

**BEFORE THE
KANSAS CORPORATION COMMISSION**

**In the Matter of the Application of Kansas)
Gas Service, a Division of ONEOK, Inc., for)
Approval to Implement the Efficiency Kansas)
Energy Efficiency Program, to Implement)
Natural Gas Energy Efficiency Programs to)
Improve building and Equipment Efficiency)
And to Educate about Efficient Energy Usage,)
To Provide for Program Cost Recovery Through)
A Rider Mechanism, to Establish Administrative)
Charges and a Program initiation Fee, Permit)
The Implementation of a Revenue Decoupling)
Mechanism, and Appropriate Accounting)
Authority to Defer Expenses and Revenues)
Associated with the Filing)**

Docket No. 10-KGSG-421-TAR

**DIRECT TESTIMONY
OF
DAVID N. DITTEMORE
ON BEHALF OF
KANSAS GAS SERVICE
A DIVISION OF ONEOK, INC**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is David N. Dittmore. My business address is 7421 West 129th Street,
3 Overland Park, Kansas, 66213.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Kansas Gas Service (KGS or Company) a division of ONEOK.
6 I am the Manager of Rates and Regulatory Affairs.

7 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
8 **BUSINESS EXPERIENCE.**

9 A. I received a Bachelor of Science Degree in Business Administration with a major
10 in Accounting from the University of Central Missouri in 1982. I am a Certified
11 Public Accountant. I was previously employed by the Kansas Corporation
12 Commission in various capacities including Managing Auditor, Chief Auditor and
13 Director of Utilities. During my career I have been employed by WorldCom
14 (telecommunications) and the Williams Companies (Williams Energy Marketing
15 and Trading). From 2003 – 2007 I was self employed providing regulatory
16 consulting services on behalf of clients dealing with telecommunications, electric
17 and natural gas regulatory issues.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

19 A. Yes. I have testified before the Commission on a number of occasions.

20 **Q. PLEASE IDENTIFY THE PURPOSE OF YOUR TESTIMONY.**

21 A. My testimony will address the following items:

22

23 ➤ Efficiency Kansas (EK) Implementation Plan

- 1 ➤ The proposed participation charges associated with EK
- 2 ➤ The Education component of the Step ONE¹ program
- 3 ➤ The KGS budget for both EK and Step ONE programs incorporating the direct costs
- 4 supported by Paul Raab
- 5 ➤ The proposed Energy Conservation Rider (ECR) mechanism, which incorporates
- 6 recovery of program costs and the RNA mechanism
- 7 ➤ Request for Accounting Authority to defer incremental program costs and to defer the
- 8 impact of a decoupled rate mechanism, also known as the revenue normalization
- 9 adjustment
- 10 ➤ KCC Reporting
- 11 ➤ Proposed Tariff
- 12 ➤ Signed Memorandum of Agreement supporting the EK program.

13 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

14 **A.** KGS seeks KCC approval to become an EK utility partner and to offer a suite of energy
15 efficiency programs, referred to as the Step ONE programs, consistent with the policy
16 goals set forth in the Commission’s orders in Docket Nos. 08-GIMX-441-GIV and 08-
17 GIMX-442-GIV. KGS’ ability to participate in EK and implement the programs
18 described in the testimony of Paul Raab, is contingent upon Commission approval of the
19 revenue normalization adjustment (RNA) and recovery of program costs through an
20 Energy Conservation Rider (ECR). KGS is eager to implement these programs and will
21 work with the KCC Staff to address any questions or concerns they may have with this

¹ The Step ONE reference is not necessarily the brand under which KGS will offer this suite of programs. The formal name of this suite of programs will be determined at a later date. The Step ONE reference is used for illustration purposes only.

1 application. The proposed programs will provide significant customer benefits and are in
2 the public interest.

3 As a component of the EK program, KGS proposes to implement a Processing
4 Fee and a monthly Maintenance Fee to all participants. These proposed charges are
5 supported by a cost study, as outlined later in my testimony.

6 The RNA is consistent with the total allowable revenue method, identified as the
7 preferable decoupling method by the Commission in Docket No. 08-GIMX-441-GIV.
8 This method is very straightforward and simply measures the difference between actual,
9 weather normalized revenue for the Residential and General Sales Service classes
10 respectively, with the revenue authorized for these classes as contained in Staff's proof of
11 revenue in Docket No. 06-KGSG-1209. The revenue requirement approved by the
12 Commission associated with the Gas System Reliability Surcharge in Docket Nos. 09-
13 KGSG-199-TAR and 10-KGSG-155-TAR is not included in either the authorized
14 revenue or the actual revenue, for purposes of determining the RNA adjustment.

15 KGS also seeks Commission authority to defer the revenue associated with the
16 RNA proposal, as well as EK and Step ONE program costs. The explicit KCC approval
17 of this accounting treatment is necessary for KGS to make the corresponding accounting
18 entries, in compliance with Generally Accepted Accounting Principles. KGS would
19 defer these costs through February of each year. Shortly after the close of February's
20 financial statements, KGS will supply the KCC Staff with the underlying calculations
21 supporting the ECR rider, which would be recovered in the form of a fixed monthly
22 charge. Any over or under recoveries from the prior period would be added or subtracted

1 from the current year's ECR calculation, similar to the method used in the annual Cost of
2 Gas Rider adjustment.

3 My testimony also outlines a five-year budget for both the EK and Step ONE
4 programs as required pursuant to the Commission's order in Docket No. 08-GIMX-441-
5 GIV (441 Docket). The initial years' budget for the EK and Step ONE programs are
6 estimated at \$325,730 and \$2,077,999, respectively. The majority of the Step ONE
7 budget is comprised of rebates (\$1,646,394). The Step ONE programs are discussed at
8 length in the testimony of Mr. Paul Raab. Later in my testimony I will describe the
9 company's plans to implement an education program.

10 My testimony contains the tariff supporting the EK program, the Step ONE
11 programs and the Efficiency Conservation Rider. Finally, my testimony also supports the
12 Memorandum of Understanding which is required to implement the EK program.

13
14 **EFFICIENCY KANSAS**

15 **Q. PLEASE BEGIN BY PROVIDING AN OVERVIEW OF KGS PARTICIPATION**
16 **IN THE EK PROGRAM.**

17 **A.** KGS is requesting approval to become a full participant in the EK program, designed to
18 promote the installation of comprehensive energy efficiency solutions to residential and
19 small commercial and industrial sales customers, under Option 1 of the EK manual dated
20 November 12, 2009. Under this Option, KGS is responsible for submitting EK funds to
21 the Kansas Corporation Commission only after receipt of such funds from EK
22 participants.

23

1 Once approved, KGS will work closely with the KCC's State Energy Office (SEO) to
2 ensure a coordinated effort in the implementation of EK. KGS will establish a dedicated
3 full time Energy Efficiency Staff that will administer and promote both the EK and Step
4 ONE programs. KGS is also committed to a significant marketing effort promoting the
5 awareness and benefits of the EK and STEP ONE programs.

6 Exhibit DND-1 sets forth the information required in Appendix A of the
7 Commission's order in Docket No. 08-GIMX-441-GIV. This Exhibit summarizes the
8 general content of the EK program.

9 **Q. PLEASE INDICATE HOW KGS WILL COMMUNICATE THE DETAILS OF**
10 **THE EK PROGRAM TO ITS CUSTOMERS.**

11 **A.** KGS will establish a dedicated phone line to respond to customer inquiries of the EK
12 program. KGS' Energy Efficiency Staff will be trained to respond to these inquiries and
13 to provide an overview of the program. In addition, KGS will place information on its
14 website highlighting the EK program and will provide links to the KCC's EK website.

15 **Q. HOW WILL KGS MARKET THE EK PROGRAM?**

16 **A.** In conjunction with the development of this program, KGS will contract with a
17 consulting firm to assist in the preparation and execution of a marketing program
18 designed to encourage participation in EK. The firm will also promote the STEP ONE
19 programs. The firm will be available to work with the SEO's marketing firm to ensure
20 consistent messaging and leveraging of resources for the EK program.

21 The consultant will outline a recommended approach to strategically market both
22 the EK and Step ONE programs and to identify preferred advertising sources. The goals
23 of the marketing program are to increase awareness of the EK loan program and KGS'

1 Step ONE program. This significant marketing effort demonstrates KGS' commitment to
2 success of the EK program.

3 **Q. HOW DOES KGS PLAN TO CONFIRM CUSTOMER ELIGIBILITY FOR THE**
4 **EK PROGRAM?**

5 A. When a customer contacts KGS concerning participation in the EK program, the KGS
6 Analyst will review the customers' KGS payment history to determine whether the
7 customer qualifies for the EK program. Once an eligible customer has made the decision
8 to proceed with an energy audit, selected a qualified auditor, and has given the
9 appropriate consent for release of customer information, KGS will provide the auditor
10 with the customers' historic usage information necessary to proceed with development of
11 an Energy Conservation Program (ECP).

12 **Q. HOW DOES KGS INTEND TO COMPLY WITH THE EK REQUIREMENTS TO**
13 **FACILITATE APPROVAL OF THE ECP AND ENSURE ALL REQUISITE**
14 **AGREEMENTS ARE COMPLETED?**

15 A. KGS will receive the ECP from the customer, calculate the associated program charge
16 and communicate this to the customer. If accepted by the customer, KGS will then
17 forward the ECP to the SEO for their review. During this process, KGS will maintain
18 communication with the customer to inform them of the status of the review, as well as
19 with the SEO. Once SEO approval is obtained, KGS will notify the customer and initiate
20 the process of ensuring all necessary agreements are signed, including the customers'
21 obligation to disclose their meter based obligation to subsequent property owners. Once
22 this process is complete, KGS will inform the participating customer that contractor work
23 may begin.

1 The customer will then initiate the contractor work. The auditor will be
2 responsible for verification that the project has been completed, per the approved ECP.
3 The customer, along with the auditor, will then sign the Certificate of Project Completion
4 and submit it to KGS which will then forward it to the SEO.

5 **Q. PLEASE EXPLAIN THE PROCESS KGS WILL EMPLOY IN THE RECEIPT**
6 **AND DISBURSEMENT OF EK FUNDS.**

7 **A.** Once all necessary customer agreements have been signed and the Certificate of Project
8 Completion has been accepted by the SEO, the KCC will release the proceeds to KGS,
9 who will then promptly disburse the funds to the contractor and, if applicable, the auditor.
10 Commensurate with payment for the project, KGS will initiate the program charge on the
11 next bill issued to the customer. KGS will remit customer payment to the KCC on a
12 monthly basis.

13 **Q. WHAT STEPS WILL KGS TAKE TO ENSURE PROPER CUSTOMER**
14 **ACCOUNTING AND MONTHLY REPORTING TO THE KCC?**

15 **A.** KGS will remit funds to the KCC, consistent with the terms outlined in the EK Manual
16 (November 12th) for those utilities selecting Option 1. Once remitted by customers, EK
17 payments will be applied to customer accounts and the associated meter-based obligation
18 principal will be reduced. KGS will submit a monthly report to the KCC outlining EK
19 customer account activity, including payments received and outstanding balances. Any
20 customer who fails to make payment on their EK liability will be noted in the report. An
21 example of the format KGS proposes for this report is included as Exhibit DND-2.

22 **Q. WILL KGS UTILIZE THE SAME COLLECTION EFFORTS TO RECOVER EK**
23 **BALANCES AS IT DOES FOR TRADITIONAL UTILITY SERVICE?**

1 A. Yes. KGS is committed to make every reasonable effort to collect EK meter-based
2 obligation proceeds as it does to collect traditional utility billings, with the understanding
3 that the process for collection will proceed through referral to a Collection Agency. The
4 SEO would then initiate any litigation that may be necessary to recover a delinquent
5 account after it is returned by the Collection Agency as uncollectible and the customer
6 payment obligation is transferred to the SEO. KGS will execute a Verified Statement
7 form once it exhausts normal collection efforts.

