

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

In the Matter of the Complaint Against )  
TEXAS-KANSAS-OKLAHOMA GAS, LLC )  
**Respondent** )  
)  
For an Order for Adjustment and Refund of ) Docket No. 15-TKOG-236-COM  
Unfair, Unreasonable and Unjust rates for the )  
Sale of Natural Gas for Irrigation based on )  
Inaccurate and/or false pressure base measurements. )  
)  
By Circle H. Farms, LLC, Richard L. Hanson, )  
Rome Farms and Stegman Farms Partnership )  
**Complainants** )

**TEXAS-KANSAS-OKLAHOMA GAS, L.L.C.’S RESPONSE  
TO STAFF’S REPORT AND RECOMMENDATION**

COMES NOW, Texas-Kansas-Oklahoma Gas, L.L.C. (“TKO”), by and through its attorney C. Edward Watson, II and Lindsey A. Flora of FOULSTON SIEFKIN, LLP, and submits TKO’s response to the Staff of the Corporation Commission of the State of Kansas (“Staff”) Report and Recommendation filed on May 15, 2015 in the above-referenced matter.

**Introduction**

This Complaint is being driven not by concerned customers, but rather by competitors of TKO seeking to gain an advantage in the marketplace. TKO is a natural gas provider that operates in a small and limited market in Southwestern Kansas (as well as Oklahoma and Texas). Because the consumers of natural gas in this limited market area have little choice of providers, TKO is subject to the Commission’s jurisdictional oversight.

However, the Complainants here are not typical unsophisticated residential customers needing the protection of the Commission. Instead, they are board members of various non-profit utilities (“NPU”) that are seeking to prevent TKO from building additional pipeline to serve

new areas. Accordingly, the Complainants hyper-scrutinized TKO's business practices, in an attempt to force TKO to enter into a rate case or otherwise force TKO to raise its rates so that it would not be a viable competitor in other underserved market areas.

Against this backdrop, TKO admits it has made mistakes with respect to its billing and administrative practices. But, the Commission must evaluate TKO's actions with the knowledge that TKO provides a needed service at a reasonable rate. TKO is a good utility provider with which many of its customers, mostly irrigators and non-residential, are happy. Unfortunately, while trying to keep costs and personnel overhead low, TKO made certain errors when attempting to comply with regulatory requirements. TKO's focus has always been on providing quality, low-cost service to its customers and to not engage in expensive or unnecessary regulatory manipulations. Certainly, increasing TKO's regulatory burden will do little more than increase the cost of natural gas to its customers and/or drive it out of the marketplace. It is for these reasons that TKO objects to many of Staff's recommendations.

### **Factual Background**

#### *Company Background & TKO Regulatory History*

1. TKO is a limited liability corporation incorporated in, and doing business in, the state of Texas. TKO's main office is at P.O. Box 1194, Dalhart, Texas, 79022. TKO is authorized to do business in the state of Kansas, as a foreign limited liability company. TKO is in good-standing.

2. TKO began operating in Kansas when another gas service provider, Anadarko Natural Gas Company, LLC ("Anadarko") determined it was going to divest most of its business in southwest Kansas.

3. On August 1, 2007, Anadarko agreed to sell, and TKO agreed to purchase certain assets. In this connection, Anadarko agreed to continue providing natural gas to TKO so that TKO could service these new customers.

4. On October 2, 2007, TKO filed its application for a Limited Certificate of Public Convenience and Authority, Docket No. 08-TKOG-314-COC, seeking permission of the KCC to meet the service obligations set forth in its individual agreements with its new customers. The October 2, 2007 Application also attached a copy of the August 1, 2007 Agreement which set forth the timing, price, and conditions wherein Anadarko agreed to provide the necessary natural gas supply to meet the gas supply/sale demands pursuant to the gas sale/purchase agreements.<sup>1</sup>

5. On March 16, 2012, the Commission granted TKO a Limited Certificate of Public Convenience and Authority. *See* TKO Limited Certificated attached hereto as Exhibit 1, Order, dated March 16, 2012, Docket No. 08-TKOG-314-COC.

6. Included within the Commission's March 16, 2012 order were various conditions imposed upon TKO including: 1) TKO must make an annual filing of new and renegotiated contracts; 2) TKO must file an annual contract summary, and file an annual report with the Commission on May 1 of each year; 3) additionally, TKO was required to serve only the six residential customers in effect at the time and freeze the rates for those customers. *See* Exhibit 1, Pages 2-3, Final Order, dated March 16, 2012, Docket 08-TKOG-314-COC.

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<sup>1</sup> On September 21, 2007, Anadarko also filed a parallel request to transfer to TKO its rights and obligations to provide natural gas service to certain customers, Docket No. 08-ANGG-295-CCN. This matter was later consolidated with Docket 08-TKOG-314-COC.

7. Due to TKO's relatively short period of time operating in Kansas and its small staff, there has been a significant learning curve in understanding and complying with its regulatory obligations. Since the Commission's March 16, 2012 Order, TKO has made its annual filing of new contracts, contract summary and annual report each year.

