

**Testimony & Exhibits  
of  
Caron Lawhorn**



BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

AUG 16 2013

In the Matter of the Application of ONEOK, Inc. for )  
an Order Authorizing its Plan of Reorganization ) Docket No. 14-KGSG-100-MIS

**DIRECT TESTIMONY OF CARON A. LAWHORN**

1 **I. INTRODUCTION**

2 **Q. STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

3 A. My name is Caron A. Lawhorn. My business address is ONEOK, Inc. ("ONEOK"), 100 West  
4 Fifth Street, Tulsa, Oklahoma 74103.

5 **Q. IN WHAT CAPACITY ARE YOU EMPLOYED BY ONEOK?**

6 A. I am a corporate officer of ONEOK. I am senior vice president, commercial, natural gas  
7 distribution.

8 **Q. WOULD YOU PLEASE GIVE US A BRIEF DESCRIPTION OF YOUR**  
9 **EDUCATIONAL BACKGROUND?**

10 A. I received a Bachelor of Science degree in business administration from the University of  
11 Tulsa. I am a graduate of the Advanced Management Program at Harvard Business School.  
12 I am a certified public accountant.

13 **Q. WOULD YOU PLEASE GIVE US A BRIEF DESCRIPTION OF YOUR WORK**  
14 **EXPERIENCE?**

15 A. I joined ONEOK in 1998 as manager of auditing, after serving as a senior manager at KPMG  
16 and chief financial officer of Emergency Medical Services Authority in Tulsa. I have served  
17 as senior vice president of financial services and treasurer of ONEOK. In 2007, I was named

1 senior vice president and chief accounting officer of ONEOK. In 2008, I was given the same  
2 responsibility for ONEOK Partners. In 2009, I was named senior vice president, corporate  
3 planning and development of ONEOK and ONEOK Partners, responsible for business  
4 development, strategic and long range planning and capital investment. From March 2011 to  
5 December 2012, I served as president of ONEOK's natural gas distribution business segment,  
6 responsible for the companies' three natural gas utilities, Kansas Gas Service, Oklahoma  
7 Natural Gas, and Texas Gas Service. In January 2013, I became senior vice president,  
8 commercial, natural gas distribution.

9 **Q. WHAT ARE YOUR DUTIES IN YOUR CURRENT POSITION?**

10 A. I have functional responsibility across all three of the states in which we operate for customer  
11 service, gas supply, rates and regulatory affairs, business development and business process  
12 improvements.

13 **Q. WHAT POSITION WILL YOU HOLD WITH ONE GAS, INC. ("ONE GAS") AFTER**  
14 **THE REORGANIZATION IS COMPLETED AND WHAT WILL BE YOUR JOB**  
15 **RESPONSIBILITIES?**

16 A. With ONE Gas, I will have the same responsibilities I have today, but will also assume  
17 responsibility for information technology.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS CORPORATION**  
19 **COMMISSION ("COMMISSION" or "KCC")?**

20 A. No.

21 **Q. BRIEFLY SUMMARIZE THE SCOPE OF YOUR TESTIMONY.**

22 A. I am providing testimony with respect to the following subjects:

1 (1) the selection process for management and employees that will be assigned to  
2 ONE Gas and Kansas Gas Service; and

3 (2) how the proposed transaction is in the public interest and will be beneficial on  
4 an overall basis to our customers and the state and local economies and the communities in  
5 the area served by the resulting public utility operations in the state.

6 **II. MANAGEMENT AND EMPLOYEES ASSIGNED TO ONE GAS AND KANSAS GAS**  
7 **SERVICE**

8 **Q. GENERALLY DESCRIBE THE CURRENT ONEOK AND KANSAS GAS SERVICE**  
9 **MANAGEMENT TEAM AND EMPLOYEES WHO PROVIDE SERVICE TO**  
10 **KANSAS UTILITY CUSTOMERS.**

11 A. ONEOK's management team that is responsible for its distribution operations has substantial  
12 experience in providing natural gas utility service to customers. ONEOK employs  
13 approximately 2,800 employees in its utility operations. An organizational chart showing the  
14 current management team, not including corporate services, is attached to my testimony as  
15 Exhibit CAL-1.

