley, Kansas, and for Approval of the Proposed	)	
Accounting Treatment for the System.	)	

PUBLIC

(** Denotes Redacted Confidential Information for Public Version)**

JOINT MOTION TO APPROVE UNANIMOUS SETTLEMENT AGREEMENT

Staff of the State Corporation Commission of the State of Kansas (respectively, "Staff" and "Commission"), Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS" or the "Company"), and the Citizens' Utility Ratepayer Board ("CURB") (collectively, "Joint Movants") file this Joint Motion to Approve Unanimous Settlement Agreement (respectively, "Motion" and "Agreement") requesting that the Commission grant this Motion and issue an order approving the Agreement, attached as Exhibit A. In support of the Motion, Joint Movants state:

1. On November 13, 2018, KGS filed an Application with supporting testimony of three witnesses seeking approval of a September 27, 2018, privatization contract (the "Contract") between KGS and the Defense Logistics Agency establishing the terms, conditions, rates, charges, and costs for KGS's ownership and operation of the natural gas distribution system at Fort Riley,

Kansas (the "Distribution System"). KGS also sought approval of the proposed accounting treatment for the privatized system.

2. On November 15, 2018, CURB requested intervention in the proceeding.

Intervention was granted by Order dated November 17, 2018.

3. On November 27, 2018, the Commission entered a Suspension Order deferring a decision on the Contract until July 11, 2019. On that date, the Commission also entered Protective and Discovery Orders to govern the handling of discovery of confidential information and the treatment of discovery procedures. On March 26, 2019, the Commission entered an Order designating a prehearing officer and establishing a procedural schedule for this Docket. The matter is currently set for evidentiary hearing May 22-23, 2019.

4. The Contract, which is subject to Commission approval, provides that KGS will purchase and operate the Distribution System for a 50-year period after completion of an 18-month transition period. Terms of the Contract address the purchase price and payment schedule for the Distribution System, as well as a Contract Rate Charge the ("CRC") to be paid by Fort Riley for provision of the privatized natural gas distribution service by KGS. The CRC is to be recalculated at least annually. The CRC includes a return on KGS's undepreciated investment in the Distribution System assets utilizing the rate of return most recently established by the Commission for KGS (if a rate of return is not specified, the carrying charge utilized for Gas System Reliability Surcharge filings will be used). Other components of the CRC are: recovery of operation and maintenance costs based on KGS's system average costs; allocated administrative and general costs (including corporate costs); and depreciation expense. Additionally, Fort Riley will pay a monthly charge designated as the ** [REDACTED]

 ** to provide for recovery of incremental costs required to operate and maintain the Distribution System. Finally, the Contract also identifies projects to be undertaken by KGS during the transition period and the associated price to be paid by Fort Riley for those transition projects. It also identifies cost estimates and approval procedures attributable to other Contract-related activity to be undertaken by KGS.

5. In the Application, KGS proposed to include revenues, investments, and costs associated with providing the privatized service in its overall calculation of rate base, cost of service, and revenue requirement for its Kansas jurisdictional operations. KGS also proposed that certain Contract-related costs, including Distribution System capital investments and related depreciation, be tracked and accounted for separately.

6. On March 29, 2019, Staff pre-filed direct public and confidential testimony of two witnesses – Justin Grady and Leo Haynos.

7. Mr. Grady's pre-filed testimony stated his conclusion that the Contract exposes ratepayers to potential risks that expenses will exceed revenues collected under the Contract and that revenues received from the Government may not fully offset the revenue requirement attributable to serving Fort Riley. Mr. Grady acknowledged that ratepayers may benefit from the Contract and recognizes that if KGS's performance under the Contract does not result in a rate increase to other customers, the public interest will have been promoted by Commission approval of the Contract. Specifically, Mr. Grady reiterated that the privatization of the Distribution System will advance the United States Department of Defense policy of privatizing utility functions on active military institutions and that KGS should be able to offer safer and more reliable natural gas service on Fort Riley than the Government is able to. To address his concerns

regarding ratepayer impact and benefit, Mr. Grady recommended that the Commission should establish certain conditions to approval of the Contract. Specifically, he recommended that KGS should (a) establish and maintain identifiable subaccounts for all direct, incremental capital investments, revenues, and expenses associated with serving Fort Riley under the Contract; (b) provide testimony and supporting calculations in all future KGS rate cases or tariff change proceedings in Kansas detailing fully adjusted test year revenues, investments, accumulated depreciation and directly identifiable expenses associated with serving Fort Riley; (c) unequivocally agree that ratepayers should not experience a detriment from the Contract in future KGS rate cases or tariff changes affecting KGS rates; and (d) agree to file the CRC and underlying supporting documentation in a Commission compliance docket. Additionally, he recommended that KGS should determine whether revenues recovered under the Contract in a subject test year exceed the revenue requirement associated with serving Fort Riley and identify adjustments necessary to eliminate any detriment to then current ratepayers.