8. It is worth noting that TKO has not had any issues or problems in the other states in which it operates. There have been no complaints, no compliance issues, or investigations before the Oklahoma Corporation Commission or the Texas Public Utility Commission. *See* Exhibit 2, Affidavit of Michael McEvers, at ¶ 4.

9. While some of the filings have admittedly been late or TKO misunderstood the full extent of its obligations, TKO has in good faith attempted to comply with conditions and has made all the required filings to date.

#### *Rate Increases*

10. On February 11, 2013, Anadarko and Black Hills/Kansas Gas Utility Company, LLC, d/b/a Black Hills Energy ("Black Hills") filed a Joint Application for a Commission Order requesting two key objectives: i) approving the transfer to Black Hills of Anadarko's Certificates of Convenience and Necessity with respect to Anadarko's Kansas natural gas utility business and operations, including Anadarko's regulated transmission and local distribution assets located in the State of Kansas used to provide utility service in accordance with the provisions of that certain Asset Purchase Agreement, dated September 24, 2012, entered into by and among Anadarko and Black Hills; and ii) adoption of Black Hills' retail tariff rates and general rules and regulations for Anadarko's customers when their current contracts expire. *See* Joint Application, dated February 11, 2013, Docket 13-BHCG-509-ACQ.

11. Because of the potential impact to TKO and its customers, TKO intervened in the Joint Application Docket, seeking to prevent a significant increase in its suppliers' rates and correspondingly, its customers' rates. *See* TKO Application for Intervention, dated March 7, 2013, Docket 13-BHCG-509-ACQ.

12. During the evidentiary hearing, TKO testified and Staff agreed that if TKO was placed onto Black Hills' current tariff rate of 59 cents per MMBTU, the "rate shock" would create an economic burden. *See* Page 8, Staff Post-Hearing Brief, dated September 13, 2013, Docket 13-BHCG-509-ACQ. As a result, Staff recommended a three-year phase-in to allow for some small mitigation of the rate increase. *See* Page 6, Staff Report and Recommendation, dated July 11, 2013, Docket 13-BHCG-509-ACQ. The Commission did not adopt Staff's recommendation, instead granting Black Hills a non-exclusive certificate which allows the existing customers (including the SWKI NPU's and TKO) the option of continuing to receive service from Black Hills or connecting to an alternative source of natural gas. *See* Final Order, dated October 3, 2013, Docket 13-BHCG-509-ACQ.

13. Shortly after the final order was entered, Black Hills moved TKO onto its tariff rate and Anadarko similarly increased its rates. *See* Exhibit 3, Anadarko New Contract. As a result, TKO's transportation expenses increased dramatically.

14. In December 2013, TKO sent potentially affected customers, including the Complainants, a letter, explaining that it might be forced to raise its rates in the future to account for increased costs. As costs increased, TKO sent the affected customers new contracts to reflect the additional operating expenses. *See* Exhibit4.

15. Some customers, including the Complainants, refused to sign new contracts or even communicate with TKO to discuss the change in circumstances.<sup>2</sup>

16. Instead of immediately terminating service, TKO attempted to work with these customers, continuing to provide gas at the new rate. Richard Hanson was one of the affected customers. And, it has only been since January 2014 that Mr. Hanson saw a rate increase. *See* Exhibit 5, Hanson Bills<sup>3</sup>.

17. The same customers who refused to sign new contracts are members of potentially competitive organizations and are active in their opposition of TKO. Complainants are actively working to prevent TKO from working with Black Hills to provide service in newer, underserved areas, by building additional pipelines. *See* Exhibit 2, McEvers Affidavit at ¶¶ 11-14.

18. In late 2014, TKO and Black Hills began building additional pipelines to serve the Moscow, Kansas area. TKO believes that customers in that area are currently served by transporter, West Texas Gas, through intermediaries operating as NPU—*notably* SWKI North, SWKI West Seward, and SWKI Southeast. *See* Exhibit 2, McEvers Affidavit at ¶ 12.

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<sup>2</sup> The Commission’s Final Order requires that “TKO shall provide a copy of all new or re-negotiated contracts by January 1 of each year and TKO shall file on an annual basis by January 1 . . . a copy of an updated contract summary.” Exhibit 1, Page 2, Paragraph 8 Final Order, dated March 16, 2012, Docket 08-TKOG-314-COC. The Final Order does not require TKO to obtain prior consent of the Commission before renegotiating contracts for irrigation customers or adding new irrigation customers. The Commission only ordered a rate freeze with respect to residential customers. *See id.* at Page 3, Paragraph 9(b).