16 **Q. WILL THERE BE ANY CHANGES IN THE SERVICES CURRENTLY PROVIDED**  
17 **BY KANSAS GAS SERVICE EMPLOYEES AS A RESULT OF THE**  
18 **REORGANIZATION?**

19 A. No. The services currently provided by Kansas Gas Service employees today will continue  
20 to be provided by those same employees. The reorganization will not have any impact on the  
21 level of employment or scope of services provided by existing Kansas Gas Service employees.  
22 The only change in scope of services provided as a result of the reorganization involves the

1 provision of corporate services in the areas of accounting and finance, human resources,  
2 investor relations and public affairs, government relations, and information technology, among  
3 others. Currently there are approximately 600 ONEOK employees providing such services  
4 across all ONEOK business units ("Corporate Services Employees").

5 **Q. EXPLAIN THE PROCESS USED BY ONEOK TO SELECT WHICH EMPLOYEES**  
6 **WILL BE TRANSFERRED TO ONE GAS AND ONEOK UPON COMPLETION OF**  
7 **THE REORGANIZATION.**

8 A. Employees currently working in ONEOK's natural gas distribution segment, including  
9 Corporate Services Employees providing services exclusively to the Natural Gas Distribution  
10 Business and employees providing service to customers of Kansas Gas Service, will be  
11 transferred to ONE Gas. Employees working in ONEOK's non-utility segments and those  
12 working in ONEOK's corporate services group who currently provide service exclusively to  
13 ONEOK's non-utility businesses will remain with ONEOK. Employees working in ONEOK's  
14 corporate services group who currently provide service to both ONEOK and ONE Gas will be  
15 assigned to either ONE Gas or ONEOK based upon the skills and knowledge of the employees  
16 and the needs of each respective organization.

17 **Q. DESCRIBE HOW ONE GAS AND KANSAS GAS SERVICE WILL BE MANAGED**  
18 **AFTER THE REORGANIZATION IS COMPLETED.**

19 A. Following the reorganization, the current management team that has responsibility for  
20 ONEOK's distribution operations will be the same. However, distribution management will  
21 report to the Chief Executive Officer for ONE Gas, as will the leaders of functions that were  
22 formerly part of ONEOK's corporate shared services organization, including the leaders of

1 human resources, legal, accounting and finance, investor relations and communications, and  
2 government relations. These positions currently report directly or indirectly to the CEO for  
3 ONEOK. An organizational chart showing the proposed ONE Gas management team is  
4 attached to my testimony as Exhibit CAL-2.

5 **III. THE REORGANIZATION WILL PROMOTE THE PUBLIC INTEREST**

6 **Q. DO YOU UNDERSTAND THAT THE KCC REQUIRES THE REORGANIZATION**  
7 **PROMOTE THE PUBLIC INTEREST?**

8 A. Yes.

9 **Q. ARE YOU GENERALLY FAMILIAR WITH THE LIST OF FACTORS THAT THE**  
10 **KCC USES TO ANALYZE WHETHER A MERGER OR ACQUISITION WILL**  
11 **PROMOTE THE PUBLIC INTEREST?**

12 A. Yes, I have reviewed the factors that the KCC uses to analyze whether a merger or acquisition  
13 will promote the public interest. While this reorganization is less complex than a merger or  
14 acquisition, ONEOK has addressed those factors that are applicable to the reorganization in  
15 its application and testimony.

16 **Q. IN YOUR OPINION, WILL THE PROPOSED REORGANIZATION PROMOTE THE**  
17 **PUBLIC INTEREST?**

18 A. In my opinion the proposed reorganization will promote the public interest in that the  
19 management and employees assigned to ONE Gas are qualified by their experience to meet  
20 all of the demands associated with operating Kansas Gas Service's gas properties. In addition,  
21 as testified to by Mr. Reiners, ONE Gas is expected to have a strong financial position after  
22 the completion of the reorganization. The forecasted financial information of ONE Gas and

1 Kansas Gas Service will be provided to the Commission as a late-filed exhibit. The  
2 reorganization will be seamless for our customers. There will be no changes to the rates and  
3 tariffs currently in place for the utility.