8. Mr. Haynos' pre-filed testimony advises that the Distribution System has not been subject to pipeline safety regulatory oversight since 1971 and does not appear to have had national pipeline safety standards and regulations rigorously applied. Mr. Haynos notes that KGS's due diligence regarding the condition of the Distribution System has been limited. He expresses the opinion that KGS's operation of the Distribution System will enhance public safety, but also testifies that he does not expect the Distribution System to be in compliance with applicable safety standards on the day KGS assumes operations. Mr. Haynos identified the lack of known pressure test records as his greatest concern. Assuming ratepayers are insulated from costs of addressing pipeline safety requirements, Mr. Haynos recommends approval of the

Contract with the condition that KGS apply to the Commission for a waiver of the requirements found in 49 C.F.R. Part 192.619 as adopted by K.A.R. 82-11-4 (reduce pipeline operating pressure from current levels by at least 33% or pressure test old lines to 150% of operating pressure). He notes that the waiver request would also require approval from the Pipeline and Hazardous Materials Safety Administration ("PHMSA"). As part of the waiver request, he further recommends that KGS should: (a) complete semi-annual leak surveys for at least five years; (b) pressure test piping remaining in service if tests can be conducted safely and with minimal disruption; and (c) provide a replacement plan for obsolete piping.

9. KGS filed rebuttal testimony of three Company witnesses on April 18, 2019. In that testimony, KGS generally agrees to conditions proposed in Mr. Grady's pre-filed testimony with the provision that the conditions be revisited in 2025. KGS believes that it will have gained sufficient knowledge and experience regarding the Distribution System to ascertain whether any detriment to other customers has been identified. KGS's rebuttal testimony notes that direct, incremental expenses attributable to serving Fort Riley exclude expenses allocated on a causal or ONE Gas Distrigas basis. KGS also expresses the view that, with or without the conditions, approval of the Contract as presented serves the public interest and identifies reasons for that view.

In response to Mr. Haynos' recommendations, KGS indicates it has no objection to filing a request with the Commission (to be forwarded to PHMSA upon approval by the Commission) seeking a waiver of 49 C.F.R. 192.619, as adopted by K.A.R. 82-11-4. In conjunction with the waiver request, KGS proposes an alternative compliance plan detailed in the rebuttal testimony of Randal B. Spector. The alternative compliance plan provides that KGS will: (a) perform a

complete leak survey of the Distribution System during the transition period; (b) conduct a pot-hole survey of the Distribution System; (c) conduct a review of all available records to identify any portion of piping where Maximum Allowable Operating Pressure ("MAOP") verifications are not available; (d) establish a minimum requirement of at least a bi-annual leak survey schedule for all portion of the Distribution System where MAOP verifications are not available; (e) maintain the minimum leak survey frequency for a period of 5 years from the date of ownership of the Distribution System (or until such time as adequate system repairs and upgrades have been made); (f) establish a minimum requirement of at least a bi-annual leak survey schedule for portions of the Distribution System where KGS has determined that pressure testing is unreasonable; (g) complete GIS mapping of the Distribution System within 24 months of assuming ownership; and (h) enter relevant data into the Company's Asset Investment Planning and Management System to track, monitor, risk assess and plan for replacement of the pipeline system in a systematic, effective and efficient manner. Additionally, Mr. Spector states that KGS will commit to operating untested piping at the lowest pressure necessary to provide safe, reliable service.

10. Joint Movants believe the Agreement represents a fair and reasonable resolution of matters related to approval of the Contract and the subsequent ownership and operation of the Distribution System by KGS. Joint Movants further submit that the Agreement enhances public safety and protects other ratepayers from any detrimental rate consequences attributable to KGS's ownership and operation of the Distribution System.

