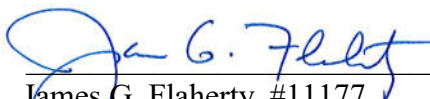


BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Investigation into American)
Energies Gas Service Regarding the February 2021)
Winter Weather Events, as Contemplated by) Docket No. 21-AEGG-335-GIG
Docket No. 21-GIMX-303-MIS)

JOINT MOTION FOR APPROVAL OF STIPULATION AND AGREEMENT

American Energies Gas Service ("AEGS"), the Staff of the Kansas Corporation Commission ("Staff") and the Citizens' Utility Ratepayer Board ("CURB") (collectively the "Parties") move the Kansas Corporation Commission ("Commission") for approval of the attached Stipulation and Agreement.



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/s/ Todd E. Love

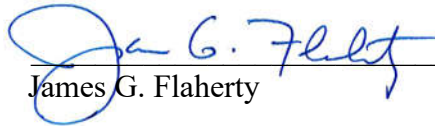
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VERIFICATION

STATE OF KANSAS
COUNTY OF FRANKLIN, ss:

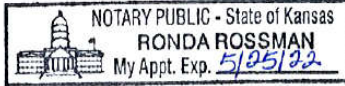
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for American Energies Gas Service, LLC named in the foregoing Joint Motion to Approve Stipulation and Agreement 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 18th day of June, 2021.





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 18th day of June, 2021, addressed to:

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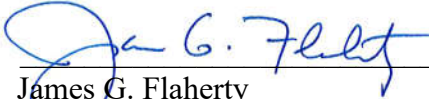
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James G. Flaherty

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Investigation into American)
Energies Gas Service Regarding the February 2021)
Winter Weather Events, as Contemplated by) Docket No. 21-AEGG-335-GIG
Docket No. 21-GIMX-303-MIS)

STIPULATION AND AGREEMENT

American Energies Gas Service ("AEGS"), the Staff of the Kansas Corporation Commission ("Staff") and the Citizens' Utility Ratepayer Board ("CURB") (collectively the "Parties") submit the following Stipulation of Facts and Agreement ("Agreement") to the Kansas Corporation Commission ("Commission") for its approval.

I. STIPULATION OF FACTS

1. On February 14, 2021, Governor Kelly issued a State of Disaster Emergency due to wind chill warnings and stress on utility and natural gas providers, noting that the current and continuous sub-zero temperatures were causing increased energy demand and natural gas supply constraints throughout Kansas, and utilities were currently experiencing wholesale natural gas price increases from 10 to 100 times higher than normal (the "2021 Winter Weather Event").¹

2. On February 15, 2021, pursuant to K.S.A. 77-536(a), the Commission issued an Emergency Order in Docket No. 21-GIMX-303-MIS ("21-303 Docket") directing all jurisdictional natural gas and electric utilities to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions to ensure adequate transportation of natural gas and electricity to interconnected, non-jurisdictional Kansas utilities ("Emergency Order").² Jurisdictional natural gas and electric

¹State of Disaster Emergency Proclamation dated February 14, 2021, governor.kansas.gov/wp-content/uploads/2021/02/2-14-2021-Extreme-Weather-Disaster-Declaration-Executed.pdf.

²Emergency Order, Docket No. 21-GIMX-303-MIS, issued February 15, 2021.

utilities were ordered to do everything necessary to ensure natural gas and electricity service continued to be provided to their customers in Kansas.³

3. The Emergency Order also authorized every jurisdictional electric and natural gas distribution utility that incurs extraordinary costs associated with ensuring that their customers or the customers of interconnected Kansas utilities that are non-jurisdictional to the Commission continue to receive utility service during this unprecedented cold weather event to defer those costs to a regulatory asset account.⁴ The Commission ordered that all deferred costs shall be segregated by detailed cost category and shall contain enough detail for the Commission to perform a subsequent review for prudence and reasonableness. This deferral was for accounting purposes only.⁵

4. The Emergency Order also directed each jurisdictional utility to file a compliance report in this Docket detailing the extent of such costs incurred, and present a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame, once the 2021 Winter Weather Event ends.⁶

5. On March 1, 2021, Staff filed a Report and Recommendation (R&R) to open a series of company-specific dockets to allow: (1) the utilities to file financial impact plans and (2) Staff to tailor its investigation to match each utility's unique circumstances.⁷ Staff indicated that creating distinct, company-specific dockets will result in efficiencies because: (1) potential intervenors can participate in only those dockets affecting them and (2) confidential information pertaining to market

³*Id.* at page 2, ¶3.