<sup>3</sup>While TKO changed Mr. Hanson’s rate, the net effect or cost to Mr. Hanson was not as egregious as Staff implies. Had Mr. Hanson’s rate remained unchanged in 2014, TKO would have billed Mr. Hanson \$113.84 as opposed to \$912.65 from January 2014 to May 2015. TKO will refund Mr. Hanson the \$798.81 overcharge. Again, it is important to note that TKO did not overcharge an unsophisticated customer thousands of dollars. Rather, the amount charged to this uncooperative customer that turned out to be a competitor exceeded the previously approved amount by less than \$800 over a 16 month period of time.

19. Currently, TKO does not serve the areas in which SWKI North, SWKI West Seward, and SWKI Southeast operate. *See* Exhibit 2, McEvers Affidavit at ¶ 11.

20. On information and belief, the principals for Stegman Farms Partnership, Circle H Farms, and Rome Farms are on the board of directors for SWKI Southeast and SWKI North. These SWKI entities are potential competitors of TKO in their geographic areas. *See* Exhibit 2, McEvers Affidavit at ¶ 15.

21. Mr. Hanson is not a member of the SWKI board of directors. Nevertheless, Mr. Hanson is a competitor to TKO because he provides contract billing and meter reading services for the SWKI boards, in direct competition with TKO. Specifically, Mr. Hanson's engineering company, Hanson Engineering, L.C., provides services similar to that provided by TKO, including meter reading. *See* Exhibit 2, McEvers Affidavit at ¶¶ 15-16.

22. To TKO's knowledge, Mr. Hanson charges up to five times as much for similar services. *See* Exhibit 2, McEvers Affidavit at ¶ 16.

23. TKO and Black Hills seek to provide service to the areas served by SWKI North, SWKI West Seward, and SWKI Southeast, fostering competition and ultimately resulting in a lower price to customers. *See* Exhibit 2, McEvers Affidavit at ¶ 17.

24. Customers in this area have requested service from TKO due to the high fees assessed by the NPU's. *See* Exhibit 2, McEvers Affidavit at ¶ 13.

25. Customers have informed TKO that during the past year, certain NPUs added 50 cents per mcf to their bills in order to explore the creation of Freedom Pipeline, LLC. *See* Exhibit 2, McEvers Affidavit at ¶ 13.

26. Significantly, the registered agent for Freedom Pipeline LLC is Richard Hanson. *See* Exhibit 6, Business Filings for Freedom Pipeline LLC.

27. TKO believes that Freedom Pipeline LLC, operated by the NPU, would directly compete with TKO and Black Hill's pipeline.

28. Upon information and belief, although the NPUs eliminated the extra 50 cents per mcf from the bills of its customers at the end of last year, other fees, such as a \$100 increase in the engine fee, were added or increased in its place. When these fees are added to the price of gas, customers end up paying substantially more with SWKI West Seward, SWKI Southeast, and SWKI North, than through their billing with TKO and SWKI East Central. *See* Exhibit 2, McEvers Affidavit at ¶ 13.

29. TKO attended a board meeting of SWKI North in January 2015 to discuss its plans to provide service to the area. *See* Exhibit 7, TKO Response Letter dated February 19, 2015.

30. Shortly after the board meeting, Mr. Hanson sent a letter to the board of directors and other prospective customers advising them of Mr. Hanson's position in this Complaint proceeding. *See* Exhibit 8, dated February 11, 2015.

31. Mr. Hanson's letter, like the Complaint, was written to gain a competitive market place advantage, as opposed to pursuing and protecting the public interest.

#### *Billing & Administrative Issues*

32. TKO acknowledges that it is billing its current customers as discussed in Staff's Report, utilizing a pressure base of 13.45 psia and is therefore accounting for the amount of heat energy delivered to its irrigation customers inconsistently with the manner articulated in the Staff's Report and Recommendation.



33. Prior to changing its billing methodology,<sup>4</sup> TKO contacted the Commission Staff to inquire as to whether the Commission regulated pressure and if so, what was the applicable standard measurement. At the time, TKO recalls that Commission Staff informally told it that the Commission does not monitor or regulate pressure.<sup>5</sup>

34. Based on this response, and TKO's knowledge that West Texas Gas<sup>6</sup> utilizes varying pressure bases in its billing, TKO believed that change in pressure base and heat calculation would be permissible. *See Exhibit 9, West Texas Gas Contract.*

35. TKO now understands that the Commission has regulations regarding the appropriate pressure base and heat calculation and will correct its billing, update its contracts, and process refunds accordingly.

36. When TKO submitted its annual contract summary, TKO's administrative staff focused on ensuring any new customers and meters were added to the summary and appropriately filed. TKO's staff did not review the other summary columns including the delivery charge.

37. TKO's staff has been advised and understands the full scope of obligations as related to the annual contract summary and will file an updated summary for 2015 by June 30, 2015.

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<sup>4</sup> TKO does not recall the precise date of the change. Due to the installation and implementation of new computer hardware and new billing software in April 2013, certain historical billing data was lost that would allow TKO to more accurately pinpoint the date of the change in pressure base. TKO does not have access to billing records prior to May 2013.