11. In determining whether to approve a proposed settlement agreement, the Commission considers: (a) whether opposing parties had an opportunity to be heard on reasons

for opposition to the Agreement; (b) whether the Agreement is supported by substantial competent evidence; (c) whether the Agreement conforms with applicable law; (d) whether it will result in just and reasonable rates; and (e) whether the Agreement is in the public interest. As to each consideration, Joint Movants submit that the response is affirmative.

12. In addressing each of the considerations, Joint Movants note that Staff, CURB, and KGS are the only parties to this docket. Staff and KGS have pre-filed testimony regarding the Contract. All parties have reviewed the Contract, associated discovery and pre-filed testimony, and have signed the Agreement requesting its approval by the Commission. All provisions of the Agreement have been addressed by the pre-filed direct and/or rebuttal testimony of one or more witnesses in the docket. On, or before May 3, 2019, Staff and KGS will also submit testimony specifically in support of the Agreement. Accordingly, the Agreement is supported by substantial competent evidence. The Agreement was fully and fairly negotiated and represents a reasonable resolution of safety, operational, and rate issues identified in the pre-filed testimony of KGS and Staff. The Agreement is consistent with Kansas law favoring and encouraging settlements. Additionally, as noted above, the Agreement is supported by substantial competent evidence and establishes just and reasonable rates for service to Fort Riley, while ensuring no detrimental rate impacts for other KGS customers. Finally, witnesses for both Staff and KGS have explained how KGS's ownership and operation of the Distribution is in the public interest, i.e. it will enhance public safety and advance the Department of Defense policy of privatizing the provision of utility services to military installations.

WHEREFORE, for the reasons set forth herein, Staff, CURB, and KGS request this Joint Motion be granted and that the Agreement attached hereto be approved.

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

The undersigned, upon oath first duly sworn, states that he is the attorney for Kansas Gas Service, a Division of ONE Gas, Inc., that he has read the foregoing Joint Motion to Approve Unanimous Settlement Agreement with Unanimous Settlement Agreement (Public), that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.

Charles Michael Lennen
Charles Michael Lennen, #08505

Subscribed and sworn to before me this 29th day of April, 2019.



Valerie L. Smith
Notary Public

My Appointment Expires: Oct. 27, 2019

Respectfully submitted,

KANSAS GAS SERVICE
A Division of ONE Gas, Inc.

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CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that a true and correct copy of the above and foregoing Joint Motion to Approve Unanimous Settlement Agreement with Unanimous Settlement Agreement (Public) was forwarded this 29th day of April, 2019, addressed to:

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/s/ Charles Michael Lennen
Charles Michael Lennen, #08505

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Accounting Treatment for the System.	)	

PUBLIC

(** ** Denotes Redacted Confidential Information)

UNANIMOUS SETTLEMENT AGREEMENT

This Unanimous Settlement Agreement (“Agreement”) is entered into between and among the Staff of the State Corporation Commission of the State of Kansas (respectively, “Staff” and “Commission”), the Citizens’ Utility Ratepayer Board (“CURB”), and Kansas Gas Service, a Division of ONE Gas, Inc., (“KGS” or the “Company”). This Agreement is submitted to the Commission for its approval pursuant to K.A.R. 82-1-230a.

1. On November 13, 2018, KGS filed public and confidential versions of an Application with supporting testimony of three witnesses seeking approval of a September 27, 2018, privatization contract (the “Contract”) between KGS and the Defense Logistics Agency establishing the terms, conditions, rates, charges, and costs for KGS’s ownership and operation of the natural gas distribution system at Fort Riley, Kansas (the “Distribution System”). KGS also sought approval of the proposed accounting treatment for the privatized system.

2. Privatization of the Distribution System is consistent with nationwide efforts by the Department of Defense to privatize utility systems on military bases to streamline operations and focus on the military's core mission.

3. The Distribution System lies within KGS's certificated service territory but is currently owned and operated by the Fort Riley military installation. It includes an estimated 3,600 service connections and 115 miles of distribution mains and service lines. KGS currently provides regulated natural gas transportation service to Fort Riley at ten border station delivery points under a Commission-approved tariff. The terms of the Contract do not affect the terms and conditions of KGS's transportation tariff, nor Fort Riley's procurement of its natural gas supply.

