

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Jay Scott Emler, Chair
Shari Feist Albrecht
Pat Apple

In the Matter of the Complaint of Merit Energy) Docket No. 16-CONS-564-CINV
Company and Merit Hugoton, LP against ONEOK)
Field Services, LLC to establish just and) License No.: 32446
reasonable charges for gas gathering pursuant to)
K.A.R. 82-3-802

PUBLIC VERSION

REPLY OF MERIT ENERGY COMPANY AND MERIT HUGOTON, LP
TO ONEOK FIELD SERVICES COMPANY, LLC'S RESPONSE TO
THE PETITION FOR RECONSIDERATION

COMES NOW, Merit Energy Company and Merit Hugoton, LP ("Merit"), and makes this reply to the Response of ONEOK Field Services Company, LLC's ("OFS") to the Petition for Reconsideration which is necessitated by the inaccurate claims of ONEOK that are not supported by the evidence.

1. In arguing the \$[REDACTED]/MCF should not be reduced by \$[REDACTED]/MCF, OFS says: "The cost of processing includes the \$[REDACTED]/MCF fee that is paid by OFS to transport their gas across WTG to the plant." (Response, p. 2) This statement is in direct contradiction to the testimony of OFS's own witness Susan Moldenhauer. Ms. Moldenhauer testified as follows:

- Q. Ma'am, you are charging Merit [REDACTED] cents to get the gas to WTG. Correct?
- A. Yes, sir.
- Q. And you're charging third parties [REDACTED] cents for gathering and transportation to the plant?

A. Yes, sir. As I mentioned, we also have the processing aspect of it.

Q. But that's a separate charge?

A. Yes, sir.

(Tr. p. 170, lines 6 – 14)

Ms. Moldenhauer on more than one occasion made it clear the \$[REDACTED]/MCF represents the fee to get the producer's gas from the wellhead to the plant and that processing is a separate charge. On Tr. p. 163, lines 23 and 34, Ms. Moldenhauer's response was: Q. "So the POP covers the process fee?" A. "Generally speaking, yes." She further clarified this at Tr. p. 206, lines 12-14, saying "I answered Mr. Smith that the processing fee was, for the most part, the POP." The testimony in the record is clear that \$[REDACTED]/MCF represents the fee OFS is charging to get the producer's gas from the wellhead, across OFS and WTG's systems to the plant, and that processing is covered under proceeds from OFS's POP. These statements of OFS's own witness support subtracting \$[REDACTED]/MCF from the \$[REDACTED]/MCF.

2. OFS also erroneously argues: "no party provided any evidence why the Commission should not consider the full range of high and low fees reported in the GG-1's to determine the range of reasonableness." (Response, p. 3.) This statement is also contrary to the evidence presented in this docket. As noted in Merit's Petition for Reconsideration, the testimony of Bower and Bell support the need to use averages to correct for outliers. (Petition for Reconsideration, pp. 2-3)

3. OFS claims that: "Merit provided no evidence that any such 'outlier' was in fact not appropriate to consider or was not a 'market-based' fee." (Response, p. 4) This statement by OFS is inaccurate. Merit in its Petition for Reconsideration referenced the rebuttal testimony of

Collins which describes how Anadarko's system is an outlier system, due to the far more robust service it provides compared to OFS's system. (Petition for Reconsideration, p. 3) Merit further pointed out the testimony of Staff witness John Bell that the fees charged by other gatherers is to get gas all the way to the plant, while OFS only provides service to a transmission line, WTG, which requires far less service. (Petition for Reconsideration, p. 4) Therefore, many of the other gathering systems' fees are outliers because they represent the fees charged for far more service than the service for which OFS charges Merit.

4. OFS also contends that \$[REDACTED]/MCF is within a range of reasonableness "if you consider the 51 contracts that OFS renegotiated in 2015 in which the weighted average fee received by OFS was \$[REDACTED]/MCF." (Response, p. 5) The \$[REDACTED] average fee received by OFS under the 51 contracts represents the fee to perform a full range of services including gathering the gas, transporting on WTG, processing the gas, marketing the plant products, balancing services and settlement services. (Tr. p. 157, lines 7 – 15) As noted above by witness Bell, for Merit, OFS simply gathers the gas and delivers to WTG. To indicate that the \$[REDACTED] fee OFS receives for the full range of services they provide under the 51 agreements to the fee OFS charges Merit to gather the gas to WTG is completely inappropriate and is an example of OFS's attempts to charge Merit fees for services it simply does not provide.

WHEREFORE, Merit respectfully requests the Commission reconsider its Order of February 28, 2017, as to the specific issues of fact and law set forth in the Petition for Reconsideration filed herein.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was electronically filed with the Kansas Corporation Commission and e-mailed on this 30th day of March, 2017, to:

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