⁴*Id.* at page 2, ¶4.

⁵*Id.*

⁶*Id.* at page 3, ¶5.

⁷Staff's Report and Recommendation filed March 1, 2021, 21-303 Docket, pages 7-8.

pricing, purchasing practices, power-marketing strategies and other company-specific information will be protected.⁸ Staff raised a number of questions in its report that would be addressed as part of its investigation.⁹

6. Staff also recommended that each utility file its plan to minimize the financial effects of this cold weather event into the company-specific investigation dockets, instead of as a compliance filing in the 21-303 Docket.¹⁰

7. On March 9, 2021, the Commission issued an order in the 21-303 Docket adopting the recommendations made by Staff and establishing this company-specific docket for AEGS ("21-335 Docket").¹¹

8. AEGS is a Kansas limited liability company with its principal offices and place of business in Kansas located at 136 N. Main Street, Canton, Kansas 67428. AEGS holds certificates of convenience and necessity issued by the Commission to provide natural gas service to approximately 200 residential and commercial customers in Harvey, McPherson and Marion Counties, in Kansas and to provide wholesale gas transportation service to the City of Hesston, Kansas. AEGS's customers are connected to a gas gathering system owned and operated by American Energies Pipeline, LLC ("AEPL").¹²

9. AEGS is operated by AEPL pursuant to an Operational Services Agreement. AEGS

⁸*Id.* at page 5.

⁹*Id.* at pages 5-7.

¹⁰*Id.* at page 8.

¹¹Order Adopting Staff's R&R to Open Company-Specific Investigations, 21-303 Docket, issued March 9, 2021, page 4, ¶10.

¹²*See*, Docket No. 15-AEGG-158-RTS ("AEGS 2015 Rate Case"), Application filed October 2, 2014, pages 1-2, ¶¶1-2.

also purchases its natural gas from AEPL pursuant to a Natural Gas Sales Agreement. AEGS and AEPL are affiliated companies, as defined under the Kansas Public Utility Act. AEGS is owned by Trek AEC, LLC and AEPL is owned by Trek AEC, LLC and Trek SOC, LLC, both being Texas limited liability companies with their principal offices in Dallas, Texas. Both Trek AEC, LLC and Trek SOC, LLC are partially owned by Trek Resources, Inc., a privately held Delaware corporation with its principal offices also located in Dallas, Texas (collectively "Trek"). Trek Resources, Inc. owns and operates a diversified portfolio of energy assets, including exploration and production operations primarily located in Kansas, Texas, Louisiana and Oklahoma. AEGS and AEPL were acquired by Trek in 2012. Trek's acquisition of AEGS and AEPL was approved by the Commission in Docket No. 12-AEGS-913-ACQ (2012).¹³

10. As indicated in Staff's report and recommendation in AEGS's last rate case, Docket No. 15-AEGG-158-RTS ("15-158 Docket"), AEGS buys most of its natural gas from AEPL. AEPL purchases natural gas from local natural gas producers in the area that are connected to AEPL's gas gathering system. After AEGS buys the gas it needs from AEPL, AEPL processes the remaining volumes of natural gas at its processing facility and sells the remainder of the natural gas to 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 during the winter. AEGS buys unprocessed gas from AEPL and then sells the raw gas to its customers.¹⁴

11. During the 2021 Winter Weather Event, AEPL did not have sufficient gas supplies to deliver to AEGS. Some of the local natural gas producers, who sell their gas to AEPL, could not

¹³*Id.*

¹⁴Staff's Report and Recommendation filed February 5, 2015, AEGS 2015 Rate Case, page 2.

provide gas because of the extreme cold. As a result, AEGS contracted with the Kansas Municipal Gas Agency ("KMGA") to supply gas so its customers' needs could be met during the 2021 Winter Weather Event. AEGS' customers consumed 23% more gas for the whole month of February, 2021, as compared to February, 2020. AEGS purchased 910 MMBtu from KMGA. The cost was \$252,762.50, or \$277.60 per MMBtu. To place this amount in perspective, AEGS's annual revenues received from customer billings is less than the amount paid to KMGA.¹⁵