4. On November 15, 2018, CURB requested intervention in the proceeding. Intervention was granted by Order dated November 17, 2018.

5. On November 27, 2018, the Commission entered a Suspension Order deferring a decision on the Contract until July 11, 2019. On that date, the Commission also entered Protective and Discovery Orders to govern the handling of discovery of confidential information and the treatment of discovery procedures. On March 26, 2019, the Commission entered an Order designating a prehearing officer and establishing a procedural schedule for this Docket. The matter is currently set for evidentiary hearing May 22-23, 2019.

6. The Contract, which is subject to Commission approval, provides that KGS will purchase and operate the Distribution System for a 50-year period after completion of an 18-month transition period. Terms of the Contract address the purchase price and payment schedule for the Distribution System, as well as a Contract Rate Charge the ("CRC") to be paid by

Fort Riley for provision of the privatized natural gas distribution service by KGS. The CRC is to be recalculated at least annually. The CRC includes a return on KGS's undepreciated investment in the Distribution System assets utilizing the rate of return most recently established by the Commission for KGS (if a rate of return is not specified, the carrying charge utilized for Gas System Reliability Surcharge filings will be used). Other components of the CRC are: recovery of operation and maintenance costs based on KGS's system average costs; allocated administrative and general costs (including corporate costs); and depreciation expense. Additionally, Fort Riley will pay a monthly charge designated as the ** [REDACTED] [REDACTED] ** to provide for recovery of incremental costs required to operate and maintain the Distribution System. Finally, the Contract also identifies projects to be undertaken by KGS during the transition period and the associated price to be paid by Fort Riley for the transition projects. It also identifies costs estimates and approval procedures attributable to other Contract-related activity to be undertaken by KGS.

7. In the Application, KGS proposed to include revenues, investments, and costs associated with providing the privatized service in its overall calculation of rate base, cost of service, and revenue requirement for its Kansas jurisdictional operations. KGS also proposed that certain costs associated with the privatized service, including Distribution System capital investments and related depreciation, be tracked and accounted for separately.

8. KGS's ability to undertake due diligence prior to execution of the Contract was limited, although significant due diligence will be undertaken and completed during the transition period – prior to KGS's assuming ownership and operation of the Distribution System. The Contract establishes costs for transition projects.

9. On March 29, 2019, Staff pre-filed direct public and confidential testimony of two witnesses – Justin Grady and Leo Haynos.

10. Mr. Grady's pre-filed testimony stated his conclusion that the Contract exposes ratepayers to potential risks that expenses will exceed revenues collected under the Contract and that revenues received from the Government may not fully offset the revenue requirement attributable to serving Fort Riley. Mr. Grady acknowledged that ratepayers may benefit from the Contract and recognizes that if KGS's performance under the Contract does not result in a rate increase to other customers, the public interest will have been promoted by Commission approval of the Contract. Specifically, Mr. Grady reiterated that the privatization of the Distribution System will advance the United States Department of Defense policy of privatizing utility functions on active military institutions and that KGS should be able to offer safer and more reliable natural gas service on Fort Riley than the Government is able to. To address his concerns regarding ratepayer impact and benefit, Mr. Grady recommended that the Commission should establish certain conditions to approval of the Contract. Specifically, he recommended that KGS should (a) establish and maintain identifiable subaccounts for all direct, incremental capital investments, revenues, and expenses associated with serving Fort Riley under the Contract; (b) provide testimony and supporting calculations in all future KGS rate cases or tariff change proceedings in Kansas detailing fully adjusted test year revenues, investments, accumulated depreciation and directly identifiable expenses associated with serving Fort Riley; (c) unequivocally agree that ratepayers should not experience a detriment from the Contract in future KGS rate cases or tariff changes affecting KGS rates; and (d) agree to file the CRC and underlying supporting documentation in a Commission compliance docket. Additionally, he

recommended that KGS should determine whether revenues recovered under the Contract in a subject test year exceed the revenue requirement associated with serving Fort Riley and identify adjustments necessary to eliminate any detriment to then current ratepayers.