8 **Q. HOW WILL KGS' COSTS OF EK BE RECOVERED?**

9 A. The majority of anticipated EK costs will be recovered through the ECR. However, I
10 believe as a matter of equity that participating EK customers should bear some portion of
11 the EK administrative costs. I recommend a two-part fee that would partly reimburse
12 KGS for its incremental cost of administering the EK program, both of which are
13 supported by cost studies. The charges are explained below:

14 Processing Fee \$120 - The purpose of this charge is to help defray KGS' costs
15 incurred to establish a customer within the EK program. Exhibit DND-3 provides a cost
16 estimate for these tasks in the form of a time study using KGS labor rates. The costs
17 involved in these charges represent the cost of incremental labor that will be dedicated to
18 the implementation of EK. Certain tasks that will be done with existing resources are not
19 included in this analysis. As shown on Line 14, the estimated cost of all tasks from the
20 time of initial participant contact through installation of the EK measures is \$123.02. The
21 proposed fee of \$120 does not reimburse KGS for the costs of responding to customer
22 inquiries and other tasks for customers who eventually elect not to participate in EK. The
23 proposed fee of \$120 strikes a balance by limiting cost shifting between EK participants

1 and non-participants, while at the same time not being set so high as to discourage
2 participation.

3 If not paid directly by the customer, the proposed fee would be recovered by KGS
4 from the program loan funds and reimbursed by the customer on a monthly basis as a
5 component of their repayment schedule. Residual EK costs incurred by KGS would be
6 recovered through the ECR as discussed later in my testimony.

7 Maintenance Fee - \$4/Month- The purpose of this fee is to help defray KGS' costs
8 of EK billing and the associated reporting requirements. Exhibit DND-4 sets forth the
9 time study supporting this charge. As shown on line 12, the estimated monthly costs of
10 billing and maintaining the account records as well as complying with the KCC reporting
11 requirements set forth under Option 1 approximates \$4/month. This charge would be
12 levied each month that the EK obligation remains outstanding.

13 **Q. DO YOU HAVE ANY OTHER COMMENTS CONCERNING KGS**
14 **PARTICIPATION IN THE EK PROGRAM?**

15 A. Yes. KGS is committed to be a successful partner with the SEO in the implementation of
16 the EK program. There will likely be unforeseen issues that arise during the initial phase
17 of the program. KGS will work with SEO to achieve a mutually satisfactory resolution of
18 these issues as they arise.

19 As the Commission is aware, the EK program is a new one and the underlying
20 KGS resources required to implement the program are unknown. As discussed in the
21 testimony of Mr. Brad Dixon, KGS initially intends to have four individuals devoted full

1 time to implement both the EK and the Step ONE suite of programs². It's possible we
2 may find that this level of resources may need to be adjusted in order to properly
3 administer these programs.

4 **Q. PLEASE EXPLAIN THE EDUCATION COMPONENT WITHIN THE STEP ONE**
5 **PROGRAM.**

6 A. The education component will focus on various aspects of customer outreach. The
7 education component is designed to raise awareness of the benefits of energy efficiency,
8 how to conserve energy, the reduction of carbon emissions through direct use
9 applications of natural gas, and the rebates and tax incentives available to Kansas
10 consumers. The education component will also be used to increase public awareness of
11 the EK program.

12 1. Customer Outreach and Education

13 KGS will host community meetings throughout our service territory designed to inform
14 customers of cost effective measures they can take to reduce their energy consumption.
15 These informational meetings will include describing cost effective measures consumers
16 may use to reduce their home heating and cooling costs. Also, information will be
17 provided about available KGS energy efficiency programs as well as applicable state
18 programs and available tax credits.

19 2. Targeted Meetings with Engineers & Architects

20 KGS will provide on-site education to area Engineers and Architects about the benefits of
21 including high efficiency natural gas equipment in their residential and commercial
22 designs. These offerings are designed to fulfill part of their required continuing education

² A number of other existing KGS employees will be involved in various aspects of program implementation, however because these costs are not incremental, they have not been included in the budget, nor will they be deferred on KGS' books for future recovery.

1 for a licensed professional. The purpose of the program is to educate professionals about
2 the availability of efficient natural gas equipment as well as to provide information
3 promoting the Step ONE programs and other available rebates and tax incentives.

4 3. Residential Builder/Developer Seminars

5 This program is designed to educate the home builder and residential developer on the
6 benefits of including high efficiency natural gas appliances in the design of the home and
7 the availability of rebates and tax incentives. Like other groups, the program also fulfills
8 part of the continuing professional certification credits for licensed builders.

9 4. Home Shows

10 KGS will use this face-to-face opportunity to meet the general public, provide
11 information on the efficient use of energy and to answer questions regarding energy
12 efficiency topics. We will also use this opportunity to educate them on the current energy
13 efficiency programs, including any rebates and financial incentives available for energy
14 efficiency investments.

15 5. Speaker's Bureau

16 Trained KGS personnel will make presentations to various community groups and clubs
17 throughout the state of Kansas regarding the efficient use of energy. They will also share
18 any information on the availability of any rebates or other financial incentives related to
19 energy efficiency improvements for their home or office and distribute energy
20 conservation literature.

21 6. School Classroom Programs

22 This program will be used to disseminate energy conservation information to interested
23 classroom teachers throughout the service territory. Lesson plans and other hands-on

1 materials will be developed varying by grade level. Students will learn about basic ways
2 people consume energy, ways energy can be conserved, as well as the societal benefits of
3 conservation.

4 7. Web-Site Design and Development

5 KGS will enhance its web site to include more comprehensive energy conservation
6 information. This information will include tips on general conservation measures and
7 links to other web sites to educate customers on the available state and federal
8 conservation related incentives.

9 **Q. PLEASE IDENTIFY THE GOALS OF THE EDUCATION PROGRAM.**

10 A. The goal of the Education program is to increase general awareness of energy efficiency
11 and energy conservation among our natural gas customers. Another goal of the
12 Education program is to identify the available rebates and tax incentives associated with
13 various types of energy efficiency purchases. The benefits associated with a
14 comprehensive Education program are not quantifiable in that they do not produce direct
15 savings, however they are closely related to the implementation of KGS' other energy
16 efficiency programs discussed in Mr. Raab's testimony. Providing customers with
17 information they can use to make better decisions regarding their energy consumption is
18 the primary goal of the Education program.

19 Exhibit DND-5 outlines the initial years' EK and Step ONE Education budget.
20 The bulk of costs include research and customer analysis, web site development and
21 marketing costs. Other costs include annual web-site maintenance fees, and the costs of
22 preparing and printing various Education program materials. The costs of the Education

1 Program are incorporated into the overall budget for each program as shown in Exhibit
2 DND-6 and as further explained in my testimony below.

3
4 **BUDGET**

5 **Q. PLEASE DISCUSS THE BUDGET FOR THE EK AND STEP ONE PROGRAM.**

6 A. Exhibit DND-6 sets forth the estimated budget for the both the EK and Step ONE
7 programs for the first year. As shown in line 10, the first years' gross budget is estimated
8 at \$2,403,729, after recognition of participant cost recovery as discussed earlier in my
9 testimony. The majority of the estimated first year budget is comprised of the costs of
10 the Step ONE rebates discussed in Mr. Raab's testimony (\$1,646,394), as shown on line
11 5. Other cost components include, incremental labor, costs of brochures and bill inserts,
12 marketing costs, general education materials, and incremental travel costs. The majority
13 of EK costs are comprised of incremental labor and marketing expenditures.

14 The Commission in its order in Docket No. 08-GIMX-442-GIV (paragraph 182)
15 indicated that any program costs that exceed the program budget by more than 10%
16 should be submitted for KCC review and approval. Because of the uncertainty with
17 program costs, KGS may indeed be submitting such a filing after implementation. For
18 purposes of this requirement KGS requests that the Step ONE suite of programs be
19 considered as one program for budgetary monitoring purposes.

20 **Q. HOW WILL JOINT COSTS BE ASSIGNED BETWEEN THE TWO**
21 **PROGRAMS?**

22 A. Costs specific to a program such as rebate costs, will be directly assigned to the Step
23 ONE program. Labor costs will be assigned between the EK and Step ONE programs

1 based upon an assignment of time each individual spends on each program. For example,
2 on lines 1 and 2 of Exhibit DND-6, I have assumed that the Manager and Supervisor of
3 Energy Efficiency will spend approximately 67% of their time on the EK program, with
4 the remainder assigned to the Step ONE program. Likewise, I have estimated that the
5 two Analyst positions would be assigned 75% to the EK program and 25% to the Step
6 ONE program. Joint costs such as marketing, will be allocated to each program.

7 Common marketing costs may simply be assigned equally between the EK and Step ONE
8 programs. To the extent that any marketing costs are specific to a particular program, the
9 costs will then be assigned to that program.

10 **Q. HOW WILL EK AND STEP ONE PROGRAM COSTS BE ASSIGNED TO THE**
11 **RESIDENTIAL AND GENERAL SALES SERVICE CLASSES?**

12 **A.** Once costs have been either directly assigned or allocated between the programs, the total
13 costs will then be allocated to the two rate classes. EK program costs will be allocated on
14 the basis of the ratio of the number of participants within each class to total participants.
15 This is an appropriate allocation methodology since the residual KGS program costs will
16 be, to a great extent, a function of the number of participants. Step ONE program costs
17 will be allocated to each class on the basis of the ratio of total rebate amount within each
18 class to the total rebate amount for both classes. Amounts spent by KGS in the
19 Commercial Custom program will be considered as a 'rebate' for purposes of
20 determining this ratio.

21 **Q. HAVE YOU PREPARED A PROPOSED FIVE YEAR BUDGET FOR EACH**
22 **PROGRAM?**

1 A. Yes. Exhibit DND-7 and DND-8 sets forth the estimated five year budget for both the EK
2 and Step ONE programs, respectively. As shown on line 9 of EK Budget (Exhibit DND-
3 7) and line 10 of the Step ONE budget (Exhibit DND-8), I have incorporated an estimate
4 of KCC Evaluation, Measurement and Verification (EMV) costs at the rate of 5% of total
5 program costs, to be incurred in the second and fourth years of the program. Other than
6 labor costs, which are estimated to increase slightly over the five year time horizon, and
7 certain one-time marketing costs, other cost elements remained the same throughout the
8 period.

9

10 **ENERGY CONSERVATION RIDER**

11 **Q. COULD YOU PLEASE INDICATE THE COMPONENTS OF THE ECR?**

12 A. Yes. The ECR is designed to recover the following costs;

13 a. Revenue deficiency, or excess, associated with the RNA mechanism.

14 b. Incremental administrative and rebate costs associated with the Step One programs.

15 c. Residual costs associated with the administration of the EK program, not otherwise
16 recovered through participant charges.

17 **Q. HOW DO YOU INTEND TO BILL THE ECR?**

18 A. The ECR would be reflected as a separate line item on customers' bills.

19 **Q. EARLIER IN YOUR TESTIMONY YOU INDICATED THAT APPROVAL OF**
20 **THE ECR MECHANISM WAS AN ESSENTIAL COMPONENT NECESSARY**
21 **FOR KGS TO IMPLEMENT THE EK AND STEP ONE PROGRAM. PLEASE**
22 **ELABORATE.**

1 A. KGS is eager to work towards achieving the KCC's stated goal of facilitating energy
2 efficiency programs. However, KGS cannot embrace energy efficiency without a
3 realignment of its rate recovery mechanisms for the Residential and General Sales
4 Service classes as well as recover its energy efficiency program costs.

5 KGS' current rate structure provides a disincentive for KGS to reduce throughput.
6 For example, KGS Residential rates are designed such that 53.76% of the cost of service
7 assigned to the Residential rate class is to be recovered through KGS' volumetric charge.
8 In other words, due to the reliance upon volumetric rates, KGS' cost recovery is, in
9 significant part, dependent upon maintaining its throughput. Likewise, 64.92% of the
10 cost of service assigned to the General Sales Service class is recovered through
11 volumetric rates. The reliance upon throughput to recover KGS' costs is in contrast to
12 the manner in which KGS' costs are incurred. This mismatch between how KGS
13 recovers its costs and how its costs are incurred poses a barrier for KGS in terms of
14 implementing energy efficiency programs, which by design would further erode KGS
15 margins. Mr. Raab provides testimony identifying those public policy considerations that
16 warrant the adoption of an RNA mechanism.