4 **Q. IN YOUR OPINION WHAT FACTOR IS THE MOST IMPORTANT IN**  
5 **DETERMINING WHETHER THE PROPOSED REORGANIZATION WILL**  
6 **PROMOTE THE PUBLIC INTEREST?**

7 A. The most important factor in my opinion is whether customers will benefit from the  
8 reorganization.

9 **Q. HOW WILL CUSTOMERS BENEFIT FROM THE PROPOSED**  
10 **REORGANIZATION?**

11 A. The proposed ONE Gas management team will be solely focused on serving our more than  
12 two million customers across the three states in which we operate. Further, the management  
13 and employees will be substantially the same as those now responsible for providing natural  
14 gas service to Kansas Gas Service customers. The Commission and its Staff are aware that  
15 our managers and employees have a proven track record, which clearly demonstrates they are  
16 qualified to operate the gas properties in Kansas.

17 **Q. HOW WILL KANSAS GAS CUSTOMERS' SERVICE BE AFFECTED BY THIS**  
18 **REORGANIZATION?**

19 A. Our customers in Kansas will not experience any change in their utility service. I am confident  
20 our Kansas customers will continue to receive a high level of service. ONEOK and Kansas  
21 Gas Service pride themselves in the quality, safety and reliability of the service provided to  
22 their customers and ONE Gas and Kansas Gas Service intend to continue that tradition.

1 **Q. DOES THE FACT THAT ONE GAS' EMPHASIS WILL BE ENTIRELY RELATED**  
2 **TO THE NATURAL GAS DISTRIBUTION BUSINESS PROVIDE A BENEFIT TO**  
3 **CUSTOMERS?**

4 A. Yes. Kansas customers will benefit from having a company whose expertise and focus will  
5 be entirely on the Natural Gas Distribution Business and whose Chief Executive Officer,  
6 management team, and employees will be solely focused on the Natural Gas Distribution  
7 Business.

8 **Q. ONE OF THE FACTORS THE KCC LOOKS AT IN DETERMINING WHETHER A**  
9 **MERGER, OR IN THIS CASE A REORGANIZATION, WILL PROMOTE THE**  
10 **PUBLIC INTEREST IS WHETHER THERE WILL BE ANY BENEFIT TO THE**  
11 **STATE AND LOCAL ECONOMIES AND TO COMMUNITIES IN THE AREA**  
12 **SERVED BY THE RESULTING PUBLIC UTILITY OPERATIONS IN THE STATE.**  
13 **WILL THE PROPOSED REORGANIZATION PROVIDE SUCH BENEFIT TO THE**  
14 **STATE AND LOCAL ECONOMIES?**

15 A. Yes. We believe that ONEOK and Kansas Gas Service are good corporate citizens and our  
16 presence benefits the communities where we provide natural gas service. When our  
17 communities experience growth, so does our business. ONE Gas intends to carry over the  
18 ONEOK practice of supporting these communities and will continue to be actively involved  
19 in the communities in which we serve. ONE Gas and Kansas Gas Service will also continue  
20 to contribute to non profit organizations such as the United Way, higher education, hospitals  
21 and other charitable causes.

22 **Q. WILL ONE GAS AND KANSAS GAS SERVICE CONTINUE TO PROMOTE**



1        **ECONOMIC DEVELOPMENT IN THE LOCAL COMMUNITIES IN WHICH**  
2        **KANSAS GAS SERVICE CURRENTLY SERVES?**

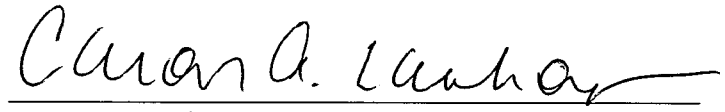
3 A.     Yes. Through cooperative efforts with state and local economic development organizations,  
4        ONEOK and Kansas Gas Service assist in creating new jobs in Kansas. ONE Gas and Kansas  
5        Gas Service plan to continue those efforts in the communities we serve in Kansas.