11. Mr. Haynos' pre-filed testimony noted that the Distribution System has not been subject to pipeline safety regulatory oversight since 1971 and did not appear to have had national pipeline safety standards and regulations rigorously applied. Mr. Haynos explained that KGS's due diligence regarding the condition of the Distribution System has been limited. He expressed the opinion that KGS's operation of the Distribution System will enhance public safety, but also stated he did not expect the Distribution System to be in compliance with applicable safety standards on the day KGS assumes operations. Mr. Haynos identified the lack of known pressure test records as his greatest concern. Assuming ratepayers are insulated from costs of addressing pipeline safety requirements, Mr. Haynos recommended approval of the Contract with the condition that KGS apply to the Commission for a waiver of the requirements found in 49 C.F.R. Part 192.619 as adopted by K.A.R. 82-11-4 (reduce pipeline operating pressure from current levels by at least 33% or pressure test old lines to 150% of operating pressure). He notes that the waiver request would also require approval from the Pipeline and Hazardous Materials Safety Administration ("PHMSA"). As part of the waiver request, he further recommended that KGS should: (a) complete semi-annual leak surveys for at least five years; (b) pressure test piping remaining in service if tests can be conducted safely and with minimal disruption; and (c) provide a replacement plan for obsolete piping.

12. KGS filed rebuttal testimony of three Company witnesses on April 18, 2019. Staff, CURB, and KGS immediately began the process of seeking possible settlement of issues in this

matter. On April 26, 2019, the Parties executed and filed this Agreement with the Commission. Because it is executed by all parties to the docket, the Agreement is considered a unanimous settlement agreement under K.A.R. 82-1-230a.

SETTLEMENT PROVISIONS

13. The Parties agree the Commission should approve the Application, with the following conditions:

A. **CONDITIONS RELATING TO RATES AND COST TRACKING AND ACCOUNTING**

14. KGS will establish and maintain a cost center(s) specific to Fort Riley that will enable the Company to separately track and account for all direct, incremental capital investments and expenses, as well as the revenues associated with providing service to Fort Riley under the Contract. In all KGS rate cases or tariff rate change proceedings filed prior to 2030 (after which this provision will be revisited), KGS will provide testimony and supporting calculations that detail:

a) The revenue recorded during the test year that is associated with the Contract, any adjustments to test year revenue, and the fully adjusted test year revenue reflected in the cost of service schedules;

b) The capital investments and accumulated depreciation recorded during the test year that is associated with the Contract, any adjustments to capital or accumulated depreciation, and the fully adjusted test year values for these categories as reflected in the cost of service schedules;

c) The direct, incremental expenses associated with serving Fort Riley under the Contract. Direct expenses are those expenses for which the responsibility can be specifically

traced or attributed to serving Fort Riley. This includes: direct operating and maintenance expense, meter reading expense, payroll expense, employee benefit expense, and any other direct expense specifically related to service Fort Riley under the Contract. (The Parties agree that this calculation specifically excludes all expenses allocated on a causal or ONE Gas Distrigas basis). These expenses will be identified for the test year, any adjustments to the test year, and for the fully adjusted test year;

d) The determination of whether the fully adjusted test year Contract revenues (as identified in (a) above) exceed the Commission authorized return on net investments and expense cost of service items specified in (b) and (c) above; and

e) The adjustment to the test year revenue that is necessary to eliminate any detriment of the Contract for current KGS customers. A detriment would occur if the result of the calculation in (d) above shows that the fully adjusted test year revenues are less than the cost of service items specified in (b) and (c).

15. KGS agrees that other KGS customers should not experience a detriment resulting from the Contract in rate cases or tariff rate changes filed prior to 2030(after which this provision will be revisited). Here, detriment is defined as “a rate increase that would not have occurred but for the Contract.”

16. KGS will attest to the fact that either KGS customers are benefiting from the Contract or that the Company has made the appropriate adjustment in the rate case or tariff proceeding (as may be filed prior to 2030) to eliminate any detriment resulting from the Contract.

17. The Parties recognize and agree that by 2030, KGS will have gained enough knowledge about and experience with the Fort Riley system, and would have also shared a

significant amount of data with Staff sufficient to warrant revisiting the requirements and conditions in paragraphs 14, 15, and 16. If no detriment has been identified in this time-period, it may be reasonable to discontinue the administrative obligations contained within paragraphs 14, 15, and 16. Therefore, the parties agree that KGS may initiate a formal Commission review and reevaluation of this provision prior to the conclusion of 2029. This review may be initiated by KGS either within an application of a formal rate case or other proceeding. To be clear, in the absence of a Commission Order approving the discontinuation of the conditions contained within paragraphs 14, 15, and 16, those conditions shall remain in full force and effect until otherwise ordered by the Commission.