12. On April 16, 2021, AEGS submitted to Staff and CURB responses to the questions that were contained in Staff's March 1, 2021, report and recommendation filed in the 21-303 Docket. Those responses included a time line of events that occurred during the 2021 Winter Weather Event, a spreadsheet showing the daily purchases from KMGA, and the gas cost impact to each AEGS customer. A copy of AEGS's responses and attachments to those responses are attached hereto as Exhibit A and are incorporated into this Stipulation of Facts.¹⁶

13. On April 27, 2021, Staff issued data requests to AEGS. On May 7, 2021, AEGS served its responses to Staff's data requests to Staff and CURB. A copy of the data requests and AEGS's responses are attached hereto as Exhibit B and are incorporated into this Stipulation of Facts. Information relating to the gas supply agreement between AEGS and AEPL and AEGS and KMGA, including the agreements, have been designated as confidential by AEGS in that they include non-public information relating to market competitive pricing, purchasing practices and competitive market strategies. In its responses, AEGS indicated that it did not currently have the funding to pay

¹⁵See, Exhibit A to this Agreement.

¹⁶See, Exhibit A to this Agreement.

the full amount of the KMGA bill and had been making only partial payments to KMGA.¹⁷

14. On May 10, 2021, AEGS met with Staff by conference call to discuss the information that had been provided by AEGS and to answer additional questions from Staff. AEGS and Staff also discussed the need for AEGS to obtain funds to pay the full amount of the KMGA bill. Finally, Staff and AEGS discussed potential plans as to how AEGS could spread out the recovery of the extraordinary gas costs from its customers over a number of years to reduce the rate impact on customers.

15. On May 24, 2021, AEGS informed Staff and CURB that it had obtained a loan to pay the balance of the money owed to KMGA for the gas that KMGA supplied to AEGS and had informed KMGA that it would be paying the balance of the amount owed for the gas.¹⁸

16. AEGS also submitted a plan to spread out the recovery of the extraordinary gas costs that AEGS paid to KMGA and other costs relating to the 2021 Winter Weather Event, including carrying charges, from its customers over a number of years to reduce the rate impact on customers. A spreadsheet showing the costs that would be recovered from customers under the proposed 60-month payment plan is set forth in Exhibit C to this Agreement, which is incorporated herein by reference.¹⁹

17. AEGS, Staff and CURB have been able to reach agreement on a proposed plan relating to the recovery of the extraordinary gas costs from customers that they wish to present to the Commission for its approval.

¹⁷See, Exhibit B to this Agreement.

¹⁸See, Exhibit B to this Agreement.

¹⁹See, Exhibit C to this Agreement.

II. AGREEMENT BETWEEN THE PARTIES

18. AEGS shall provide its customers with two options to pay the extraordinary gas costs incurred in February 2021, as a result of the 2021 Winter Weather Event. The first option that can be chosen by the customer is to pay the extraordinary gas costs and costs related to the 2021 Winter Weather Event, including carrying costs, spread over a 60-month period (equal monthly payments). The monthly payment for each AEGS customer is set forth in Exhibit D to this Agreement and is incorporated herein by reference.

19. The second option that can be chosen by the customer is to pay the extraordinary gas costs under a one-time payment. If the customer chooses this option it will not pay any carrying costs. The one-time payment amount for each customer is set forth in Exhibit D.²⁰

20. If the Commission approves the proposed plan, then AEGS shall mail to each customer a letter explaining the two options and requesting the customer make an election. The description of the payment plan option will indicate the annual interest rate and the estimated total amount that would be collected over the 60-month period if only minimum payments are made. If the customer fails to make an election, it will automatically be placed on the 60-month payment option.