17 **Q. WOULD A STRAIGHT FIXED VARIABLE RATE DESIGN ALLEVIATE**
18 **THESE CONCERNS AND THOSE CONTAINED IN THE TESTIMONY OF MR.**
19 **RAAB?**

20 A. Yes. While there is strong public policy justification for moving to straight fixed variable
21 rate design at this time, we have decided to propose an interim measure which would
22 minimize customer impacts, consistent with the Commission's order in the 441 Docket.
23 The concept of straight fixed variable rate design may be addressed in a subsequent base

1 rate proceeding. As mentioned earlier, the proposed RNA is consistent with that
2 identified by the Commission as its preferred decoupling method.

3 **Q. COULD YOU PLEASE DEFINE REVENUE DECOUPLING?**

4 A. Revenue decoupling is simply any rate, or recovery mechanism that severs the link
5 between revenue and throughput.

6 **Q. PLEASE DESCRIBE THE RNA PROPOSAL.**

7 A. The RNA component within the ECS is simply the difference between actual, weather-
8 normalized, revenue for the Residential and General Sales Service classes, respectively,
9 and that revenue upon which base rates were established in KGS' last base rate
10 proceeding, Docket No. 06-KGSG-1209-RTS. The difference will be deferred monthly,
11 and then recovered in a subsequent period, through a fixed monthly charge.

12 **Q. HAVE YOU ESTIMATED THE IMPACT OF THE RNA MECHANISM?**

13 A. Yes. Exhibit DND-9 estimates the RNA based upon actual revenue for the twelve-month
14 period ended November, 2009. As shown on line 4, the adjustment would be \$1,525,807
15 and \$2,856,006 for the Residential and General Sales Service classes, respectively.

16 **Q. IS THIS DECOUPLING METHOD CONSISTENT WITH COMMISSION
17 FINDINGS IN DOCKET NO. 08-GIMX-441-GIV?**

18 A. Yes. This method limits the RNA to the previously approved revenue authorized for the
19 Residential and General Sales Service tariff class, thus providing protection for
20 ratepayers as sought by the Commission³. Because the adjustment is premised upon
21 revenue authorized in KGS' most recent rate proceeding, base rate revenue for the two
22 classes is essentially capped at those levels between base rate proceedings, plus the KCC

³ In Docket No. 08-GIMX-441-GIV the Commission indicated it prefers decoupling calculations based upon total allowable revenue (p. 21).

1 approved rate adjustments for the Gas System Reliability Surcharge (GSRS). The
2 reliance upon previously approved revenue levels acts as a cap, or a safety mechanism as
3 stated in the Commission's order.⁴ The GSRS authorized revenue would be excluded for
4 purposes of determining the authorized revenue, as well as actual KGS revenue.

5 **Q. YOU MENTIONED THAT GSRS WOULD BE EXCLUDED IN DETERMINING**
6 **THE AUTHORIZED REVENUE FOR PURPOSES OF COMPUTING THE RNA.**
7 **COULD YOU PLEASE FURTHER EXPLAIN HOW GSRS REVENUE WOULD**
8 **BE TREATED WITHIN THE ADJUSTMENT?**

9 **A.** Yes. The GSRS revenue is tracked separately pursuant to the GSRS authorizing statute.
10 Therefore, it does not need to be tracked a second time within the RNA component of the
11 ECS. For purposes of determining the RNA, the GSRS authorized revenue shall be
12 excluded in determining the amount which KGS is authorized to recover from each rate
13 class. Likewise, KGS' actual revenue used within the RNA calculation should exclude
14 GSRS revenues. This treatment is appropriate in that the calculation excludes all effects
15 of the GSRS mechanism in determining the appropriate RNA. After recognition of the
16 RNA, KGS' actual revenues for the Residential and General Sales Service class would be
17 capped at the sum of revenue authorized in Docket No. 06-KGSG-1209-RTS, plus the
18 cumulative revenue authorized in GSRS orders. In addition, KGS requests that the
19 authorized revenue levels be increased in the future to recognize any municipal system
20 acquisitions that may occur subsequent to January 1, 2010.

21 **Q. PLEASE EXPLAIN THE PROCESS FOR SUBMITTING THE ANNUAL ECR**
22 **AND HOW THE SPECIFIC ECR RATE WILL BE DETERMINED.**

⁴ Docket No. 08-GIMX-441-GIV; paragraph 65.

1 A. The sum of the ECR components would be deferred monthly, through February of every
2 year. This time frame is proposed to be consistent with the period used to accrue revenue
3 (liability) for the Weather Normalization Adjustment. The first period will likely be less
4 than an annual period; however subsequent filings would then be on an annual basis. As
5 soon as practical after February’s close of business, KGS would submit a report
6 identifying the deferrals, by program. The sum of the revenue normalization deferral and
7 the EK and Step ONE program costs will be divided by the average annual number of
8 customers in the respective class, multiplied by twelve, to arrive at the fixed monthly
9 charge.

10 **Q. WILL THE REVENUE RECEIVED UNDER THE ECR MECHANISM BE**
11 **RECONCILED WITH AUTHORIZED REVENUE?**

12 A. Yes. Beginning with the second ECR submittal, KGS’ filing will compare the actual
13 ECR collections during the prior period with that level that was authorized for collection.
14 The difference between the amount collected and that authorized will then be factored
15 into the subsequent year’s ECR factor, as either an over or under collected balance. This
16 methodology is identical to that used to track over and under collected amounts within
17 the Gas System Reliability Surcharge (GSRS) and WNA mechanisms.

18 **Q. DO YOU HAVE AN ESTIMATE OF THE FIRST YEARS’ ECR SURCHARGE?**

19 A. Yes. Exhibit DND-6 provides an estimate of the first annual ECR surcharge⁵. This
20 estimate incorporates the estimated annual budget costs for the EK and Step One
21 programs. As discussed above, depending upon when the Commission issues an order
22 approving the application, the first ECR may likely represent a partial years’ activity.

23 **Q. HOW WAS THIS ESTIMATE DETERMINED?**

⁵ This assumes an annualized level of costs. The first ECR period will likely be less than twelve months.

1 A. The estimated decoupling deferral is based upon actual revenue for the twelve month
2 period ended November, 2009. As shown on Line 21, the decoupling estimate would
3 produce a monthly ECS surcharge of \$.70 and \$5.80 for the Residential and General
4 Sales Service classes respectively, including estimated program costs and additional
5 margins lost as a result of the programs. The lost margins of \$1,572,768, supported by
6 Paul Raab, were split between the two classes for purposes of calculating this estimate.
7 Depending upon the date of KCC approval, the initial ECR will be proportionately less
8 than the annualized rates reflected on line 21 of Exhibit DND-6.

9

10 **ACCOUNTING AUTHORITY REQUEST**

11 **Q. PLEASE DISCUSS THE KGS REQUEST FOR SPECIFIC KCC AUTHORITY TO**
12 **DEFER THE IMPACT OF THE RNA AND EK AND STEP ONE PROGRAM**
13 **COSTS .**

14 A. Kansas Gas Service is also seeking accounting authority to permit it to recognize
15 revenues on a monthly basis for the RNA mechanism and to defer and recover program
16 costs. The accounting treatment for the revenues associated with the RNA mechanism
17 and deferral of recovery of program costs must be in accordance with Generally
18 Accepted Accounting Principles (GAAP), ASC 980-10, which is the authoritative
19 guidance for entities with rate regulated activities. During February of each year, the
20 deferred program costs and recognized revenues will be calculated to determine the
21 adjustments under the ECR and a surcharge amount will be established for collection
22 from the Residential and General Sales Service classes. The Commission Staff will be
23 given the opportunity to review the proposed surcharge amounts as part of a regulatory

1 filing. This approach would be consistent with Docket 441 and will allow for recovery of
2 costs incurred for the energy efficiency programs and RNA revenue accrued in a prior
3 period.

4 **Q EARLIER YOU INDICATED THAT THE INITIAL REVENUE DECOUPLING**
5 **DEFERRAL PERIOD WOULD BE INITIATED FROM THE DATE OF**
6 **COMMISSION APPROVAL THROUGH FEBRUARY, 2011. GIVEN THAT THE**
7 **INITIAL DEFERRAL PERIOD WILL LIKELY BE LESS THAN A FULL YEAR,**
8 **HOW DO YOU PROPOSE TO IDENTIFY APPROPRIATE MONTHLY**
9 **DEFERRALS WITHIN THE CONTEXT OF THE ANNUAL REVENUE FOR**
10 **THE RESIDENTIAL AND GENERAL SALES SERVICE CLASSES**
11 **AUTHORIZED WITHIN THE LAST RATE PROCEEDING?**

12 A. Exhibit DND-10 sets forth the monthly components of the annual authorized revenue
13 which total to Staff's final *Proof of Revenue Schedule included as Appendix A* within the
14 Stipulation and Agreement in the 1209 Docket. The monthly proportion of the
15 annualized revenue was simply determined based upon the ratio of monthly revenue
16 proposed by KGS witness Paul Raab, in the 1209 Docket applied to the adopted
17 authorized revenue for the Residential and General Sales Service classes. The purpose of
18 this monthly assignment is to determine the portion of the Commission's authorized
19 revenue that should be deferred on KGS' books each month. Since the Commission's
20 authorized revenue level was stated on an annual basis, the approach I have described
21 simply allocates the Commission's authorized revenue to each month based upon the
22 proportion of KGS' monthly pro-forma revenue calculation.

23

1 **Q. IS KGS REQUESTING COMMISSION ADOPTION OF THESE MONTHLY**
2 **REVENUE TOTALS FOR PURPOSES OF DETERMINING THE MONTHLY**
3 **REVENUE ACCRUAL?**

4 **A.** Yes. KGS requires Commission approval of these amounts, which would provide the
5 necessary confirmation to record the monthly RNA deferrals.
6

7 **KCC REPORTING**

8 **Q. PLEASE DISCUSS KGS' PLANS TO COMPLY WITH THE COMMISSION'S**
9 **REPORTING REQUIREMENTS OUTLINED IN DOCKET NO. 08-GIMX-442-**
10 **GIV.**

11 **A.** The Commission's order (paragraph 152) indicates that utilities should provide interim
12 reports on a semi-annual basis, reporting on participation levels, savings, and a
13 comparison to expected goals. Attached as Exhibit DND-11 is an example of the
14 template KGS plans to use to comply with this requirement for the Step ONE programs.
15 The savings levels will incorporate the deemed savings identified within the Exhibits of
16 Mr. Paul Raab.
17

18 **TARIFF**

19 **Q. ARE YOU SUPPORTING THE APPLICABLE TARIFF OUTLINING THE**
20 **TERMS AND CONDITIONS OF SERVICE FOR THE EK AND STEP ONE**
21 **PROGRAMS?**

1 A. Yes. Exhibit DND-12 contains the proposed tariff for the EK program. Exhibit DND-13
2 contains the proposed tariff for the Step ONE programs. Exhibit DND-14 is the proposed
3 tariff for the Energy Conservation Rider.

4 **Q. PLEASE BEGIN BY SUMMARIZING THE EK TARIFF.**

5 A. Exhibit DND-12 contains the KGS Efficiency Kansas Tariff which sets forth the rules
6 under which KGS will offer the program to its customers. The program is available to
7 those customers served under the Residential Sales or General Sales Service rate
8 schedules. The program is subject to the terms and conditions of the SEO's Efficiency
9 Kansas Manual. KGS has elected to participate in the EK program under Option 1,
10 whereby the utility collects and remits utility payments to the SEO. Under this Option,
11 utilities do not bear the risk of uncollectible EK obligations, although all utilities,
12 including KGS, are required to exercise equal collection efforts among EK and gas
13 service receivables.

14 The tariff sets forth the responsibilities of customers' participating in the EK
15 program, including obtaining an audit, reviewing audit results, obtaining bids from
16 qualified contractors and finalizing the ECP. The tariff identifies KGS' responsibilities
17 in administering the program, including reviewing EK documents, calculating the
18 proposed EK charges, submittal of documents to the SEO, general communication with
19 the customer on the status of the EK application, payment for work performed upon
20 receipt of SEO's proceeds, and billing and collecting EK program charges. KGS agrees
21 to promptly remit EK proceeds in accordance with terms outlined in the EK Manual. The
22 tariff identifies customer/landlord notification requirements to successive owners and
23 tenants. Exhibit DND-12 also identifies Billing and Collection provisions under which

1 the EK program charges will be billed. The tariff sets out the one time charge,
2 (Processing Fee) and monthly Maintenance Fee as discussed earlier in my testimony.