18. KGS will file, annually, the CRC and all documentation, work papers, and other documentation necessary to support the CRC, in a compliance docket established by the Commission. This compliance docket will serve as the permanent repository for the CRC reporting and supporting data so that this information is available in the event that a dispute arises between KGS and the government or between KGS and any party to a future KGS rate case who is affected by the Contract.

B. CONDITIONS RELATING TO PIPELINE SAFETY, OPERATIONS, AND TESTING

19. Prior to the transfer of the ownership of the Fort Riley distribution system, KGS shall:

- a. Perform a complete leak survey of the distribution system during the formal transition period as provided in the Contract;
- b. Work with Fort Riley personnel during the repair process of all Grade 1 leaks to perform and record such repairs in a manner consistent with KGS practices;

- c. Conduct a pot-hole survey of the system to aid in determining the type, location and condition of materials used throughout the distribution system;
- d. Conduct a review of all available records and identify any portion of piping where MAOP verifications is not available;
- e. Establish a minimum requirement of a bi-annual leak survey schedule for all portions of the distribution system where records of MAOP verification are not available. KGS will continue this minimum survey frequency for a period of 5 years from the date of ownership or until such time as adequate system repairs and upgrades have been made and a reduction of surveying has been agreed to by Staff; and,
- f. Establish a minimum requirement of at least a bi-annual leak survey schedule for all portions of the distribution system where the Company has determined that pressure testing is unreasonable under the circumstances.

20. Within 24 months of assuming ownership of the system, KGS will complete the Geographic Information System (“GIS”) mapping of the Fort Riley distribution system and enter relevant data into the Company’s Asset Investment Planning and Management system designed by Copperleaf Technologies and commonly referred to by KGS as “C-55”. C-55 enables the Company to track, monitor, risk assess and plan for replacement of the pipeline system in a systematic, effective and efficient manner.

21. KGS will operate untested piping at the lowest pressure necessary to provide safe, reliable service, but in no case will the maximum allowable operating pressure of untested piping exceed its current operating pressure.

22. KGS will file a request with the Commission (to be forwarded to PHMSA upon approval of the Commission) seeking a waiver of 49 C.F.R. 192.619, as adopted by K.A.R. 82-11-4. A copy of the waiver request appears as Attachment 1 to this Agreement. Based upon the conditions set forth in paragraphs 19-21 above, the Parties recommend that the Commission approve the waiver.

C. MISCELLANEOUS PROVISION

23. This Agreement represents a negotiated settlement that fully resolves all issues in this docket among the Parties. The Parties represent that the terms of the Agreement constitute a fair and reasonable resolution of matters related to approval of the Contract, including terms, conditions, rates, and charges for KGS's ownership and operation of the Distribution System as well as the treatment of potential ratepayer impacts from such activity.

24. The Parties agree that all pre-filed testimony and exhibits may be incorporated into the record of this proceeding without objection and agree to waive cross examination on all pre-filed testimony. Parties further agree to waive their right to file post-hearing briefs in this Docket.

25. All Parties shall have the right to submit pre-filed testimony in support of this Agreement. Such testimony shall be filed formally in the docket on or before May 3, 2019 and presented by witnesses at a hearing on this Agreement.

26. Nothing in this Agreement is intended to limit or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation, including the right to ensure that KGS is providing safe, efficient and sufficient service at just and reasonable rates.

27. The provisions of this Agreement are a product of negotiations among the Parties and are interdependent. In the event the Commission does not approve and adopt the terms of this Agreement in total, the Agreement shall be voidable, and no party hereto shall be bound, prejudiced, or in any way affected by of the terms or provisions hereof. If the Agreement is not approved in total, it shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding.

IN WITNESS WHEREOF, the Parties have executed and approved this Unanimous Settlement Agreement, effective as of the 29th day of April 2019, by subscribing their signatures below.

KANSAS GAS SERVICE
A Division of ONE Gas, Inc.