<sup>5</sup> TKO cannot provide a more specific date regarding contact with the Commission as contact was made verbally and informally.

<sup>6</sup> TKO acknowledges that West Texas Gas is not a jurisdictional natural gas provider in Kansas; however, because West Texas Gas operates pipeline in Kansas, TKO incorrectly assumed West Texas Gas would be subject to the same regulations.

## ARGUMENT

### *I. The Recommended Penalty Is Excessive and Disproportional.*

Staff's recommended penalty is excessive and disproportional to the unintentional errors made by TKO. As an initial matter, the two \$2,550 penalties are essentially duplicative and penalize the very same conduct. TKO admits that it improperly and incorrectly billed Mr. Hanson and some penalty may be appropriate; however, Staff's recommendation is not proportional to the aforementioned errors and the fact that Mr. Hanson refused to negotiate with TKO in good faith.

At the outset, it is important to understand the context in which Mr. Hanson's rate increase occurred and that TKO is taking ownership of this error. While TKO attempted to negotiate a new contract with Mr. Hanson due to an increase in its supplier costs, supplier cost that this Staff recommended be phased in over time, Mr. Hanson refused. As an alternative to cutting off service in its entirety, TKO increased the rate assessed to Mr. Hanson.<sup>7</sup> TKO was not flagrantly violating the Commission's order, but trying to work with a difficult customer—one who is in fact, a competitor in several areas. TKO admits and understands that its conduct was improper. Going forward, should TKO have any customers that refuse to sign updated contracts (as Staff is recommending) TKO will send a termination notice under the existing contract, informing customers that if they do not return the updated contract, TKO will be forced to terminate service by a date certain.

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<sup>7</sup> TKO now understands that any changes to the contracts of residential customers must receive prior approval from the Commission and that it was improper to increase the rate assessed to a residential customer without the Commission's consent.

In Mr. Hanson's case, TKO will refund Mr. Hanson for the difference in billing from January 2014 to present. Additionally, since Mr. Hanson has refused to negotiate in good faith with TKO, TKO will provide official notice to Mr. Hanson that TKO will no longer provide service as of August 31, 2015. All refunds due and owing to Mr. Hanson will also be paid by that time.

As Staff noted, Mr. Hanson was a residential customer and his rate was set in the 2012 order. However, Staff seeks a penalty not only for failure to charge the rate set by the order, but also for TKO's failure to obtain Commission approval to charge a new rate. Essentially, Staff seeks two penalties for the same conduct—charging Mr. Hanson an unapproved rate. TKO does not deny that it has improperly billed Mr. Hanson; however, Staff's recommendation seeks to penalize TKO's conduct twice. *See e.g., North Am. Elec. Reliability Corp.*, 119 F.E.R.C. P61, 260, 2007 FERC LEXIS 1072, Para. 39-40 (F.E.R.C. 2007) (upholding the principal that there should not be dual sanctions or duplicative penalties assessed for the same conduct or non-compliance event). Because of the duplicative nature of the penalties, TKO requests that, at a minimum, the proposed penalty for charging Mr. Hanson an unapproved rate be reduced one assessment of \$2,550.

Finally, TKO believes that the proposed penalty for the inaccurate compliance report is disproportional and unsupported by the evidence. TKO admits that Mr. Hanson's rate was improperly reported in the annual contract summary for 2014. TKO's staff that prepared the data for the compliance report only gathered information related to new and unreported customers or meters. TKO's staff did not gather information or verify the accuracy of the rate information previously reported to the Commission. The failure to update the information related to Mr. Hanson was unintentional and an updated 2014 compliance filing will be made no later than

June 30, 2015. TKO admits that some penalty is appropriate for the 2014 annual contract summary. TKO believes that \$1,000 is too high for unintentional conduct. Commission Staff also recommended a \$1000 penalty for the 2012 annual contract summary, but does not identify what infraction justifies this additional penalty. TKO did not change Mr. Hanson's rate until 2014 and his rate was accurately reflected in the 2012 filing.

In sum, TKO admits that it has improperly, although unintentionally, violated the Commission's order. Although some penalty is appropriate, Staff's proposed penalty is duplicative and too high for this unintentional conduct.

## ***II. A Rate Case Is Not Necessary.***

A rate case, as recommended by Staff, is an unnecessary step in this circumstance. A rate case will only serve to tie up resources, increase costs, and will not resolve Staff's underlying concerns.

In Staff's recommendation that TKO be required to file a rate case, Staff referenced the Commission's April 12, 2010 Order wherein the Commission said it would consider setting rates for TKO customers if the customer specific contract methodology was found to be discriminatory or unreasonable. *See* Page 11, Order Granting Applications with Conditions, dated April 12, 2010, Docket 08-TKOG-314-COC. Staff's concerns in the instant Report and Recommendation do not focus on discriminatory or unreasonable rates. Rather, the Staff's concerns relate only to TKO's billing and administration of the previously approved contracts. Given Staff's limited concerns, a rate case, which would result in more administrative requirements, would more likely result in additional complications rather than addressing the matters now before the KCC.