6 Q.     **THANK YOU.**

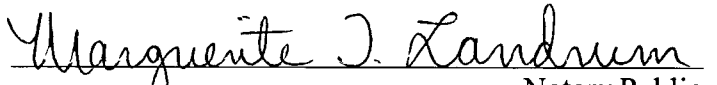
**VERIFICATION**

STATE OF OKLAHOMA    )  
  ) ss:  
COUNTY OF TULSA     )

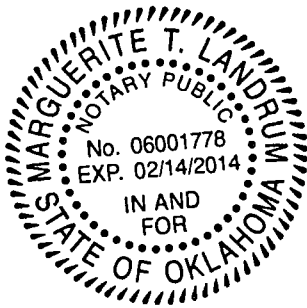
Caron A. Lawhorn, being duly sworn upon her oath, deposes and states that she is Senior Vice President, Commercial, Natural Gas Distribution, for ONEOK, Inc.; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true and correct.

  
\_\_\_\_\_  
Caron A. Lawhorn

SUBSCRIBED AND SWORN to before me this 13<sup>th</sup> day of August, 2013.

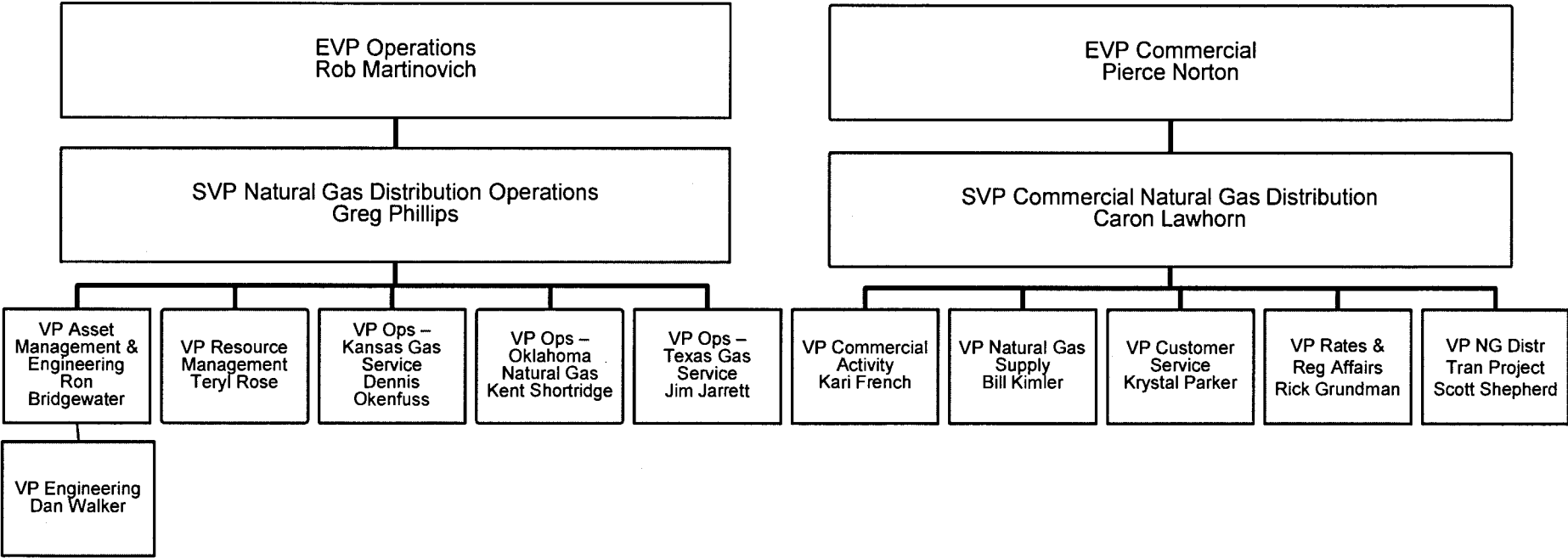
  
\_\_\_\_\_  
Notary Public