3 **Q. PLEASE CONTINUE WITH A DISCUSSION OF EXHIBIT DND-13.**

4 A. Exhibit DND-13 sets forth the tariff which outlines the terms and conditions for provision
5 of KGS' Step ONE programs. Each program discussion in Paul Raab's testimony is
6 described, along with the corresponding rebates, if applicable. Rebates provided under
7 the Heating System Check-up Program may be paid as either a bill credit or directly to a
8 third-party installer. Rebates associated with the Equipment Replacement Program shall
9 be paid upon receipt of the rebate form verifying the installation of the equipment.

10 The tariff also identifies the terms of the Natural Gas Direct Use Existing Homes
11 Pilot Program, the Energy Star New Homes Program and the Commercial Custom
12 Program. The tariff also outlines KGS' plans to implement an Education Program.

13 **Q. PLEASE CONTINUE WITH AN EXPLANATION OF EXHIBIT DND-14.**

14 A. Exhibit DND-14 sets forth the Energy Conservation Rider (ECR) and the Energy
15 Conservation Surcharge (ECS) that was discussed earlier in my testimony. The tariff
16 establishes a surcharge to recover program costs for the Step ONE programs and the KGS
17 Efficiency Kansas program not covered by the Processing Fee of \$120.00 and the \$4.00
18 monthly maintenance (administrative fee), as well as the recovery of decoupling revenue
19 through the revenue normalization adjustment. The tariff is divided between residential
20 and general service customer categories to permit respective individual charges for each
21 class. The tariff also provides for an annual true-up each year after February books are
22 closed.

23 **Q. PLEASE CONTINUE WITH A DISCUSSION OF EXHIBIT DND-15.**

1 A. Exhibit DND-15 is an executed Memorandum of Agreement dated December 11, 2009,
2 between the Commission and the Company for the purpose of establishing a collaborative
3 relationship for implementing the Efficiency Kansas program. The agreement recites
4 various obligations and requirements the Company must fulfill in implementing the
5 Efficiency Kansas program. It also recites the services to be provided by the State
6 Energy Office and the Commission, as well as mutual agreements for the disbursement
7 and collection of funds and reporting. The agreement is not final and must be formally
8 approved by the Commission in an order. As a precondition of the Efficiency Kansas
9 component of this application, the State Energy Office has indicated that a Memorandum
10 of Agreement be in place and subject to formal approval by the Commission.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. Yes.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF _____)

David N. D. Hemore being duly sworn upon his/her oath, deposes and states that he/she is MGR. Regulatory Affairs for KANSAS GAS SERVICE; that he/she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his/her knowledge, information, and belief.

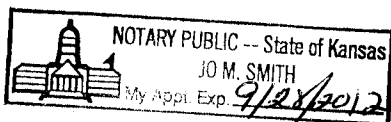
David N. D. Hemore
NAME

Subscribed and sworn to before me this 18th day of December 2009

Jo M. Smith
NOTARY PUBLIC

My appointment Expires:

9/28/2012



Efficiency Kansas

Appendix A

1. **Program Description** – The Efficiency Kansas (EK) program is designed to permit and encourage the installation of cost beneficial energy conservation measures using the whole house concept. The funds used to finance this program are derived from the American Recovery and Reinvestment Act of 2009, administered by the KCC's State Energy Office (SEO) and will be repaid by EK participants through KGS' utility billings over a time period not to exceed fifteen years. KGS will participate in the program through partnership with the SEO under terms specified within OPTION 1 of the EK Manual.
2. **Program Goal** - The goal of the Efficiency Kansas program is to provide long term financing for cost effective energy conservation and efficiency improvements for residential and commercial customers throughout the KGS service territory. The expected energy and demand savings are not available; however program costs shall be no higher than 90% of program savings over a period not to exceed fifteen years.
3. **Program Framework/Strategy**
 - a. **Relationship to Other Programs** – The EK program will be available to all KGS Residential and General Sales Service customers, including those participating in KGS' Step ONE programs. The KGS' Step ONE program will be a complimentary program to the EK Program.
 - b. **Marketing Strategy** – KGS will market the EK program through its website, bill inserts and external advertising.
 - c. **Program Delivery** - The program will be delivered through a combination of external auditors, contractors, KGS and the SEO. KGS will provide in-house customer service and administrative functions in support of the program.
 - d. **Partners** – Partners include the SEO as well as customer selected auditors and contractors.
4. **Program Budget** - The five year program budget is set forth in Exhibit DND-7.
5. **Program Beneficiaries** – Expected customer participation is difficult to project. For purposes of underlying cost calculations, KGS has assumed 400 participants.
6. **Program Benefit-Cost Analysis** – Due to the nature of the program, a cost benefit analysis cannot be determined. The cost benefit calculation will be determined by a third party auditor and will vary by participant.

7. **Program Evaluation, Measurement and Verification Plan** – The program will be evaluated by an independent consultant pursuant to guidelines established by the Staff of the KCC Utilities Division.
8. **Program Specific Tariff Schedule** – The KGS tariff supporting the EK program is contained in Exhibit DND-12.

10-GIMX-013-GIV

KANSAS GAS SERVICE
Efficiency Kansas
Option 1

Exhibit DND-2

Monthly Report

Month _____

<u>Line No.</u>	<u>Description</u>
1	Participant Name
2	Meter Location
3	Originating Loan Date
4	Loan Term (Years)
5	Original Loan Amount
6	# Payments Made
7	# Payments Remaining
8	Current Month Payment \$
9	Remaining Principle Balance
10	Delinquent Current Month (Y/N?)
11	If Delinquent; Date of Last Payment
12	If Delinquent; Amount of Last Payment
13	If Delinquent; Account Notes
14	If Delinquent; Shutoff Date?

**KANSAS GAS SERVICE
Efficiency Kansas
Cost Study - Processing Fee**

Exhibit DND-3

Line No.	Function	Time (Minutes)
1	Explain and review program with customers over the phone (Special 1-800) and/or respond to customers' e-mail inquires (Special e-mail address).	20
2	Review customer's payment history to verify qualifications for the program.	10
3	Direct customer to list of approved auditors either by mailing them the list or directing them to the appropriate website.	15
4	Provide auditor information on customer's last 12 month gas usage to determine accurate energy savings estimate.	15
5	Receive from customer/auditor Energy Conservation Plan, review and forward to KCC for approval. Make sure customer and contractor have signed forms and acknowledgements required by KCC.	15
6	Inform customer of KCC's approval or rejection of the plan.	10
7	Review and provide verification that project has been completed according to approved plan and that safety "test-out" has been performed.	60
8	Send KCC signed Certificate of Project Completion Report	15
9	Receive and Record KCC payments.	10
10	Pay contractors for approved service.	15
11	Total =	185
12	Hours =	3.08
13	Hourly Cost	\$39.90
14	Total Cost	\$123.02

Note:

Hourly rate for Supervisor is \$39.90/hr (labor attendant fee included). At 3.08 hours, total up-front charge to set-up customer is (\$39.90 x 3.08 hrs. = \$123.02).

**Kansas Gas Service
Efficiency Kansas Time Study
Recurring Costs**

Exhibit DND-4

Line No.	Description	Time (Hours)		Tasks
		Daily	Monthly	
1	Run Billing System Reports	0.66		Post payments, identify delinquencies, account status
2	Prepare SEO Report		4	Identify total amount charged, identify loan balance and collection balance
3	Customer Accounting System Maintenance		32	Confirm Payment Postings, update loan amounts; five minutes per account
4	EK Data base Management		67	Record payments, track delinquencies, reconcile loan balances; ten minutes per account
5	Subtotal Hours/Day	0.66		
6	Workdays per Month	21		
7	Equivalent Monthly Hours	13.86	103	
8	Total Monthly Hours	117		
9	Estimated Hourly Wage Rate	\$ 13.80		Energy Conservation Analyst
10	Monthly Recurring Fees	\$ 1,608		Participating Customers Only; Other EK general costs are not included.
11	Estimated Monthly Participants	400		
12	Monthly Recurring Charge	<u>4.02</u>		

**KANSAS GAS SERVICE
EDUCATION BUDGET
YEAR ONE BUDGET**

Exhibit DND-5

<u>LINE NO.</u>		<u>EK</u>	<u>Step ONE</u>
1	Research	\$ 23,489	\$ 23,489
2	Program Development	-	35,370
3	Marketing	135,575	135,575
4	Travel and Meeting Materials	19,000	17,000
5	Web-Site Development	5,643	35,643
6	Total	<u>\$ 183,707</u>	<u>\$ 247,077</u>

KGS
Energy Efficiency Budget Summary
Year 1

Exhibit DND-6

Line No.	Description (a)	Efficiency		Step One	Total (d)	Allocation Based upon Customer Count		
		Kansas (b)				Residential (f)	General Sales Service (g)	
<i>Labor Costs Includes Loadings</i>								
1	Manager, Energy Efficiency	77,028	\$	37,939	\$	114,967	105,705	9,262
2	Supervisor Energy Efficiency	55,601	\$	27,386	\$	82,987	76,301	6,686
3	Energy Efficiency Specialists (2)	42,994	\$	14,331	\$	57,325	52,707	4,618
4	Rebate Processing		\$	13,872	\$	13,872	12,754	1,118
5	Rebate Costs		\$	1,646,394	\$	1,646,394	1,513,756	132,638
6	Reference Materials	19,000	\$	19,000		38,000	34,939	3,061
7	Education/Marketing	164,707	\$	200,077		364,784	335,396	29,388
8	Education Materials, Travel, Web site development		\$	47,000	\$	47,000	43,214	3,786
9	Program Consultation		\$	72,000	\$	72,000	66,199	5,801
10	KCC EMV				\$	-	-	-
11	Subtotal	\$ 359,330	\$	2,077,999	\$	2,437,329	2,240,971	196,358
12	Less: Estimated Participant Charges							
13	Monthly Maintenance Charges	\$ 9,600			\$	9,600	8,827	773
14	Origination Fees	\$ 24,000			\$	24,000	22,066	1,934
15	Total Costs	\$ 325,730	\$	2,077,999	\$	2,403,729	\$ 2,210,078	\$ 193,651
16	Revenue Normalization						\$ 1,525,807	\$ 2,856,006
17	Margins Lost from EE Programs - Exh. PHR 4						\$ 1,111,603	\$ 461,165
18	Subtotal						\$ 4,847,488	\$ 3,510,822
19	Customers						575,895	50,461
20	Annual Cost						\$ 8.42	\$ 69.57
21	Monthly Cost						\$ 0.70	\$ 5.80

Customer Weighting	Customers	
	12/31/2008	Weight
Residential	575,895	91.94%
General Sales Service	50,461	8.06%
Total	626,356	100.00%

KGS

Efficiency Kansas Budget Summary
Year 1 - 5

Exhibit DND-7

Description	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Labor Costs Includes Loadings</i>					
1 Manager, Energy Efficiency	\$ 77,028	\$ 79,339	\$ 81,719	\$ 84,170	\$ 86,696
2 Supervisor Energy Efficiency	55,601	57,269	58,987	60,757	62,580
3 Energy Efficiency Specialists (2)	42,994	44,283	45,612	46,980	48,390
4 Rebates and Customer Costs					
5 Rebate Costs					
6 Reference Materials	19,000	19,000	19,000	19,000	19,000
7 Education/Marketing	164,707	126,023	126,023	126,023	126,023
8 Education Materials, Travel					
9 KCC EMV		16,296		16,847	
10 Subtotal	\$ 359,330	\$ 342,210	\$ 331,341	\$ 353,777	\$ 342,688
11 Less: Estimated Participant Charges					
12 Monthly Maintenance Charges	9,600	19,200	24,000	28,800	33,600
13 Origination Fees	24,000	24,000	12,000	12,000	12,000
14 Total Costs	\$ 325,730	\$ 299,010	\$ 295,341	\$ 312,977	\$ 297,088