21. If the Commission approves the proposed plan, then AEGS shall submit a tariff authorizing it to recover either a one-time payment under the one-time payment option, or a monthly surcharge under the 60 month payment option. Billing for the payment shall begin thirty (30) days following the date AEGS mails the letter to its customers informing them of the two payment options. If a customer elects the 60-month payment plan option, AEGS will track each customer's remaining balance and will provide the remaining balance due, interest rate, and the estimated total amount that

²⁰See, Exhibit D to this Agreement.

would be collected over the life of the payment plan on a quarterly basis on the utility bill or a customer may contact AEGS at any time for the remaining balance. At any time during the 60 months, a customer may pay the remaining balance due as stated on the bill less the unrecovered portion of the carrying charges. If the customer leaves AEGS's system before the full balance is paid, the customer shall be required to pay AEGS the remaining balance less the unrecovered portion of the carrying charges. If the customer fails to make any monthly payment, the customer will be in default, and AEGS shall be allowed to seek recovery of the remaining balance (inclusive of carrying charges) from that customer. Any amount ultimately unrecovered from a customer shall become bad debt and recovered through AEGS's purchased gas adjustment clause. AEGS agrees that any subsequent federal or state governmental relief in the form of profit disgorgement, civil suit relief, market manipulation findings, etc. will be allocated back to its customers in the same fashion as the extraordinary gas costs were recovered.

22. Nothing in this Agreement is intended to impinge 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 obligation to ensure that AEGS is providing efficient and sufficient service at just and reasonable rates.

23. Unless requested by the Commission, the Parties do not intend to file testimony in support of the Agreement and instead rely upon the verified Stipulation of Facts filed herein and the verified documents, schedules provided in discovery submitted in this matter and attached to this Agreement as exhibits. If requested by the Commission, Staff stands ready to submit a report and recommendation or testimony to the Commission relating to its review of the information that it obtained during its investigation and the reasons why it is supporting the terms of this Agreement. AEGS and CURB shall have the right to provide a response to any report or recommendation or

testimony filed by Staff.

24. This Agreement represents a negotiated settlement that fully resolves the issues in this docket among the Parties. The Parties represent that the terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the Parties 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 this Agreement in the instant proceeding. The Parties specifically agree that this Agreement shall not be a precedent as to any other pending 2021 Winter Weather Event docket relating to other natural gas and electric utilities subject to the Commission's jurisdiction and that this Agreement and the terms set forth herein have been agreed to in particular by Staff and CURB based strictly upon the unique facts and circumstances involving AEGS and its 200 customers and Staff and CURB specifically reserve the right to recommend different provisions and payment plans in these other 2021 Winter Weather Event dockets.

25. If the Commission accepts this Agreement in its entirety and incorporates the same into an order without material modification, the Parties shall be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein and in accordance with the terms hereof, and will not appeal the Commission's order on these issues.

26. The provisions of this Agreement have resulted from negotiations among the Parties and are interdependent. In the event that 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 any of the agreements or provisions hereof. Further, in such event, this Agreement shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding. In the event the Commission does not approve and adopt the terms of this

Agreement, then the Parties agree to initiate new settlement discussions in an effort to resolve the issues raised in this matter that might be more acceptable to the Commission.

III. AGREEMENT SATISFIES THE FIVE FACTORS THE COMMISSION CONSIDERS WITH REVIEWING A PROPOSED SETTLEMENT AGREEMENT

27. The Parties submit to the Commission that the Agreement represents a reasonable and fair resolution of this matter and that the terms contained therein are in the public interest. The Parties believe the Agreement satisfies the five factors the Commission considers when reviewing a proposed settlement agreement.

28. As the Commission is aware, the five questions the Commission considers when reviewing proposed settlement agreements are as follows:

- (a) was there an opportunity for the opposing party to be heard on their reasons for opposition to the Agreement;
- (b) is the Agreement supported by substantial competent evidence;
- (c) does the Agreement conform with applicable law;
- (d) does the Agreement result in just and reasonable rates; and
- (e) are the results of the Agreement in the public interest?²¹

A. THERE WAS AN OPPORTUNITY FOR THE OPPOSING PARTIES TO BE HEARD ON THEIR REASONS FOR OPPOSITION TO THE AGREEMENT

29. The Parties to this docket are the Staff, AEGS and CURB. The Agreement addresses all issues between Staff, CURB and AEGS. Representatives from AEGS, Staff and CURB participated in the settlement negotiations in this docket. A settlement of all issues was reached by the Parties resulting in this Agreement. All Parties have had an opportunity to be heard with respect to the terms

²¹Docket No. 08-ATMG-280-RTS, Order Approving Contested Settlement Agreement, issued May 12, 2012, paragraph 11.

of the Agreement.