Further, Staff has not expressed an issue with the underlying contracts.<sup>8</sup> The contracts themselves have not changed—they are the same contracts and rates that the Commission Staff scrutinized, reviewed and recommended that the Commission approve. Moreover, the Commission itself approved the use of these contracts. To the extent that TKO did not bill in accordance with Staff’s understanding of how pressure should be calculated, TKO will correct and address the billing administration issue. There is no indication that these underlying contracts are unreasonable or unjust. Similarly, there is no indication that the pricing within these contracts is discriminatory. Discriminatory pricing suggests that TKO treats equally situated customers differently. *See In Re Application of Southwestern Bell Tel. Co.*, 685 P.2d 304, 314, 9 Kan. App. 2d 525, 538 (finding that applying a rate uniformly to those similarly situated is not discriminatory). Staff’s report states that TKO used the wrong BTU calculation methodology for all of its customers. In other words, all of TKO’s customers were treated similarly. Contractually, TKO’s prices are reasonable and non-discriminatory. Therefore, the rationale originally expressed by the Commission Staff for recommending that the Commission order TKO to commence a rate case is not present here.

Finally, were the Commission to order a rate case, it would significantly increase the operational costs and burden on TKO. TKO operates with a small staff in order to minimize overhead, resulting in lower costs for its customers. Generally speaking, TKO’s customers are happy with the costs of service. In fact, non-TKO customers have requested TKO’s service in

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<sup>8</sup> Staff’s only concern with the existing approved contracts appears to be their silence on the pressure calculation. Notably, TKO’s contracts were silent on the pressure calculations when Staff initially reviewed these contracts and when the Commission entered its order and granted TKO its certification. *See* Page 2, Final Order Granting Limited Certificate of Public Convenience and Authority, dated March 16, 2012, Docket 08-TKOG-314-COC. Despite this, TKO appreciates Staff’s concern on this matter and will revise and resubmit its contracts with the inclusion of a pressure term. *See* Section III, *infra*.

new areas, in order to compete with the fees assessed by the NPU's, including the Complainants who are operating in the Moscow, Kansas area. Complainants have a vested economic interest in bringing these charges against TKO beyond the mere amount billed by TKO. Complainants seek to discourage new providers from moving into a market area.

TKO can continue to submit contracts to the Commission and continue to keep its costs down. Were TKO to file a rate case, TKO could potentially be allowed to collect more. *See e.g., In the Matter of the Application of Atmos Energy for Adjustment of its Natural Gas Rates in the State of Kansas*, Order dated July 30, 2010, Docket 10-ATMG-495-RTS (approving a settlement allowing Atmos Energy to make changes to its charges for natural gas service to recover certain gross revenue deficiencies and a rate of return that will enable acquisition of necessary capital at reasonable rates, new construction, provision of adequate gas supplies, and the provision of adequate quality of service). Currently, TKO's posts a negative profit margin in Kansas, with net losses after expenses in excess of \$1000 per customer. TKO believes it charges less for metering, monthly usage, and the price of gas than competitors. Forcing TKO to file a rate case would only result in additional costs and burdens that would ultimately be passed on to the customer in the form of higher prices.

### ***III. TKO Does Not Object to Staff's Additional Recommendations.***

TKO appreciates and understands that it has not complied with all of the conditions set forth in the Commission's previous orders. TKO has reviewed Staff's recommendations and will take the following action:

- TKO will amend its billing calculations to account for the amount of heat energy delivered to its irrigation customers as indicated by the Commission Staff. TKO will need to recalibrate certain meters and alter its billing data, but it will complete these changes no later than the August 2015 billing period.

- TKO will review the rates for residential customers to ensure compliance with the Commission's 2012 order. In the case of Mr. Hanson, TKO will refund Mr. Hanson for the difference in billing from January 2014 to present.
- To the best of its ability, TKO will file a summary of the MMBTU value and the price for each billing since March 16, 2012. TKO notes that it does not have access to some historical records since its conversion to new billing software and new hardware. TKO will provide the requested data beginning with the earliest recoverable historical billing data.
- TKO will provide a notice to its customers regarding the overcharge along with amount of refund that each customer can expect.
- TKO will refund or otherwise credit customers for the respective overcharge due to the inaccurate billing calculations.
- TKO will revise all of its existing contracts with an addendum addressing the gas measurement standards.

## **CONCLUSION**

TKO appreciates the serious nature of its noncompliance and its unintentional errors. TKO erroneously believed that its billing practice was permissible and was not at odds with the Commission's regulations. TKO is fully cooperating, willing to address its shortcomings, and adopt many of Staff's recommendations regarding refunds and overcharges. However, it is important to remember that the Complainants are not disinterested customers merely trying to remedy an outstanding billing issue. Complainants, as board members and competitors, stand to benefit by forcing a rate case or otherwise increasing TKO's costs. TKO believes that a rate case and the full extent of the penalties recommended by Staff are unnecessary as TKO will actively address Staff's concerns without the time, expense, and burden of a rate case.