KGS

Step ONE Budget Summary
Years 1 - 5

Exhibit DND-8

Description	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Labor Costs Includes Loadings</i>					
Manager, Energy Efficiency	\$ 37,939	\$ 39,077	\$ 40,250	\$ 41,457	\$ 42,701
Supervisor Energy Efficiency	27,386	28,207	29,053	29,925	30,823
Energy Efficiency Specialists (2)	14,331	14,761	15,204	15,660	16,130
Rebates and Customer Costs	13,872	13,872	13,872	13,872	13,872
Rebate Costs	1,646,394	1,646,394	1,646,394	1,646,394	1,646,394
Bill Inserts - and Marketing Materials	19,000	19,000	19,000	19,000	19,000
Education/Marketing	200,077	153,383	153,383	153,383	153,383
Education Materials, Travel	47,000	47,000	47,000	47,000	47,000
Program Consultation	72,000	72,000	72,000	72,000	72,000
KCC EMV - Every Other Year	-	101,685	-	101,935	-
Total	\$ 2,077,999	\$ 2,135,379	\$ 2,036,156	\$ 2,140,626	\$ 2,041,303

**KANSAS GAS SERVICE
ESTIMATED REVENUE NORMALIZATION IMPACT
TWELVE MONTHS ENDED NOVEMBER, 2009**

Exhibit DND-9

		<u>12 Months Ended 11/09</u>	
<u>Line No.</u>	<u>Description</u>	<u>Residential</u>	<u>Commercial</u>
1	Revenue Authorized in 1209 Docket	\$ 182,113,692	\$ 40,798,857
2	Accrued Revenue 12 ME 11/09	<u>\$ 180,587,885</u>	<u>\$ 37,942,851</u>
3	Revenue Shortfall	\$ 1,525,807	\$ 2,856,006
4	Estimated Revenue Normalization Impact	<u>\$ 4,381,814</u>	

**Kansas Gas Service
Revenue Decoupling
Monthly Revenue**

Exhibit DND-10

Residential

General Sales Service

Line No.	Month	KGS Proposed Residential Revenue 1209 Docket	Monthly Revenue Allocation	Annual Residential Revenue Total Authorized Docket No. 1209
				\$182,113,692

Monthly Revenue

1	January	\$ 28,957,356	15.89%	\$28,945,144
2	February	25,627,238	14.07%	\$25,616,432
3	March	20,615,935	11.32%	\$20,607,241
4	April	14,899,732	8.18%	\$14,893,449
5	May	11,405,252	6.26%	\$11,400,442
6	June	8,869,060	4.87%	\$8,865,320
7	July	8,911,004	4.89%	\$8,907,246
8	August	8,582,302	4.71%	\$8,578,683
9	September	8,509,327	4.67%	\$8,505,739
10	October	8,755,417	4.81%	\$8,751,725
11	November	13,359,912	7.33%	\$13,354,278
12	December	23,697,988	13.01%	\$23,687,994
13	Total	\$ 182,190,521	100.00%	\$182,113,692

Line No.	Month	KGS Proposed GSS Revenue 1209 Docket	Monthly Revenue Allocation	Annual GSS Revenue Total Authorized Docket No. 1209
				\$40,798,857

Monthly Revenue

1	January	\$7,146,099	17.59%	\$7,178,198
2	February	\$6,216,428	15.31%	\$6,244,351
3	March	\$4,836,358	11.91%	\$4,858,082
4	April	\$3,170,264	7.81%	\$3,184,504
5	May	\$2,257,066	5.56%	\$2,267,204
6	June	\$1,790,715	4.41%	\$1,798,758
7	July	\$1,786,411	4.40%	\$1,794,435
8	August	\$1,728,042	4.25%	\$1,735,804
9	September	\$1,698,993	4.18%	\$1,706,625
10	October	\$1,714,099	4.22%	\$1,721,798
11	November	\$2,773,419	6.83%	\$2,785,877
12	December	\$5,498,523	13.54%	\$5,523,221
13	Total	\$40,616,418	100.00%	\$40,798,857

KANSAS GAS SERVICE
Semi-Annual Energy Efficiency Report

Exhibit DND-11

Period _____

Line No.	Step ONE Programs (a)	Rebates or Incentives (If Applicable) (b)	Participants (c)	Deemed Savings (d)	Direct Costs (e)	Labor Costs (f)	Marketing Costs (g)	Total Costs (h) (e+f+g)
-----------------	------------------------------	--	-------------------------	---------------------------	-------------------------	------------------------	----------------------------	--------------------------------

- | | | | | | | | | |
|----|-------------------|--|--|--|--|--|--|--|
| 1 | Seasonal Check Up | | | | | | | |
| 2 | Water Heater | | | | | | | |
| 3 | Tank | | | | | | | |
| 4 | Tankless | | | | | | | |
| 5 | Space Heating | | | | | | | |
| 6 | 90% | | | | | | | |
| 7 | 95% | | | | | | | |
| 8 | Direct Use | | | | | | | |
| 9 | Energy Star | | | | | | | |
| 10 | Commercial Custom | | | | | | | |

11 **Total Step ONE Program**

12 **Efficiency Kansas**

Note: Deemed Savings for Step ONE programs = Avg. gas cost for the period * Deemed Savings for each sub-program.
 Deemed Savings for EK program = Auditor projection of monthly savings, by participant * # months of participation for each participant.
 The total of these individual participant savings = total program savings

All Rate Areas

(Territory to which schedule is applicable)

Replacing Schedule initial Sheet --
which was filed --

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 9 Sheets

KGS-EK RIDER

APPLICABILITY

This rider is applicable to KGS-EK, an Efficiency Kansas® Program, operated and administered by Company. Customers served under Company's Residential Sales Service rate schedule or General Sales Service rate schedule, if they have entered into a KGS-EK Agreement, shall be subject to the provisions of this Rider.

NET MONTHLY CHARGE

The KGS-EK Charge shall be included on every monthly bill issued for natural gas service to the premises subject to a KGS-EK Agreement. The amount shall be established as of the signature date of the KGS-EK Agreement and shall not change during an Agreement's term, unless the Company and the customer agree to a different payment schedule and/or the new amount is permitted under the Efficiency Kansas® Program Manual. It shall be rounded to the nearest \$0.01 and shown on a separate line of the bill.

The KGS-EK Charge shall be the sum of the:

EK Program Charge, which is the sum of the KGS-EK Installment as determined in the KGS-EK Agreement, plus the SEO Administrative Charge,

plus

KGS-EK Maintenance Fee: \$4.00, to offset Company's ongoing KGS-EK Agreement administration costs.

KGS-EK Processing Fee: \$120.00

A KGS-EK participant shall pay this one-time charge to offset Company's costs related to initiating a KGS-EK Agreement. Customer may direct company to deduct this fee from the KGS-EK proceeds prior to disbursement; otherwise, company will include the full amount on the first monthly bill that reflects a KGS-EK Charge.

Issued December 18 2009

Month Day Year

Effective _____

Month Day Year

By _____

DAVID N. DITTEMORE

KANSAS GAS SERVICE
a division of ONEOK, Inc.
 (Name of issuing Utility)

SCHEDULE KGS-EK

All Rate Areas

(Territory to which schedule is applicable)

Replacing Schedule initial Sheet --

which was filed --

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 2 of 9 Sheets

KGS-EK RIDER

DEFINITIONS AND CONDITIONS

1. Definitions:

- a. Efficiency Kansas® (EK): The Efficiency Kansas® revolving loan program, a meter-based program of the State Energy Office.
- b. State Energy Office (SEO): The branch of the Commission charged with administering the EK Program.
- c. KGS-EK Agreement: A contract between Company and an individual under which Efficiency Kansas® funds will be provided by Company to the customer and under which customer obligates the Company-served premises for the repayment of those funds.
- d. KGS-EK Principal: The total amount provided to the customer under a KGS-EK Agreement.
- e. KGS-EK Installment: The portion of the monthly payment which is credited against the KGS-EK Principal.
- f. KGS-EK Charge: The customer's total monthly KGS-EK obligation, as described in the Net Monthly Bill section above. Not inclusive of Gas Service Charges.
- g. Gas Service Charges: Charges for natural gas utility service as authorized in the Net Monthly Bill section of the applicable rate schedule. These may include, but are not limited to, the Service Charge, the Delivery Charge, and charges authorized by the Cost of Gas Rider and other applicable riders as well as associated taxes and franchise fees. Not inclusive of KGS-EK Charges.

2. This Rider provides Commission authorization under which Company will participate in the Efficiency Kansas® program.

- a. Service under this Rider is contingent on SEO approval of the applicant's Energy Conservation Plan as well as the continuing nature of the EK Program and the availability of EK funding to Company. Upon SEO or Company suspension or termination of the Efficiency Kansas® program, Company shall have no obligation to accept new KGS-EK applications or agreements.

Issued	December	18	2009
	Month	Day	Year
Effective			
	Month	Day	Year
By	DAVID N. DITTEMORE		

KANSAS GAS SERVICE
a division of ONEOK, Inc.
 (Name of Issuing Utility)

SCHEDULE KGS-EK

All Rate Areas

(Territory to which schedule is applicable)

Replacing Schedule initial Sheet --

which was filed --

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Sheet 3 of 9 Sheets

KGS-EK RIDER

- b. The KGS-EK Program is subject to the terms and conditions of SEO's Efficiency Kansas[®] Manual (EK Manual), the Memorandum of Agreement between the Commission and Company and this tariff. The provisions of the EK Manual shall control the customer's KGS-EK application process. Company's service under this rider is subject to the EK Manual's "Guidelines for Utility Track", under which Company has agreed to:
 - i. Operate under Option 1, receiving funds from the Commission on a regular monthly schedule, after the SEO has received a signed Certificate of Project Completion for the applicable project.
 - ii. Collect customer payments and forward them to the Commission as well as to report certain customer-specific information including but not limited to payment and default records.
 - iii. Exercise its collection efforts equally against outstanding debt for Gas Service Charges and KGS-EK Charges. When it has exhausted its normal collection efforts, Company will assign a delinquent KGS-EK account to the Commission for possible further collection and/or litigation.

- c. An applicant shall be responsible for meeting all initial requirements, including but not limited to:
 - i. Obtaining an energy audit of the company-served premises by a qualified Efficiency Kansas[®] auditor. Payment to the auditor shall be the customer's responsibility; however, with the auditor's prior written agreement, Company may make a direct payment to the auditor when disbursing the EK funds after completion of the selected energy efficiency modifications.
 - ii. Reviewing the audit results and obtaining bids from qualified contractors which adhere to SEO requirements.
 - iii. Finalizing the Energy Conservation Plan (ECP) for Company's submittal to SEO. Customer shall indicate audit-prioritized energy efficiency improvements (s)he wishes to install, the cost and the selected contractor.

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KANSAS GAS SERVICE
 a division of ONEOK, Inc.
(Name of Issuing Utility)

SCHEDULE KGS-EK

All Rate Areas
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KGS-EK RIDER

- d. Company shall use its best efforts to advise and guide a potential KGS-EK participant through the KGS-EK application process but shall not be responsible for a customer's delay or failure to meet any EK requirement. Company shall:
 - i. Review the completed EK documents and advise the applicant of any incomplete or missing items.
 - ii. Calculate the proposed EK Program Charge and, in the event it is greater than the SEO-determined percentage of energy savings projected by the auditor, advise the customer of appropriate options, including buy-down with non-EK funding.
 - iii. Submit to SEO the applicant's documents seeking funding for the EK program.
 - iv. Inform the applicant of SEO's approval or disapproval of the ECP.
 - v. Inform the applicant of the SEO commitment to advance the requisite funding upon receipt of the Certificate of Project Completion.
 - vi. Enter a KGS-EK Agreement with the applicant.
- e. Upon execution of the KGS-EK Agreement, the customer and his/her selected contractor shall complete the proposed energy efficiency measures. Customer shall be responsible for all costs of equipment and/or installation which exceed or are not specifically approved by the SEO pursuant to the ECP and/or the KGS-EK Agreement.
- f. Upon completion of the energy efficiency improvements, the customer shall schedule the auditor's Post-retrofit Audit to ensure that all measures have been installed properly as described by the audit.
 - i. Company and/or SEO shall have the right, in their sole discretion, to verify project completion or other project developments and information through an on-site inspection of the project. The inspection shall be at a time convenient to the customer and, if necessary, the auditor.
 - ii. Company shall submit to SEO the EK Certificate of Project Completion, signed by the auditor and the customer.