B. THE AGREEMENT IS SUPPORTED BY SUBSTANTIAL COMPETENT EVIDENCE

30. There is substantial competent evidence in the record to support the Agreement reached by the Parties. The Agreement is consistent with the verified Stipulation of Facts and Exhibits incorporated into this Agreement. The Agreement approves a proposed plan that adequately addresses the issue of how to spread out recovery of the extraordinary gas costs incurred as a result of the 2021 Winter Weather Event in a manner that reduces the rate impact to customers over a period of 60 months.

C. THE AGREEMENT CONFORMS WITH APPLICABLE KANSAS LAW

31. The Agreement was fully and fairly negotiated and represents a reasonable compromise based on all Parties' positions, and will result in just and reasonable rates for AEGS's approximately 200 customers. Kansas law recognizes a strong policy favoring and encouraging settlements.²² Standards for reviewing the reasonableness of a settlement agreement requires the Commission to make a finding, supported by substantial competent evidence from a review of the record as a whole, that the settlement will establish just and reasonable rates.²³ That standard is met in this case.

32. Settlement negotiations were thorough and comprehensive. The Parties were able to negotiate a compromise that satisfied each Party in all respects. This was done, in part, by agreeing to a proposed plan that spread out recovery of the extraordinary gas costs incurred as a result of the 2021 Winter Weather Event in a manner that reduces the rate impact to customers.

²²*Bright v. LSI Corp.*, 254 Kan. 853, 858, 869 P.2d 686 (1994).

²³*Farmland Industries v. Kansas Corporation Commission*, 24 Kan.App.2d 172, 186-188, 943 P.2d 470 (1997); *Citizens' Utility Ratepayer Board v. State Corp. Comm'n of the State of Kansas*, 28 Kan.App.2d 313, 316-317, 16 P.3rd 319 (Kan.App.2000).

D. THE AGREEMENT WILL RESULT IN JUST AND REASONABLE RATES

33. Kansas case law addressing utility rate setting indicates the "just and reasonable" standard coincides with the "zone of reasonableness" test adopted by the Kansas courts. The "just and reasonable" standard was first outlined by the United States Supreme Court.²⁴ The Court emphasized that when evaluating whether rates are just and reasonable, the focus of inquiry is properly on the end result or "total effect" of the rate order, rather than on the specific rate-setting method employed. In addition, the Hope case was followed by another Supreme Court case which found the Natural Gas Act's articulated "just and reasonable" standard coincides with the applicable constitutional standards and any rate selected by a regulatory commission within the "broad zone of reasonableness" and that balances the right of the utility to have the opportunity to recover prudently incurred costs and the right of the customer to pay just and reasonable rates cannot properly be attacked as confiscatory.²⁵

34. Applying these standards to the Agreement, the proposed plan submitted by the Parties strikes the proper balance between the rights of the utility to recover costs incurred in order to provide sufficient and efficient service to its customers and the rights of the customers to just and reasonable rates. The proposed plan will allow AEGS to recover the extraordinary gas costs it incurred during the 2021 Winter Weather Event for the benefit of its customers while reducing the impact of those extreme costs on customers by spreading the recovery of those costs over a five-year period. Accordingly, the proposed plan clearly falls within the zone of reasonableness when one considers

²⁴*Power Comm'n v. Hope Gas Co.*, 320 U.S. 591, 64 S.Ct. 281, 88 L.Ed. 333 (1944).

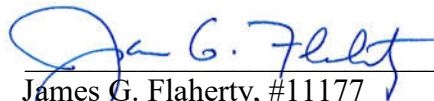
²⁵*Permian Basin Area Rate Cases*, 390 U.S. 747, 770, 88 S.Ct. 1344, 20 L.Ed.2d 312, reh denied 392 U.S. 917, 88 S.Ct. 2050 (1968).

the Stipulation of Facts submitted by the Parties.²⁶

E. THE AGREEMENT IS IN THE PUBLIC INTEREST

35. Each Party has a duty to protect the interest of the party it represents. AEGS has a duty to its customers, employees and shareholders. The Staff is required to weigh and balance the interests of the company, the customers, and the public generally. CURB represents the interests of residential and small commercial customers. As referenced in the Kansas Gas & Electric case, "the focus of the inquiry (in setting "just and reasonable" rates) is properly on the end result or "total effect" of the rate order, rather than upon the rate-setting employed.²⁷ The "total effect" of the terms of the Agreement results in just and reasonable rates and represents an equitable balancing of the interest of all the Parties. Thus, the Agreement is in the public interest and should be approved by the Commission in its entirety.