WHEREFORE, TKO respectfully requests that the Commission adopt this response and not require TKO to file a rate case upon the entry of a final order in the instant docket. TKO also requests that the Commission impose lower penalties than those requested by Staff. TKO agrees

with Staff on other recommendations as related to refunds, contract revisions, notices, and updated compliance filings. Finally, TKO requests any other relief the Commission may deem just and appropriate.

Respectfully submitted,



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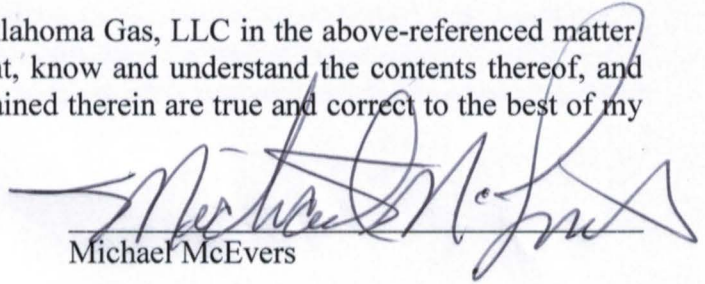


**VERIFICATION**

STATE OF TEXAS            )  
  ) ss:  
COUNTY OF DALLAM        )

Michael McEvers, of lawful age, being first duly sworn upon his oath states:

I am the President of Texas Kansas Oklahoma Gas, LLC in the above-referenced matter. I have read the above and foregoing document, know and understand the contents thereof, and verify that the statements and allegations contained therein are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Michael McEvers

SUBSCRIBED AND SWORN to before me this 26 day of May, 2015.



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

My Appointment Expires: 3-30-17

**CERTIFICATE OF SERVICE**

I hereby certify on this 26<sup>th</sup> day of May, 2015, the original of the foregoing TKO's Response to Staff's Report and Recommendation was filed with the Kansas Corporation Commission by using e-filing EXPRESS with a true and correct copy of the above was either served by electronic service or by mail to the to the following:

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C. Edward Watson, II



Procedural Order also conditionally approved TKO's request for a Limited Certificate of Public Convenience and Authority with nine preconditions.

5. On September 6, 2011, Staff of the Commission (Staff) provided a Report and Recommendation on TKO's filing and an update on TKO's compliance with the nine conditions ordered by the Commission. Staff stated that TKO was not in compliance with three conditions.

6. On February 22, 2012, Staff provided its most recent Report and Recommendation on TKO's filing. Staff's Report and Recommendation is made a part hereof by reference.

7. Staff analyzed the three remaining conditions in which TKO was to be in compliance. Staff provided its reasons why it believes TKO has complied with those three remaining conditions.

8. Staff recommended that TKO's request for a Limited Certificate of Public Convenience and Authority to serve specific customers listed in Exhibit A to TKO's Application be approved subject to the following conditions:

- (a) TKO shall provide a copy of all new or re-negotiated contracts by January 1 of each year;
- (b) TKO shall file on an annual basis by January 1, as set for in ¶38 of the Commission's April 12, 2011 Order, a copy of an updated contract summary. The summary shall be filed in compliance sub-docket, Docket No. 08-TKOG-COC-CPL-1; and
- (c) TKO shall file an annual report with the Commission.

9. Staff also stated that during its review of the contract summary provided by TKO, Staff discovered that TKO is servicing residential customers. Staff stated that it believes it is appropriate for TKO to continue servicing these customers. In order to ensure these residential customers are protected, Staff recommended:

- (a) TKO provide notice to each customer listed in Exhibit C of Staff's Report and Recommendation;

- (b) TKO freeze the current rate as shown in Exhibit C;
- (c) TKO be limited to only serve the six customers listed in Exhibit C;
- (d) TKO be required to convert each residential customer to another fuel source, such as propane, if for any reason TKO cannot provide gas service.

10. Upon review of Staff's Report and Recommendation, the Commission adopts Staff's February 22, 2012 Report and Recommendation and grants TKO's request for a Limited Certificate of Public Convenience and Authority subject to the conditions set forth in subparagraphs 8 (a) through (c) and 9 (a) through (d) above.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. Texas-Kansas-Oklahoma Gas, L.L.C.'s Application for a Limited Certificate of Public Convenience and Authority is hereby approved, subject to the conditions set forth in subparagraphs 8 (a) through (c) and 9 (a) through (d) above.

B. The parties have fifteen days, plus three days if service is by mail, from the date the order was served in which to petition the Commission for reconsideration of any issues decided herein. K.S.A. 66-118b; K.S.A. 2010 Supp. 77-529.

C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Sievers, Chmn.; Loyd, Com.; Wright, Com.

Dated: MAR 16 2012



ORDER MAILED MAR 19 2012

Patrice Petersen-Klein  
Executive Director

RB

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
C. EDWARD WATSON II., ATTORNEY FOULSTON & SIEFKIN LLP 1551 N WATERFRONT PKWY STE 100 WICHITA, KS 67206-4466		
RAY BERGMEIER, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604-4027 ***Hand Delivered***		
ANNE E. CALLENBACH, ATTORNEY POLSINELLI SHUGHART 6201 COLLEGE BLVD STE 500 OVERLAND PARK, KS 66211-2435		
FRANK A. CARO, JR., ATTORNEY POLSINELLI SHUGHART 6201 COLLEGE BLVD STE 500 OVERLAND PARK, KS 66211-2435		
JAMES P. ZAKOURA, ATTORNEY SMITHYMAN & ZAKOURA, CHTD. 7400 W 110TH ST STE 750 OVERLAND PARK, KS 66210-2362		
KIRK HEGER, PRESIDENT SOUTHWEST KANSAS IRRIGATION ASSOCIATION PO BOX 254 ULYSSES, KS 67880-0254		
MONTGOMERY ESCUE SOUTHWEST KANSAS NON-PROFIT UTILITIES AGRICULTURAL ENERGY SERVICES INC 1755 W BROADWAY STREET SUITE 6 OVIEDO, FL 32765		

ORDER MAILED **MAR 19 2012**

The Docket Room hereby certified that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.

**AFFIDAVIT OF MICHAEL MCEVERS**

STATE OF TEXAS            )  
  )  
COUNTY OF DALLAM        )

I, Mike McEvers, being first duly sworn upon my oath depose and state as follows:

1. I am the President and Owner of Texas Kansas Oklahoma Gas, LLC (“TKO”). I have served in this position since 1997.
2. TKO currently provides natural gas services in three states: Kansas, Oklahoma and Texas.
3. TKO has been operating in Oklahoma since 1998, Texas since 1999, and Kansas since 2007.
4. There have never been any complaints, compliance issues or investigations involving TKO before the Oklahoma Corporation Commission or Texas Public Utility Commission.
5. After the Black Hills acquisition of the Anadarko pipeline (“Black Hills/Anadarko Transaction”) was finalized in 2013, (Docket 13-BHCG-509), TKO’s rates and operating expenses for transportation in Kansas increased from 20 cents per mcf to 85 cents per mcf.
6. TKO posts a negative profit margin for its business operations in Kansas with net losses, after expenses, in excess of \$1,000 per customer. *See* Attachment A, Page 11, Current Year Net Utility Operating Income, TKO 2014 Gas Utility Kansas Supplement Annual Report.
7. TKO has consistently operated in the southwest Kansas area at a very low cost. The increase in TKO’s costs, as a result of Black Hills’ and Anadarko’s increased transportation rates, left TKO in a position that the only option available was to renegotiate customer contracts to allow some of the increased rate and operating costs be passed on to the customers. TKO’s overhead-related costs have remained relatively constant.
8. In 2013, after the Black Hills/Anadarko Transaction was approved and Black Hills and Anadarko increased their respective rates, TKO sent a letter to its customers informing them that TKO would be forced to raise prices and contracts would need to be renegotiated.
9. Some customers including, Circle H Farms, Rome Farms, Stegman Farms Partnership, and Richard Hanson refused to work with TKO and would not discuss renegotiating their contracts.
10. TKO did not want to leave these customers without gas service, so TKO continued to provide service at an increased rate.



11. In late 2014, TKO began working with Black Hills to lay additional pipeline. This new pipeline would allow TKO to serve the Moscow, Kansas area.

12. West Texas Gas provides transport services to various nonprofit utilities (“NPU’s”) in this area including SWKI Stevens North, SWKI West Seward, and SWKI Stevens Southeast.

13. Many of TKO’s current irrigation customers also have land and assets in the Moscow, Kansas area and have requested TKO provide service in this area due to high fees charged by the local NPUs. For example, TKO customers have complained of excessive fees, like an extra 50 cents per mcf assessed in 2014 for the exploration of the Freedom Pipeline LLC. TKO believes the extra 50 cents per mcf was eliminated in 2015 but has been told that other fees, like a \$100 increase in the flat engine fee, have replaced the mcf surcharge from 2014.

14. Richard Hanson, Rome Farms, Stegman Farms Partnership, and Circle H Farms have been active in their opposition to TKO providing service to the Moscow, Kansas area and have actively tried to prevent the TKO and Black Hills pipeline project.

15. Richard Hanson owns Hanson Engineering, L.C. Mr. Hanson provides services such as contract billing and meter reading that directly compete with TKO. Mr. Hanson contracts with the boards of several NPUs including SWKI Stevens North, SWKI West Seward, and SWKI Stevens Southeast. Principals for Stegman Farms Partnership, Circle H Farms, and Rome Farms are on the board of directors for SWKI Southeast and SWKI North.

16. Currently, TKO charges \$20 a month for meter reading services. To TKO’s knowledge, Hanson Engineering charges between \$100 and \$150 a month for the same services.