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KANSAS GAS SERVICE
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SCHEDULE KGS-EK

All Rate Areas

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KGS-EK RIDER

- g. Upon receipt of the KGS-EK Principal from SEO, Company shall disburse the funds to the designated auditors, contractors, and suppliers. If applicable, Company shall first deduct its KGS-EK Origination Fee from the proceeds.
- h. If Company at any time discovers that a customer has misrepresented information used to support a KGS-EK Agreement, the customer shall be immediately liable to reimburse Company for all funds advanced and all other costs associated with work performed under this program.

3. Notification and Disclosure:

- a. Form: Signed, written notifications required by this tariff shall be provided on a form acceptable to Company.
- b. Owner's Notification to Successor Owners: An owner, whether a landlord or an owner/occupant, shall be solely responsible for notifying a prospective purchaser of the existence and terms of an applicable KGS-EK Agreement.
 - i. Company shall bill the entire remaining KGS-EK Principal to the previous owner when said previous owner is unable to prove that the successor owner was properly notified and when the successor owner also refuses to accept and pay the monthly KGS-EK Charge.
 - ii. Company shall file with the County Register of Deeds a Memorandum of Agreement of Utility Meter Charge, which indicates the applicability of a KGS-EK Agreement to a property; however, responsibility for failed notification shall remain fully with the owner.
- c. Landlord's Notification to Tenants: The landlord, as the owner of the premises, shall be solely responsible for the ultimate discharge of the KGS-EK Principal and shall execute a KGS-EK Owner Agreement to participate in the EK program. Company shall bill the KGS-EK Charge to a new tenant upon receipt of required documentation of the tenant's acknowledgement of the KGS-EK obligation.

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SCHEDULE KGS-EK

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KGS-EK RIDER

- i. A landlord applying for participation in the KGS-EK Program shall provide written notification of the pending application to the affected current tenants. The landlord shall secure each affected current tenant's written acceptance of their responsibility for payment of the KGS-EK Charge.
 - ii. A landlord shall provide written notification to prospective tenants of the existing KGS-EK Owner Agreement and of the responsibility for payment of the KGS-EK Charge.
 - iii. A landlord who has failed to notify an existing or prospective tenant, or to provide Company with the required documents, shall be billed the monthly KGS-EK Charge until Company receives documentation sufficient to bill a subsequent tenant of the premises.
- d. Company's Notification to Customers: Company shall use its best efforts to inform an applicant for service that a premises is subject to a KGS-EK Charge, but shall have no responsibility to fulfill the owner's or landlord's notification obligation.
- i. Customer's written agreement to pay the applicable KGS-EK Charges shall be a prerequisite for Company's approval of an application for service.
 - ii. Company shall not be required to serve a properly notified applicant who refuses the responsibility for payment of the KGS-EK Charge. However, Company shall not unreasonably withhold service to an applicant who verbally acknowledges a KGS-EK obligation. The customer shall provide written verification of the verbal commitment within 60 days. Customer's payment of the first two KGS-EK Charges shall also indicate his/her informed consent.
 - iii. Company may initiate disconnection procedures 60 days after the customer's verbal commitment if it has not received written verification nor full payment of all billed KGS-EK Charges, notwithstanding payment of all other Gas Service Charges.

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All Rate Areas

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KGS-EK RIDER

4. Billing and Collection:

- a. KGS-EK Charges are "charges for utility service". They are subject to all rules and regulations approved by the Commission including but not limited to those establishing the Cold Weather Rule and providing disconnection procedures.
- b. The KGS-EK Agreement shall determine the amount of the KGS-EK Principal and the number of payments required to completely discharge the loan.
 - i. The KGS-EK Principal shall be the total amount ultimately needed to pay for the customer's energy efficiency measures approved by SEO pursuant to the customer's ECP, which have been funded from the Efficiency Kansas[®] Program and disbursed by Company.
 - ii. The number of payments shall be equal to the number of months over which the customer elects to repay the EK Principal; an additional billing shall be established for each month Company is unable to collect the KGS-EK Charge from a customer at the premises.
 - iii. The KGS-EK Installment shall be the initial KGS-EK Principal divided by the initial number of payments.
 - iv. The KGS-EK Principal may be repaid in full at any time. Once the KGS-EK Principal has been completely discharged, Company shall bill no further KGS-EK Charges and shall remove the obligation from the premises account.
- c. Company's bill for service to the premises shall not reflect the KGS-EK Charge until after the Efficiency Kansas funds have been disbursed.
- d. Continuing Obligation: The obligation for payment of the KGS-EK Charge shall be permanently associated with the specific premises designated by the KGS-EK Agreement. The customer receiving natural gas service at that premises shall be responsible for payment of all monthly KGS-EK Charges during his or her occupancy.
 - i. Abandonment: Company shall deem the KGS-EK Principal to be uncollectible if it is unable to tender any bill for a KGS-EK-obligated premises for 12 consecutive months. Company will notify SEO of its inability to render further bills and future KGS-EK Charges.

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SCHEDULE KGS-EK

All Rate Areas

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KGS-EK RIDER

- ii. Destruction: Company shall bill the entire remaining KGS-EK Principal to the current owner or landlord when destruction of the premises renders it uninhabitable to the extent that Company's natural gas service is no longer viable.
- iii. Removal: Company shall bill the entire remaining KGS-EK Principal to the current owner or landlord upon removal of Company's meter and/or service line for reasons including but not limited to:
 - 1. The planned destruction of the structure.
 - 2. The customer's request to terminate service for which Company does not anticipate reconnection.
 - 3. The removal, without replacement, of equipment or construction material financed by the KGS-EK Agreement.
- e. Revert-to-Owner (RTO) Agreement: Company shall require a landlord to establish an RTO Agreement to guarantee his/her payment of the KGS-EK Charge during periods of vacancy.
 - i. The RTO may also, but need not address the payment of Gas Service Charges.
 - ii. An owner converting a premises to rental status shall remain responsible for payment of the applicable monthly KGS-EK Charges until (s)he has provided company with written acceptance of the landlord's notification obligation as well as the initial tenant's acceptance thereof, and has established an RTO.
- f. Payment Plans: Company shall allow a customer to pay his/her KGS-EK arrearages through a Cold Weather Rule payment plan. This agreement may be terminated for non-payment of either or both the KGS-EK Charge(s) or the Gas Service Charges.
- g. Energy Assistance Payments: Certain providers of utility assistance prohibit application of their funding to support programs such as KGS-EK. When such prohibitions exist, Company shall apply the applicable assistance funds to the non-KGS-EK portion of a customer's bill and the customer shall continue to be responsible for payment of the monthly KGS-EK Charge.

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KGS-EK RIDER

- h. Minimum Bill: In addition to the provisions of Section 5.09 of the Company's General Terms and Conditions, a customer who orders a disconnection and a reconnection at the same premises within a period of 12 months, or who lived with and continues to live with the individual previously responsible for service at that address, shall pay in addition to the minimum bill stated in the applicable rate schedule, all monthly KGS-EK Charges which would otherwise have been billed during the discontinuance.
 - i. Company shall utilize its collection procedures filed in Docket 08-KGSG-643-GIG, including disconnection, to recover unpaid KGS-EK Charges. Company shall inform the SEO when its collection efforts have been exhausted and it has categorized the customer's KGS-EK Charges as uncollectible. The debt and collection of those billed KGS-EK Charges shall thereafter be the responsibility of the SEO.
5. Company's participation in and obligations under this rider shall not result in any representations or warranties regarding the results to be achieved by customer's participation in the program, any energy saving measures undertaken or the safety of such measures. Any warranties that may exist under the program are between the customer, auditor, contractor and manufacturer only. Company disclaims all warranties, express or implied, including but not limited to the warranties of merchantability and fitness for a particular purpose. Participation in the program acknowledges that Company is not responsible for the design or installation of any energy saving measures or for insuring that such measures comply with any particular laws (including patent laws) codes, regulations or industry standards.
6. Company assumes no liability under this program related to audits, the auditors, energy savings, the ECP, the energy saving measures, contractors, installations, construction and other activities affected by this program.
7. All provisions of this Rider are subject to changes made by order of the Commission.

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THE STATE CORPORATION COMMISSION OF KANSAS

KANSAS GAS SERVICE
a division of **ONEOK, Inc.**
(Name of Issuing Utility)

SCHEDULE Step ONE

All Rate Areas

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Sheet 1 of 7 Sheets

STEP ONE RIDER

APPLICABILITY

This rider is applicable to all bills provided under the Company's rate schedules for Residential Sales Service and General Sales Service.

PROGRAMS

1. **Heating System Check-up Program** shall provide an incentive to residential customers toward the cost of a third-party contractor's annual inspection of their natural gas home heating system or as a one-time incentive toward the purchase and installation of a programmable thermostat. A customer may receive this incentive no more than one time per calendar year.

- a. Incentive: \$30 per application
- b. Company will pay this incentive either as a credit on the customer's monthly bill or directly to a third-party installer. A customer's application for this incentive must be received within 30 days of the date of the receipt.
- c. The inspection under this program shall include a typical inspection of the home heating system. The inspection will normally include the following items:

- Check for gas leaks
- Check gas pressure (PSI)
- Check heat exchanger cells
- Clean heat exchanger
- Check gas valve operation
- Clean burners
- Check all safety controls
- Check oil blower motor
- Check blower motor rotation
- Check and clean burner crossovers
- Check blower motor amperage draw
- Check blower motor bearings
- Check humidifier pad
- Check flue pipe
- Check and clean/change filter
- Check thermostat operation
- Check and clean pilot/spark igniter
- Check and change belts, if necessary
- Check water connection and drain
- Set heat anticipator
- Tighten all screws

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SCHEDULE Step ONE

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STEP ONE RIDER

2. **Equipment Replacement Program** shall provide incentives focused on the major appliances representing the most significant energy consumption in the typical home and office. Specifically, the space and water heating systems are most commonly the largest users of natural gas and therefore offer the most potential for significant savings in natural gas consumption.
- a. The incentive will be paid after company's receipt of the rebate form verifying the installation of high efficiency natural gas equipment at the customer's premises. The incentive shall not be greater than the combined cost of the qualifying equipment and associated installation. Company shall have the right, but not the requirement, to inspect the installation prior to payment.
 - b. **Space Heating Replacement Program:**
 - i. \$200 to defray the cost of a: 92% efficient space heating system.
 - ii. \$600 to defray the cost of a: 95%+ efficient space heating system.
 - c. **Water Heater Replacement Program:**
 - i. \$ 50 to defray the cost of a: Standard natural gas water heater with an energy factor of .62 or greater.
 - ii. \$300 to defray the cost of a: Tankless or equivalent natural gas water heater with an energy factor of .82 or greater.

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SCHEDULE Step ONE

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STEP ONE RIDER

3. **Natural Gas Direct Use Existing Homes Pilot Program** intends to promote energy efficiency by replacing inefficient residential electric heating appliances with more efficient gas heating equipment. The program is designed to address premises currently served by Kansas Gas Service which Company confirms use electricity as their sole source fuel for their space heating requirements. The premises must be located in Company's service territory and in close proximity to an existing gas main.
- a. \$1,500 per single family residence or individually metered apartment unit shall be offered to defray the cost of purchasing and installing high efficiency natural gas equipment that replaces existing electric equipment performing a similar function.
 - i. A qualifying natural gas space heating system shall have an efficiency rating of 80% or greater.
 - ii. Company may consider other appliances offering similar energy efficiency improvements in addition to the space heating system.
 - b. This incentive will normally be paid directly to a third-party installer. The incentive will be paid directly to a customer only after Company's receipt of the rebate form verifying the installation, which must be received by Company no later than 30 days after the receipt's date. The incentive shall be no greater than the combined cost of the qualifying equipment and associated installation. Company shall have the right, but not the requirement, to inspect the installation prior to payment.
 - c. A Company contractor will conduct a residential energy evaluation of the customer's dwelling at no cost to the customer if the customer qualifies and completes the replacement of their home heating system. The evaluator may also analyze non-space heating energy applications and recommend other efficiency measures for the customer's consideration.
 - d. Company shall suspend this pilot program when its total participation reaches 100 customers, in order to evaluate the program's effectiveness. Company shall notify the Commission if it desires to continue the program.