IN WITNESS WHEREOF, the Parties have executed and approved this Stipulation and Agreement, effective as of the 18th day of June, 2021, by subscribing their signature below.



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²⁶*Southwestern Bell Tel. Co. v. State Corporation Commission*, 192 Kan. 39, 41, 386 P.2d 515 (1963).

²⁷*Kansas Gas & Electric*, 239 Kan. 483, 489 (1986).

/s/ Walker A. Hendrix

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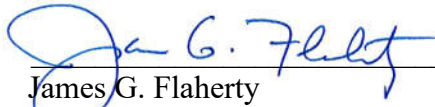
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Attorneys for CURB

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 named in the foregoing Stipulation and Agreement 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 18th day of June, 2021.





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 18th day of June, 2021, addressed to:

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Geoff Shafer
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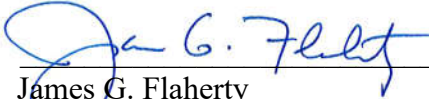

James G. Flaherty

Exhibit A

AEGS Response to Staff's Report

CONFIDENTIAL

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Investigation into American)
Energies Gas Service Regarding the February 2021)
Winter Weather Events, as Contemplated by) Docket No. 21-AEGG-335-GIG
Docket No. 21-GIMX-303-MIS)

RESPONSE TO QUESTIONS IN STAFF REPORT AND RECOMMENDATION

American Energies Gas Service, LLC ("AEGS") responds to the Analysis portion of the Report and Recommendation filed by Staff of the Corporation Commission of the State of Kansas ("Staff") in Docket No. 21-GIMX-303-MIS ("303 Docket") on March 1, 2021, as follows:

1. What factors were used to determine which customers were impacted by these events?

Were these factors followed in an equitable and uniform manner?

RESPONSE: As with any winter season, we take great steps to ensure the flow of our gas in the gathering system to all of our customers by adding methanol to the lines. We secured an alternate supply of natural gas in advance of the storm from Southern Star thru the Kansas Municipal Gas Agency ("KMGA") to insure reliability to our customers. We have 199 customers and all customers that used any gas in February, 2021, were impacted by the extraordinary cost of gas. Residential customers used 2,723 Mcf; Oil Well customers used 721 Mcf; Commercial customers used 1,678 Mcf; and Irrigation/dryers customers used 23 MCF. The customers consumed 23% more gas for the whole month of February, 2021 as compared to February 2020.

2. What were the company's communication efforts surrounding the load shedding or curtailment events?

RESPONSE: As we do with any other storm, we closely monitored the integrity of our system thru the use of our SCADA equipment to ensure the flows & pressures across our systems.

3. Were company communications consistent with customer experiences? If not why?

RESPONSE: Everybody that was involved in this extreme winter weather event was keeping up with all pertinent details thru the mass media. We did not receive any complaints from our customers.

4. What lessons were learned in the area of customer communication that will allow for improved customer communication during the next extreme weather event?

RESPONSE: We have made plans to add into our annual cold weather rule mailings to our customers the following: "Please be conscious of impending weather to adjust thermostats at a lower setting to conserve."

5. What steps did natural gas distribution utilities take to limit or prevent the financial impact of this event to customers?

RESPONSE: If the State of Emergency was declared, there should be limits for rising prices. We talked to several natural gas operators who provide natural gas to the gathering system used to serve our customers. Due to the extreme cold, those producers had to shut some of their wells. They didn't want any broken lines, etc. for no more money than they were going to get per day.

6. Were hedging strategies utilized?

RESPONSE: No.

Were they successful?

RESPONSE: N/A.

What gas purchasing practices strategies were utilized during the event?