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KANSAS CORPORATION COMMISSION

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Attachment A

April 29, 2019

Kansas Corporation Commission
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Re: Docket No. 19-KGSG-194-CON
Waiver/Special Permit – Request a modification of the requirements 49 C.F.R. 192.619, as adopted as K.A.R. 82-11-4

Dear Mr. Haynos:

Kansas Gas Service, a Division of ONE Gas, Inc., (“Kansas Gas Service”) hereby requests a Special Permit granting waiver of the Pipeline Hazardous Materials Safety Administration’s (“PHMSA”) requirements contained in 49 C.F.R. 192.619 - *Maximum allowable operating pressure: Steel or plastic pipelines* and adopted by K.A.R. 82-11-4. This request is necessitated by the recent award to Kansas Gas Service of the natural gas utility privatization contract offered for the operation of the natural gas distribution system serving the Fort Riley, Kansas military installation and the terms of the Settlement Agreement established in KCC Docket No. 19-KGSG-194-CON.

Pursuant to the terms of the privatization contract, upon formal transfer of the ownership of the natural gas system to Kansas Gas Service (roughly estimated to occur in June 2020) the Fort Riley distribution system (which has been previously exempt) will automatically become subject to both Kansas and federal pipeline safety regulations. Due to the restrictions of the privatization process, Kansas Gas Service has not yet been permitted to conduct detailed surveys and testing on the system, nor has the Company been permitted full access to the installations distribution system’s maintenance records. Therefore, pressure testing cannot immediately be conducted with assurance of safety. As a result, Kansas Gas Service agrees with KCC Staff recommendation that the Company submit an alternative compliance plan and now seeks a waiver of the Commission’s and PHMSA maximum allowable pressure requirements of K.A.R. 82-11-4 and 49.C.F.R. 192.619.

Kansas Gas Service’s alternative compliance plan (“ACP”) for the Fort Riley distribution system is as follows:

1. Prior to the acceptance of the ownership of the Fort Riley distribution system, Kansas Gas Service shall:
 - a. Perform a complete leak survey of the distribution system during the formal transition period as agreed in the privatization contract and work with Fort Riley personnel during the repair process of all Grade 1 leaks in to perform and record such repairs in a manner consistent with Kansas Gas Service practices;

- b. Conduct a pot-hole survey of the system to aid in determining the type, location and condition of materials used throughout the distribution system;
 - c. Conduct a review of all available records and identify any portion of piping where MAOP verifications is not available;
 - d. Establish a minimum requirement of at least a bi-annual leak survey schedule for all portions of the distribution system where records of MAOP verification are not available. Kansas Gas Service commits to continue this minimum survey frequency for a period of 5 years from the date of ownership or until such time as adequate system repairs and upgrades have been made and a reduction of surveying has been agreed to by Kansas Corporation Commission Staff;
 - e. Establish a minimum requirement of at least a bi-annual leak survey schedule for all portions of the distribution system where the Company has determined that pressure testing is unreasonable under the circumstances;
2. Within 24 months of assuming ownership of the system, Kansas Gas Service will complete the GIS mapping of the Fort Riley distribution system and entering relevant data into the Company's Asset Investment Planning and Management (AIPM) system designed by Copperleaf Technologies and commonly referred to by Kansas Gas Service as "C-55". C-55 enables the Company to track, monitor, risk assess and plan for replacement of the pipeline system in a systematic, effective and efficient manner. This program assists engineers and asset planners in determining what assets may be at risk and identifies projects that maximize risk reduction given financial, resource and regulatory considerations.
3. Kansas Gas Service commits to operating untested piping at the lowest pressure necessary to provide safe, reliable service, but in no case will the maximum allowable operating pressure of untested piping exceed its current operating pressure.

Approval of this request will benefit the Fort Riley Installation and surrounding community by providing an enhanced safety plan that ultimately accomplishes (and perhaps exceeds) the safety goals of the regulations sought to be waived. Furthermore, approval provides an avenue for Kansas Gas Service to begin the process of surveying, identifying and addressing any current concerns with the distribution system prior to operating and maintaining the system in a manner consistent with the Company's experience, expertise and regulated practice.

Kansas Gas Service appreciates your time and consideration in this matter.

Sincerely,

/s/ Randy Spector

Randy Spector
Director of Engineering

cc: Kansas Corporation Commission – Consumer Protection Division
Kansas Citizen Utility Ratepayer Board (C.U.R.B.)