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STEP ONE RIDER

4. **ENERGY STAR® New Homes Program** shall be available to individuals engaged in the process of constructing a new home they wish to have certified as an ENERGY STAR® home. The ENERGY STAR® home construction standard provides that the home is at least 15% more efficient, or uses 15% less energy, than the same home built under the 2004 International Energy Conservation Code.
 - i. \$250 to defray the cost of: ENERGY STAR® inspections, testing and modeling leading to ENERGY STAR® certification of the home.
 - ii. This incentive may be combined with other incentives offered under the Equipment Replacement Program

5. **Commercial Customer Program** shall reduce the natural gas energy use of larger non-residential customers by providing incentives to install cost-effective energy efficiency measures for unique end-use processes using natural gas.
 - a. Company shall evaluate, and approve or deny, a General Sales Service customer's proposal for cost-effective energy conservation measures.
 - b. The maximum incentive for approved projects shall be the lesser of:
 - i. 80% of the benefit as measured by the Total Resource Cost test, or
 - ii. \$10,000
 - c. Participation in this program shall not exclude a customer from receiving incentives under the Equipment Replacement Program. However, the benefits resulting from each program shall be evaluated and reported separately.

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STEP ONE RIDER

6. **Community Outreach and Customer Education Program** will raise customer awareness of the benefits of energy efficiency and energy conservation actions, and the value of reduced carbon emissions, which can be achieved through direct-use natural gas applications, rebates and incentives of Company's Step ONE and KGS-EK programs. Company's initiatives may include, but are not limited to:
- a. Company will utilize a variety of mass media outlets to reach large audiences with its energy efficiency educational messages. External media venues may include print, radio, outdoor displays and direct mail. Internal assets such as Company's web site, employee newsletters, bill inserts and messages, and call center on-hold messages may also be utilized.
 - b. Brochures and other informational materials will be designed to provide customers with energy efficiency information.
 - c. Web-site Design and Development: Company's web site will include more comprehensive energy conservation information, including but not limited to tips on general conservation measures and a listing of available state and federal incentives related to energy efficiency and conservation.
 - d. Meetings throughout Company's service territory will inform customers of cost-effective measures they can take to reduce their energy consumption. Information will also be provided about available Company energy efficiency programs, applicable state programs and available tax credits.
 - e. Targeted Meetings with Key Professionals will provide on-site education for engineers and architects to define the benefits of including high efficient natural gas equipment in their residential and commercial designs.
 - f. Seminars for Residential Builders/Developers will educate home builders and residential developers as to the benefits from including high efficiency natural gas appliances in their home designs, as well as inform them of available rebates and tax incentives.
 - g. Home Shows will make available face-to-face opportunities for Company representatives to meet with the general public, provide information on the efficient use of energy, discuss environmental impacts, and answer questions on energy efficiency issues.

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SCHEDULE Step ONE

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STEP ONE RIDER

- h. Speaker's Bureau will utilize trained KGS personnel from various backgrounds to make presentations regarding the efficient use of energy to community groups and clubs throughout the state.
- i. School Classroom Programs will disseminate energy conservation information to participating classroom teachers within Company's service territory. Grade level-appropriate lesson plans and other hands-on materials will be developed and distributed.

DEFINITIONS AND CONDITIONS

1. The costs associated with the Step ONE Program shall be incorporated into the Energy Conservation Surcharge (ECS), which shall be calculated pursuant to Commission approval of the Energy Conservation Rider in Docket No. 10-KGSG-XXX-TAR.
2. A Qualified Customer eligible for incentive benefits under this Rider must have:
 - a. Established an active account for service with Company,
 - b. Paid all charges currently billed by Company, including all installments currently due under any payment arrangement,
 - c. Made no more than two late payments in the previous year, and
 - d. Completed, within the past 12 months (but after the effective date of the Rider) the installation of the qualifying equipment at a premises served by Company.
3. At Company's sole discretion, incentive payments to benefit qualifying customers may be marketed through and/or paid directly to a third-party contractor.
4. Incentives provided to customer under this Rider may be taxable by federal, state and/or local governments. The customer shall be responsible for declaring and paying all such obligations.

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SCHEDULE Step ONE

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STEP ONE RIDER

5. Company's participation in and obligations under this rider shall not result in any representations or warranties regarding the results to be achieved by customer's participation in the program, any energy saving measures undertaken or the safety of such measures. Any warranties that may exist under the program are between the customer, auditor, contractor and manufacturer only. Company disclaims all warranties, express or implied, including but not limited to the warranties of merchantability and fitness for a particular purpose. Participation in the program acknowledges that Company is not responsible for the design or installation of any energy saving measures or for insuring that such measures comply with any particular laws (including patent laws) codes, regulations or industry standards.
6. Company assumes no liability under this program related to audits, the auditors, energy savings, the ECP, the energy saving measures, contractors, installations, construction and other activities affected by this program.
7. All provisions of this Rider are subject to changes made by order of the Commission.

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THE STATE CORPORATION COMMISSION OF KANSAS

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SCHEDULE ECR

All Rate Areas

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ENERGY CONSERVATION RIDER

APPLICABILITY

This rider is applicable to all bills provided under the Company's rate schedules for Residential Sales Service and General Sales Service.

NET MONTHLY CHARGE

The Energy Conservation Surcharge (ECS) shall be determined separately for the Residential Sales Service and General Sales Service Rate Schedules. The ECS is designed to permit Company to collect its program costs associated with the Step ONE and KGS-EK programs and recover the Revenue Normalization Adjustment.

Energy Conservation Surcharge – Residential Sales Service (ECS-RS):

The ECS-RS shall include:

- 1. The Step ONE Program costs, including labor, incentives and administrative, education, marketing and other expenses, allocated in accordance with the Commission's order in Docket No. 10-KGSG-XXX-TAR,
- plus
- 2. KGS-EK Program costs, including labor, incentives and administrative, education, marketing and other expenses, and not otherwise recovered through the charges authorized under the KGS-EK Rider, all allocated in accordance with the Commission's order in Docket No. 10-KGSG-XXX-TAR,
- plus/minus
- 3. The Revenue Normalization Adjustment – Residential,
- plus
- 4. Any under-collected amount from prior years' ECS-RS
- minus
- 5. Any over-collected amount from prior years' ECS-RS

All divided by twelve (12) times the total annual average number of residential customers during the prior calendar year.

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ENERGY CONSERVATION RIDER

The Revenue Normalization Adjustment – Residential Sales Service shall be calculated as:

- 1. \$182,113,692, which is the revenue authorized in Company's most recent rate case in Docket No. 06-KGSG-1209-RTS,
- plus
- 2. Any annualized revenue applicable to the Residential class associated with system acquisitions occurring subsequent to January 1, 2010,
- less
- 3. The actual weather normalized revenue recovered under Company's Residential Sales Service rate schedule, exclusive of Gas System Reliability Surcharge (GSRS) revenue generated by the residential class.

If the initial ECR Calculation Period includes less than twelve months of actual weather normalized revenue, the authorized revenue shall be reduced according to the monthly revenue amounts adopted in Docket No. 10-KGSG-XXX-TAR.

Energy Conservation Surcharge – General Sales Service (ECS-GS):

The ECS-GS shall include:

- 1. The Step One Program costs, including labor, incentives and administrative, education, marketing and other expenses, allocated in accordance with the Commission's order in Docket No. 10-KGSG-XXX-TAR,
- plus
- 2. KGS-EK Program costs, including labor, incentives and administrative, education, marketing and other expenses, and not otherwise recovered through the charges authorized under the KGS-EK Rider, all allocated in accordance with the Commission's order in Docket No. 10-KGSG-XXX-TAR,
- plus/minus
- 3. The Revenue Normalization Adjustment – General Sales Service,
- plus
- 4. Any under-collected amount from prior years' ECS-GS
- minus
- 5. Any over-collected amount from prior years' ECS-GS

All divided by twelve (12) times the total annual average number of general sales service customers during the prior calendar year.

Issued December 18 2009
Month Day Year

Effective _____
Month Day Year

By DAVID N. DITTEMORE

KANSAS GAS SERVICE
a division of ONEOK, Inc.
 (Name of Issuing Utility)

SCHEDULE ECR

All Rate Areas

(Territory to which schedule is applicable)

Replacing Schedule Initial Sheet --
 which was filed --

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 3 of 3 Sheets

ENERGY CONSERVATION RIDER

The Revenue Normalization Adjustment – General Sales Service shall be calculated as:

- 1. \$40,798,857, which is the revenue authorized in Company's most recent rate case in Docket No. 06-KGSG-1209-RTS,
- plus
- 2. Any annualized revenue applicable to the Residential class associated with system acquisitions occurring subsequent to January 1, 2010,
- less
- 3. The actual weather normalized revenue recovered under Company's General Sales Service rate schedule, exclusive of Gas System Reliability Surcharge (GSRS) revenue generated by the general sales service customer class.

If the initial ECR Calculation Period includes less than twelve months of actual weather normalized revenue, the authorized revenue shall be reduced according to the monthly revenue amounts adopted in Docket No. 10-KGSG-XXX-TAR.

DEFINITIONS AND CONDITIONS

- 1. The Energy Conservation Surcharge shall become a part of the total bill for gas service and itemized separately on the customer's bill. The ECS shall be rounded to the nearest \$0.01. A positive amount shall indicate a charge to the customer and a negative amount shall be a refund.
- 2. The ECR Calculation Period, consisting of the twelve-month period ending February 28 prior to the ECR Collection Year, shall define the period during which Company shall accumulate the costs and recoveries to be input into the Energy Efficiency Surcharge calculation for the subsequent ECR Collection Year. The ECR Collection Year, consisting of the twelve month period ending March 31, shall define the period during which an Energy Conservation Surcharge is collected. Company shall file a report with the Commission by March 25 of each year, detailing the derivation of the factors as authorized by this Rider which will be applied during the subsequent ECR Collection Year.
- 3. All provisions of this Rider are subject to changes made by order of the Commission.

Issued December 18 2009

Month Day Year

Effective _____

Month Day Year

By _____

DAVID N. DITTEMORE

**MEMORANDUM OF AGREEMENT
BETWEEN THE KANSAS CORPORATION COMMISSION
AND KANSAS GAS SERVICE, A DIVISION OF ONEOK, INC.,
FOR REVOLVING LOAN SERVICES OF EFFICIENCY KANSAS**

Now, on this 11th day of December, 2009, the Kansas Corporation Commission (hereafter "KCC") and Kansas Gas Service, a division of ONEOK, Inc. (hereafter "Utility"), enter into the following Memorandum of Agreement for the use of the Efficiency Kansas revolving loan program to finance meter-based energy efficiency and energy conservation improvements in Kansas homes and small businesses.