Appointment/Commission Expires: 2-14-2014



# ONEOK, Inc. Partial Organizational Chart

Exhibit CAL - 1

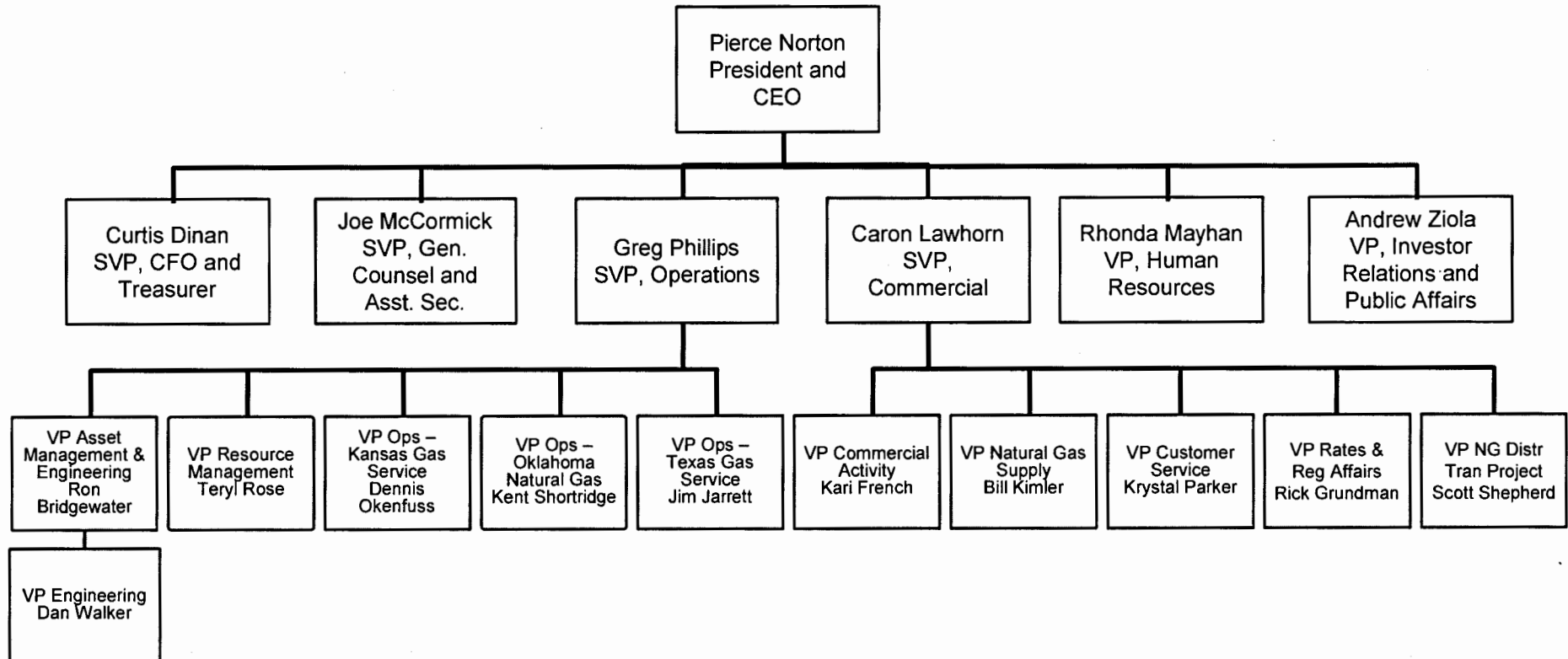


Note: Blue-shaded boxes represent officers dedicated to the natural gas distribution business; corporate shared services are not reflected.

# ONE Gas, Inc.

## Partial Organizational Chart

Exhibit CAL - 2



Note: The above reflects the ONE Gas officer team, including what was previously provided via corporate shared services; blue-shaded boxes represent officers who were dedicated to the natural gas distribution business before the separation.