RESPONSE: We purchased the additional natural gas requirements from KMGGA.

Were those practices prudent?

RESPONSE: Yes. We supplied gas to our customers and found out on February 13, 2021, that we would be paying 10-300 times for the natural gas. However, it was a priority that our customers have natural gas during the extreme winter weather period.

7. Was the gas utility able to utilize storage to mitigate the extreme pricing experienced during the event?

RESPONSE: AEGS does not have any storage.

Were storage levels appropriate? Is the utility exploring additional storage options for the future?

RESPONSE: AEGS does not have any storage.

8. What were the company's efforts during this time to encourage conservation or inform customers of the elevated price of natural gas supplies?

RESPONSE: The non residential/commercial customers reduced usage during that week. We relied on the media to let customers know the need to conserve natural gas usage.

9. What were and are the company's efforts to mitigate penalties or imbalances on the pipelines?

RESPONSE: N/A.

10. What steps did electric utilities take to limit or prevent the financial impact of this event to customers?

RESPONSE: N/A.

11. How did Kansas electric utilities prepare for, and perform during, this cold weather event?

RESPONSE: N/A.

12. How did Kansas natural gas utilities prepare for and perform during this cold weather event?

a. Did the gas utilities experience any equipment or system failures that led to operational challenges or curtailments during the event?

RESPONSE: On February 16, 2021, at 4:20 pm our Harmac compressor went down due to low suction pressure due to the failure of one of the higher producing gas wells located on the gas gathering system used to serve our customers. The operator of that well started working on it right away and he had it flowing and back on line by 5:15pm on February 17, 2021. AEGS tried to get the Harmac compressor started but it had ice problems. The compressor was fixed and back online on February 18, 2021, at 10:00 am.

b. Did the gas utilities experience any gas supply limitations or equipment malfunctions on interstate gas pipelines that need to be remedied in the future?

RESPONSE: No.

c. What lessons were learned that will prepare us for the next extreme weather event?

RESPONSE: We are investigating other back-up options for purchasing natural gas when natural gas wells on the gathering system used to serve our customers experience problems due to extreme weather conditions. We are also setting up a process to be used in a future extreme weather event that would allow us to call all our customers and tell them to conserve use of natural gas either due to high prices or a lack of supply.

13. How did Kansas electric utilities and Kansas natural gas utilities coordinate in response to this cold weather event? What lessons were learned if anything that will improve coordination

amongst electric and gas utilities during the next extreme weather event?

RESPONSE: We are so small, and our electric use was minimal that it wouldn't have made a difference. We use 3 different electric companies for our cathodic protection and electricity at our plant. We had no rolling blackouts.

14. Do Kansas electric utilities and Kansas natural gas utilities have any indication of or concerns about natural gas price gouging or market manipulation during the extreme weather event?

RESPONSE: Yes. We purchased 910 MMBtu from KMGA. The cost was \$252,762.50 or \$277.60 per MMBtu.

15. Have the Kansas electric and Kansas natural gas utilities performed any due diligence to ensure that the prices paid for natural gas during this time were lawful under Kansas law? Have utilities explored whether there are potential legal remedies to customers under Kansas law, including but not limited to the consumer protection statutes?

RESPONSE: AEGS is aware that there may be some remedies under the Kansas consumer protection laws. AEGS has notified KMGA that any payment for the natural gas supplies provided by KMGA was subject to AEGS' right to seek any available legal remedies that it and its customers may have under Kansas law.

16. Have or will Kansas electric utilities and Kansas natural gas utilities need to obtain supplemental external financing in order to pay for the extreme weather event? If so, what overall financial impact will the additional financing have on the financial health of the utility?

RESPONSE: AEGS received a bill dated March 19, 2021 for \$252,762.50 from KMGA for the month of February, 2021. We have been told this bill must be paid in full this week by March 25, 2021. After a phone conference with KMGA, we were told by KMGA that it would not consider an

extension or a payment plan. AEGS has made an initial partial payment to KMGA and will continue to work with KMGA. However, AEGS does not have the ability to pay this bill at this time. To put the bill in context, consider the following:

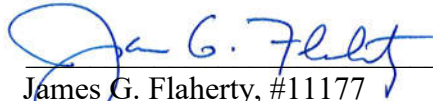
The average revenue received from AEGS from customer billings is \$22,000 per month.