WHEREAS, the KCC, as summarized in the "Order Following Collaborative on Benefit-Cost Testing and Evaluation, Measurement, and Verification," Docket No. 08-GIMX-442-GIV, supports utility-sponsored programs that (1) produce cost-effective, firm energy savings, (2) address efficiency improvements in a comprehensive manner using sound building science principles, (3) implement the most cost-effective programs in a logical sequence to maximize the energy savings per dollar spent, (4) target customers residing in structures most in need of efficiency improvements, and (5) are similar to the tariff-based How\$mart® program developed by Midwest Energy;

WHEREAS, the KCC has also summarized issues related to the risks of cost recovery for energy efficiency programs and has enumerated basic findings in the "Final Order," in Docket No. 08-GIMX-441-GIV, such as (1) viewing energy efficiency as a resource to be considered as a supply option; (2) addressing the throughput incentive to encourage utilities to implement energy efficiency programs; (3) declining natural gas usage per customer in recent times; (4) considering decoupling proposals from natural gas companies with concerns about revenue stability necessary to maintain their distribution systems and meet other fixed costs on a case-by-case basis; and (5) considering decoupling proposals made in connection with energy efficiency programs on a case-by-case basis;

WHEREAS, Utility intends to file an application with the KCC for approval of a meter-based energy efficiency program;

WHEREAS, the KCC structure includes the State Energy Office;

WHEREAS, the State Energy Office is the recipient of Department of Energy Formula Grant (DE-FOA-0000052) funding, under a provision of the American Recovery and Reinvestment Act of 2009, Public Law 111-5;

WHEREAS, the State Energy Office has received approval from the Department of Energy to use this funding to establish a revolving loan fund to finance cost-effective energy efficiency and energy conservation improvements in Kansas residences and small commercial and industrial structures; and

WHEREAS, Utility intends to operate a meter-based program by the name of Kansas Gas Service: Efficiency Kansas energy efficiency program (or another name that distinguishes the program from other energy efficiency programs) to capture energy savings for its customers; and

WHEREAS, Utility has agreed to use its best efforts to identify homes needing energy efficiency improvements.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. KCC agrees to provide the following services:
 - a. Review Energy Conservation Plans for adherence to Efficiency Kansas criteria.
 - b. Maintain list of qualified energy auditors.
 - c. Provide funds to Utility from revolving loan fund to establish a meter-based obligation to recover costs of approved energy efficiency projects in residential, small commercial, and small industrial structures.
 - d. Remit funds within 30 days of receipt of monthly invoices from Utility.
 - e. Provide Utility with Efficiency Kansas promotional materials that may be used in marketing Utility program.
 - f. Perform evaluation, monitoring, and verification of Utility's program.
 - g. The State Energy Office shall be responsible for ensuring that the completed improvements by contractors are properly installed through the use of random field inspections as outlined in the Efficiency Kansas Program Manual.

The preceding list of services may be added to at any time during this contract by mutual agreement of the parties.

2. Utility agrees to provide the following services:
 - a. Assist eligible customers served under the Residential Sales Service Tariff or its General Sales Service Tariff in arranging for an energy audit, with Kansas Gas Service being the point of contact for the customer throughout the Efficiency Kansas enrollment process.

- b. Send KCC the Energy Conservation Plan (including energy audit) for each applicant and all required forms for each applicant who applies for an Efficiency Kansas meter-based obligation.
- c. Provide the applicant/customer and contractors all program forms as required by KCC and return signed forms and acknowledgments to KCC.
- d. Inform customer of KCC approval of project.
- e. Review the Certificate of Completion and confer with the auditor that the project has been completed according to the approval plan, including the completion of the post-retrofit audit .
- f. Send KCC signed Certificate of Project Completion and contractor invoices for each project.
- g. Receive KCC payments for work performed by contractors as a result of approved Efficiency Kansas projects and maintain sufficient records to properly identify receipts by project.
- h. Pay contractors for approved services.
- i. Establish a meter-based obligation to recover costs of approved projects by placing a charge on customer's bill, according to KCC-approved tariff.
- j. Offer customers a provision for payment in full.
- k. Commit and obligate itself to forwarding customer payments and KCC administration fees to the KCC on a monthly basis. With respect to partial payments made by a customer that are less than the outstanding balance, including Efficiency Kansas charges, it is understood the utility will allocate payments to gas service charges, including but not limited to the cost of gas, first, with any remaining sums being allocated to the Efficiency Kansas charges, whether the charges are current or part of an outstanding balance.
- l. Report, on a monthly basis, the status of each meter obligation, including meter location and total amount of remaining obligation at each meter. If Utility turns uncollectible obligations back to the KCC pursuant to subsections (3)(e), (3)(f) and 3(g) below, Utility shall not be responsible for repayment, provided it has complied with all terms of this agreement and the Efficiency Kansas Program Manual, which has been incorporated by reference, or any Commission order.
- m. File a KCC-approved form to provide record notice of meter-based obligation and renew as needed, for each property with a meter-based obligation.
- n. Provide quarterly reports to the KCC, as required by the Department of Energy, detailing (1) the number and value of

projects funded through tariff-based program; (2) number of buildings retrofitted, by sector; (3) square footage of buildings retrofitted, by sector; (4) projected energy savings (MWh, mmcf); and (5) number of jobs created or retained at Utility as a result of KCC funding.

- o. Include Efficiency Kansas “brand” in materials promoting Utility’s program.
- p. Execute the appropriate documents for the use of any copyrighted material, trademark, service mark, or intellectual property in Utility’s program.
- q. Provide notice to the KCC within ten days of service of any lawsuit brought against Utility that is associated with the Efficiency Kansas program and Utility program. Utility shall also provide notice to the KCC within five days of commencing any lawsuit associated with the Efficiency Kansas program and Utility program.
- r. Comply with all guidelines for prudent approval of customer eligibility as set forth in the Efficiency Kansas Program Manual, as it was written at the time of the Commission’s approval of the Utility tariff application or as otherwise agreed between the parties with respect to subsequent changes made to Section 4 “Guidelines for Utility Track” in the Program Manual.
- s. At the time of the transfer of service from one customer to another, Utility shall use its best efforts to have the new customer at that meter execute a document that provides for an assumption of the meter-based obligation, as authorized by the Commission.

The preceding list of services may be added to at any time during this contract by mutual agreement of the parties.

- 3. KCC and Utility mutually agree to the following reimbursement provisions:
 - a. Utility will invoice KCC for all projects that have been approved by the State Energy Office and completed in the previous month (signed Certificates of Project Completion should be included). Invoices to the KCC shall be submitted on the 10th of each month for the preceding month’s projects.
 - b. KCC will review the invoice, and each project’s Certificate of Project Completion, and remit funds to the Utility within 30 days of receipt of the invoice.
 - c. Utility will remit funds to the KCC on a monthly basis for the projects it has received payment from customers. Utility will make payment to the KCC on the 20th of each month, for the preceding month.

- d. Utility will identify in its payments to the KCC each premise number, and the payment status, including number of payments made and remaining, for each meter-based obligation.
- e. Utility will notify KCC in the event a meter-based obligation account becomes delinquent. An account shall be considered delinquent whenever any payment has not been received 30 days or more beyond its due date. Utility shall provide notice to the KCC as to the current status of collection efforts with respect to all delinquent accounts. To safeguard the integrity of the Efficiency Kansas program, KCC may, in its sole discretion, suspend approval of new projects for a period not to exceed 60 days whenever delinquent accounts exceed acceptable levels under the program. The initial threshold at which the KCC may exercise its discretion to suspend the approval of new projects shall be when delinquent accounts amount to 5% or more of all meter-based obligation accounts, however, this percentage may be adjusted by the KCC every six months if actual data from Utility's program compared to programs offered by other utility companies warrants an adjustment from this initial percentage. KCC shall provide Utility a minimum 14-day notice of any adjustment to this percentage threshold. Utility shall cooperate with KCC to review whether revisions to Utility's program are necessary to reduce future losses. No more than 60 days after any suspension of new projects, KCC will notify Utility whether the suspension shall be lifted or continued indefinitely consistent with Section 5.
- f. Utility will pursue all available means to collect the Efficiency Kansas charge, concluding with referrals to the Utility's Collection Agency. As part of the collection process, the KCC will accept, absorb and assume the same collection costs that are assessed by the Collection Agency, as would be the case if the Collection Agency were collecting Utility debt. Utility will make no less effort to collect the Efficiency Kansas charge than it would for any other debt collection matter, except the Utility will not engage in litigation to collect the charge and will return the account to the KCC for further collection efforts and possible litigation. At such time as Utility determines that it has exhausted its means of collection, Utility shall notify the KCC of the meter number, meter address, name of customer, and customer's social security number and last known address. Utility will also submit the "Verified Statement" form, included as Attachment A herein, stating that Utility has made commercially reasonable efforts to recover the unpaid amounts (and no less effort than it would have made in any other collection matter) and that it has complied with all requirements of the program as set forth in the Program Manual.

g. The KCC will monitor the status of all meter-based obligations that have gone into default. The KCC, in its sole discretion, may request that the defaulted obligation be returned to the KCC for collection, within 30 days of such request. In the event of a default of an Efficiency Kansas obligation, it is understood that if a successor occupant or owner takes possession of the premises, the monthly Efficiency Kansas charge will be the same charge originally assessed to the defaulting occupant or owner, with any deficiency attributable to the previous customer constituting an uncollectible debt.

4. All provisions within the Efficiency Kansas Program Manual, and any future amendments, shall apply to this agreement, which is hereby incorporated by reference as if more fully set forth herein. The parties acknowledge that the Efficiency Kansas loan program is subject to revisions and the most current version program manual shall be available on the Efficiency Kansas Website. Changes to Section 4 "Guidelines for Utility Track" of the Program Manual shall be provided to Utility and Utility shall have 15 calendar days in which to notify the KCC Staff of any concerns related to proposed changes to this Section. If no Utility has indicated concern with the change, the parties shall execute addendums to this MOA to incorporate changes to the Efficiency Kansas program and Utility shall seek approval of any tariff revisions that may be necessary to reflect changes to the Efficiency Kansas revolving loan program. If a Utility expresses concern about a change to the Program Manual, the KCC Staff will convene a meeting to attempt to reach consensus on the program change. If consensus is not reached, KCC Staff will file a motion requesting that the Commission consider the issue and either approve or deny the change after hearing. After a Commission order is issued, the parties shall execute any necessary addendums to this MOA to incorporate changes to the Efficiency Kansas program and Utility shall seek approval of tariff revisions necessary to reflect changes to the Efficiency Kansas revolving loan program.

5. KCC reserves the right to permanently suspend or cease, for any reason, receipt of new project applications from Utility with 60 days advance notice to Utility. Utility will continue to remit Efficiency Kansas payments and KCC administration fee on a monthly basis for existing meter-based obligations, until all accounts with KCC funding have been processed to completion or collection efforts up through referral to a Collection Agency have been exhausted.

6. Utility may permanently suspend or cease, for any reason, initiation of new projects with 60 days advance notice to KCC. Utility will be responsible for remitting customer program charge and KCC administrative fee on a monthly

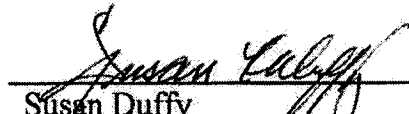
basis until all existing meter-based obligations have been repaid to Efficiency Kansas.

7. Utility is a Kansas Utility subject to the jurisdiction of the KCC. This Memorandum of Agreement is subject to orders of the Commission, which may incorporate or modify the provisions of this agreement, as such authority currently exists for Commission review of Utility contracts. Upon Commission approval of Utility's application for approval of the necessary tariffs to implement the meter-based program, the parties shall execute an addendum to this agreement that references the docket and date of the Commission Order approving the program, which will be monitored by the KCC. This agreement shall have no force or effect until after all tariffs are filed and approved by the Commission, and the parties have executed said addendum to this agreement.

In WITNESS WHEREOF, the parties hereto have affixed their signatures.



Bradley O. Dixon
President
KANSAS GAS SERVICE
Date: December 10, 2009



Susan Duffy
Executive Director
Kansas Corporation Commission
Date: December 11, 2009

ADDENDUM I

**MEMORANDUM OF AGREEMENT
BETWEEN THE KANSAS CORPORATION COMMISSION
AND [UTILITY NAME]
FOR REVOLVING LOAN SERVICES OF EFFICIENCY KANSAS**

WHEREAS, [UTILITY NAME] (hereafter "Utility") executed a Memorandum of Agreement with the Kansas Corporation Commission to partner with the Efficiency Kansas Revolving Loan Program on [DATE];

WHEREAS, Utility filed an application with the KCC seeking Commission approval of tariffs to implement its energy efficiency program on [DATE] in Docket No. [KCC DOCKET NUMBER];

WHEREAS, the Commission, by order dated [DATE] approved the application in docket [KCC DOCKET NUMBER];

NOW, THEREFORE, in consideration of all the terms set forth in the MOA dated [DATE] and the Commission order of [DATE] in docket [KCC DOCKET NUMBER], the parties hereby execute this addendum to put into effect the partnership between the Efficiency Kansas Revolving Loan Program and [UTILITY NAME PROGRAM] to make the revolving loan program for energy efficiency improvements available to customers of [UTILITY NAME].

Name
Title
UTILITY NAME
Date:

Susan Duffy
Executive Director
Kansas Corporation Commission
Date:
