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May 25, 2018

Ms. Lynn M. Retz, Secretary
Kansas Corporation Commission
1500 S. W. Arrowhead Road
Topeka, Kansas 66604-4027

Re: Docket No. 18-KGSG-392-CON
Amended Application

Dear Ms. Retz:

On March 14, 2018, Kansas Gas Service, a division of ONE Gas, Inc. ("Kansas Gas Service") filed an application pursuant to K.S.A. 66-1402 to submit to the Kansas Corporation Commission ("Commission") its Insurance Policy Agreement with Utility Insurance Company ("UIC"), an affiliated company of Kansas Gas Service.

After making its filing, Kansas Gas Service discovered errors in two of the policies, worker's compensation liability (Exhibit C) and excess liability coverage (Exhibit E). The increase in the premium was also reduced from approximately \$190,000.00 per year to approximately \$165,000.00 per year. In addition, the general liability and property claims policy (Exhibit D) expired on May 1, 2018.

The attached Amended Application makes the following changes to the March 14, 2018 Application:

1. Worker's Compensation and Employer's Liability Claims Policy (Exhibit C) has been replaced with the corrected Worker's Compensation and Employer's Liability Claims Policy (Revised Exhibit C).
2. Excess Liability Coverage (Exhibit E) has been replaced with the corrected Excess Liability Coverage (Revised Exhibit E).
3. The increase in the premium identified in paragraph 7 of the Application has been

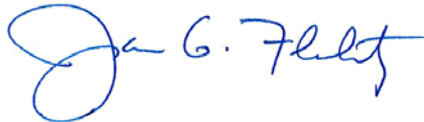
Ms. Lynn M. Retz, Secretary
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changed in paragraph 7 of the Amended Application from approximately \$190,000.00 per year to approximately \$165,000.00 per year."

4. The property policy (Exhibit D) which expired on May 1, 2018, has been replaced with a new property policy (New Exhibit D).

There are no other changes to the March 14, 2018 Application.

Sincerely,



James G. Flaherty
jflaherty@andersonbyrd.com

JGF:rr

Enclosure

cc: William Baldry
Amber Smith
Judy Jenkins Hitchye
Janet Buchanan

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.'s)	
Submission of its Insurance Policy Agreements)	Docket No. 18-KGSG-392-CON
with Utility Insurance Company, Pursuant to)	
K.S.A. 66-1402.)	

AMENDED APPLICATION

Kansas Gas Service, a Division of ONE Gas, Inc. ("Kansas Gas Service" and "ONE Gas," respectively), pursuant to K.S.A. 66-1402, submits to the Kansas Corporation Commission ("Commission"), its Insurance Policy Agreements with Utility Insurance Company ("UIC"), an affiliated company of Kansas Gas Service.

In support of its Amended Application, Kansas Gas Service submits the following to the Commission:

A. NOTICES AND COMMUNICATIONS

1. The names, addresses, phone numbers and electronic mailing addresses of the persons authorized to receive notices and communications with respect to this Application on behalf of Kansas Gas Service are as follows:

Judy Jenkins Hitchye, Managing Attorney
Kansas Gas Service, a Division of ONE Gas, Inc.
7421 W. 129th Street
Overland Park, Kansas 66213
judy.jenkins@onegas.com

Janet Buchanan, Director, Rates and Regulatory
Kansas Gas Service, a Division of ONE Gas, Inc.
7421 W. 129th Street
Overland Park, Kansas 66213
janet.buchanan@onegas.com

James G. Flaherty
Anderson & Byrd, LLP
216 S. Hickory ~ P.O. Box 17
Ottawa, Kansas 66067
jflaherty@andersonbyrd.com

B. DESCRIPTION OF THE PARTIES

2. Kansas Gas Service is a natural gas public utility operating in the State of Kansas pursuant to certificates of convenience and necessity issued by the Commission. Kansas Gas Service's principal place of business in the State of Kansas is located at 7421 W. 129th Street, Overland Park, Kansas 66213. Kansas Gas Service is a natural gas utility company within the meaning of K.S.A. 66-1,200 of the Kansas Public Utility Act and is engaged in the business of selling and distributing natural gas in various communities located throughout the State of Kansas. Kansas Gas Service is a division of ONE Gas.

3. ONE Gas is an Oklahoma corporation and a 100% regulated natural gas distribution utility. ONE Gas is the largest natural gas distribution company in Oklahoma and Kansas and the third largest in Texas.

4. UIC is wholly owned by ONE Gas. UIC has been formed to provide ONE Gas' distribution companies, Kansas Gas Service, Oklahoma Natural Gas and Texas Gas Service, insurance coverage as described below. UIC's principal place of business is 15 East Fifth Street, Tulsa, Oklahoma 74103. UIC is regulated by the Oklahoma Insurance Department ("OIC").

C. INSURANCE POLICY AGREEMENTS

5. In order for Kansas Gas Service to better control the cost of insurance, UIC will provide insurance coverage to Kansas Gas Service pursuant to the Insurance Policy Agreements attached to this Application. Specifically, under the Insurance Policy Agreements, UIC will provide

the following insurance coverage to Kansas Gas Service:

- a. auto liability claims (Exhibit A);
- b. general liability and employment practice liability claims (Exhibit B);
- c. worker's compensation liability (REVISED Exhibit C);
- d. property policy (NEW Exhibit D); and
- e. excess liability coverage (REVISED Exhibit E), (collectively referred to herein

as "Insurance Policy Agreements").¹

6. UIC's insurance coverage will cover all claims greater than \$250,000.00. UIC will purchase re-insurance for claims greater than \$2 million, which is the same insurance plan currently held by ONE Gas for Kansas Gas Service.

7. The premiums charged by UIC were designed by an external actuary utilizing 20 years of actual claims history and approved by the OIC. UIC will be audited annually by an outside audit firm. There will be a small initial increase in the premium (approximately \$165,000.00 per year). However, said increase will be offset by a significant reduction in financial risk to Kansas Gas Service and its customers as set forth in paragraph 8 herein.

8. The primary benefit from purchasing insurance coverage from UIC will be a reduction in the deductible per incident to \$250,000.00 from \$2 million. In addition, the premium paid to UIC in excess of claims paid out in a given year will be placed into a reserve for future years and will not be considered income to UIC. Finally, the use of a wholly-owned, or what is referred to in the industry as a "captive insurance company," has been successfully utilized by other regulated utilities such as Westar, Atmos, and American Electric Power ("AEP"), and will provide ONE Gas and Kansas

¹See, cover letter from James G. Flaherty to Lynn M. Retz dated May 24, 2018, explaining the reasons for Revised Exhibits C and E and New Exhibit D.

Gas Service flexibility in different market conditions by providing them direct access to reinsurance markets.

D. SUBMISSION OF THE INSURANCE POLICY AGREEMENTS TO THE COMMISSION

9. The purpose of the Insurance Policy Agreements is to provide formal agreements where UIC will provide insurance coverage to Kansas Gas Service and the other natural gas distribution company divisions of ONE Gas. The Insurance Policy Agreements attached to this Application and incorporated herein by reference are being submitted to this Commission under K.S.A. 66-1402. This section provides:

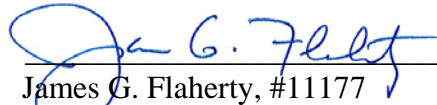
66-1402. Submission of contracts with affiliated interests to commission. No management, construction, engineering or similar contract, hereafter made, with any affiliated interest, as defined in K.S.A. 66-1401 and amendments thereto, shall be effective unless it shall first have been filed with the Commission. If it be found that any such contract is not in the public interest, the Commission, after investigation and a hearing in accordance with the provision of the Kansas Administrative Procedure Act, is hereby authorized to disapprove such contract.

10. This arrangement will not result in increased risks or burdens to Kansas customers and will provide for more efficient use of resources. Further, the Insurance Policy Agreements will have no detrimental impact of Kansas Gas Service's ability to provide safe and reliable service to its customers. This arrangement will also enhance Kansas Gas Service's existing insurance coverage by providing it with increased flexibility and should result in benefits from the lower deductible UIC will provide to Kansas Gas Service under the Insurance Policy Agreements.

11. Kansas Gas Service has designated the attached Insurance Policy Agreements as confidential pursuant to K.S.A. 66-1220a and K.A.R. 82-1-221a. The Insurance Policy Agreements contain non-public, proprietary information that if released to the public could harm Kansas Gas

Service.

WHEREFORE, Kansas Gas Service submits its Insurance Policy Agreements with UIC to the Commission pursuant to K.S.A. 66-1402.



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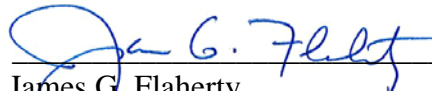
Judy Y. Jenkins, KS #23300
7421 West 129th Street
Overland Park, Kansas 66213
Phone: 913-319-8615
Email: judy.jenkins@onegas.com

Attorneys for Kansas Gas Service, a Division of ONE
Gas, Inc.

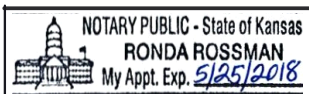
VERIFICATION

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 Kansas Gas Service, A Division of ONE Gas, Inc.; that he has read the foregoing Application, and the statements contained therein are true.


James G. Flaherty

SUBSCRIBED AND SWORN to before me this 24th day of May, 2018.





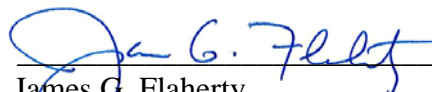
Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via U. S. Mail, postage prepaid, hand-delivery, or electronically, this 25th day of May, 2018, addressed to:

Ms. Amber Smith
Chief Litigation Counsel
Kansas Corporation Commission
1500 S. W. Arrowhead Road
Topeka, Kansas 66604
a.smith@kcc.ks.gov


James G. Flaherty