The average net operating income received by AEGS for the past 12 months was \$8,000.

The average cash balance for AEGS for the past 12 months was \$96,000.

AEGS annual net income for the last fiscal year ended 9/30/2020 was \$16,385 and the prior year ended 9/30/2019 was \$6,914.

AEGS does not currently have an available line of credit in the amount necessary to pay the full amount of the KMGA bill.



James G. Flaherty, #11177

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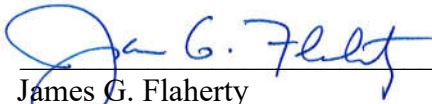
Attorneys for American Energies Gas Service, LLC

VERIFICATION

STATE OF KANSAS
COUNTY OF FRANKLIN, ss:

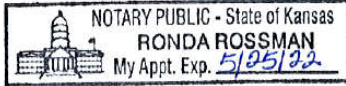
James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for American Energies Gas Service, LLC named in the foregoing Response to Questions in Staff's Report and Recommendation 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 16th day of April, 2021.





Notary Public

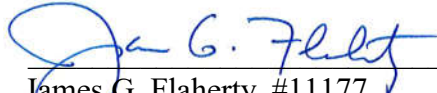
Appointment/Commission Expires:

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Investigation into American)
Energies Gas Service Regarding the February 2021)
Winter Weather Events, as Contemplated by) Docket No. 21-AEGG-335-GIG
Docket No. 21-GIMX-303-MIS)

NOTICE OF SERVICE

American Energies Gas Service, LLC by and through its counsel, hereby notifies the Kansas Corporation Commission that it served Responses to the Questions contained in the Staff's Report and Recommendation issued in Docket No. 21-GIMX-303-MIS, upon the attorney for Staff, Terri J. Pemberton, t.pemberton@kcc.ks.gov, via electronic mail, this 16th day of April, 2021.



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail, this 16th day of April, 2021, addressed to:

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James G. Flaherty

Exhibit B

AEGS' Responses to Staff Data Requests

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Exhibit C

Costs to be Recovered under Proposed Plan

**AEGS
BILLS FROM WEATHER EVENT
FEBRUARY 2021**

EXHIBIT C

| DATE | INVOICE # | VENDOR | AMOUNT | DESCRIPTION |
|---------------------|------------------|-----------------------------------|----------------------|--|
| 3/19/2021 | KMGA-AE-2021-02 | KMGA | \$ 252,762.50 | 910 MMBTU NAT GAS & TRANSPORTATION FEE |
| 2/28/2021 | 12029 | GLM INC | \$ 303.00 | TESTED HESSTON WEST/SS METER |
| 3/9/2021 | 220 | BOB'S INDUSTRIAL ENGINE | \$ 455.28 | WORK TO GET HARMAC COMPRESSOR RESTARTED |
| 4/1/2021 | 40163 | ANDERSON & BYRD, LLP | \$ 1,208.40 | 03/21 LEGAL |
| 5/3/2021 | 40274 | ANDERSON & BYRD, LLP | \$ 2,277.15 | 04/21 LEGAL |
| 6/3/2021 | | ANDERSON & BYRD, LLP | \$ 2,500.00 | 05/21 LEGAL |
| 2/28/2021 | 02/21 FUEL | EXTRA FUEL COSTS | \$ 283.00 | COOPERATIVE GRAIN & SUPPLY - EXTRA FUEL DURING EVENT |
| 02/09/21 - 02/17/21 | | EMPLOYEE LABOR | \$ 1,237.50 | GS 24.75 EXTRA HOURS @ \$50 PER HR |
| 02/09/21 - 02/17/21 | | EMPLOYEE LABOR | \$ 290.00 | CJ 7.25 EXTRA HOURS @ \$40 PER HR |
| | | | \$ 261,316.83 | SUB-TOTAL UNUSUAL EXPENSES |
| | | 8% COVERS LOAN INTEREST, FEES, OH | \$ 56,596.99 | RATE OF RETURN PER 2014 RATE CASE |
| | | | <u>\$ 317,913.82</u> | TOTAL TO RECOVER |

Exhibit D

Spreadsheet Showing Costs Per Customer Account

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