17. TKO believes it can provide service to this area, as requested by its customers, resulting in lower prices for these customers and greater competition.

18. Prior to changing the pressure base utilized in TKO’s billing calculations, I informally contracted the Kansas Corporation Commission Staff to inquire about whether there were any regulations or standards for pressure. I was told that the Commission Staff does not monitor or regulate pressure. I do not recall the exact date this conversation occurred as it was an informal telephone call.

19. Based on the information I received from the Kansas Corporation Commission Staff and my knowledge of West Texas Gas’ billing practices, utilizing varying pressure bases, I believed that a change in pressure base and heat calculation would be permissible.

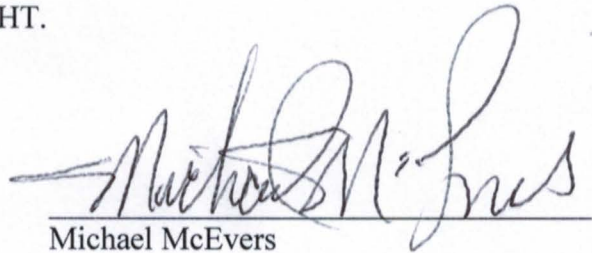
20. I do not recall the exact time TKO changed its billing practices to adjust the pressure base and heat calculation.

21. In April 2013 we purchased both new computer hardware and billing software. TKO’s previous billing software is incompatible with the new hardware and the old computer

hardware is no longer in TKO's possession or control. TKO has no way of accessing billing records prior to May 2013.

I have read the above affidavit, consisting of three pages, and swear that it is true and correct to the best of my knowledge, information, and belief.

FURTHER AFFIANT SAYETH NAUGHT.

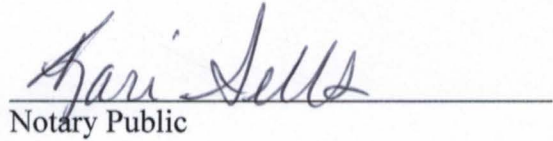


Michael McEvers

5/26/15  
Date

SUBSCRIBED AND SWORN TO before me, a Notary Public within and for the County and State aforesaid, on this 26<sup>th</sup> day of May 2015.



  
Notary Public

My Appointment Expires: 3-30-17

# Gas Utility Kansas Supplemental 2014 Annual Report

to the  
State of Kansas



## State Corporation Commission

for the year ending December 31, 2014

TEXAS KANSAS OKLAHOMA GAS, LLC

(Exact legal name of respondent) (If name was changed during year, show also name and date of change)

1318 DAVID LANE, PO BOX 1194, DALHART, TX 79022

(Address of principal business office at the end of the year)

Area Code 806 Telephone 244-4210 Federal ID Number 75-2843860

Gross operating revenues derived from  
Kansas intrastate operations

\$ 6,347,376

### GENERAL INSTRUCTIONS

1. This supplemental annual report shall be filed with the regular annual report of the respondent to the Kansas Corporation Commission, such regular report to be prepared on forms prescribed by the Federal Energy Regulatory Commission.
2. The principal purposes of this report are: (1) to set forth certain data not in the regular report or not given therein in the detail desired by this Commission, and (2) to secure data applicable to Kansas operations of the utility which will be helpful in the preparation of statistical studies and for noting trends, etc.
3. Companies operating in more than one state will be unable to assign all items relating to plant investment, operating expenses, etc. directly to separate state operations, but many items can be directly assigned. When an allocation is required, the basis therefore should be indicated (see Page 1 of this supplemental report).
4. It is not intended that companies be required to make comprehensive engineering and/or accounting studies annually in order to determine the allocations herein such as would be necessary for a general rate case. Therefore, it is desirable that for the purposes of this report, the bases of allocation be practical and reasonable so that they can be followed from year to year without substantial variation. Therefore, it is to be understood: (1) that the allocated amounts are not expected to be as accurate for any particular year as would be the case if an intensive analytical study of all facets of that year's operations had been made, (2) the acceptance of the supplementary report by the Commission does not infer approval in whole or in part of the allocation procedures followed, and (3) the utility filing the supplement is not precluded from preparing reallocations of the data submitted herein when submitting special studies in connection with rate and other matters.
5. Respondents operating wholly within the State of Kansas may, if desired, make reference to the regular report, giving page numbers, in each instance in which the data, if shown in the supplemental report, would be identical. **\*\*Note, however, that pages 1 and 2 should be completed in their entirety.**
6. Show "None" or "Not Applicable" only when such response truly and completely states the facts. Such responses as "Not Available" and "Not Readily Available" should not be made unless their use is authorized by the Commission.
7. Sheets inserted in this report shall conform in size with the sheets herein, shall show appropriate references to tables in the main report which they support, shall have adequate margins and shall be securely bound in the report.

**DO NOT FOLD OR ROLL**

### **Subsequent Events**

In the space below list all “material” events which have occurred, subsequent to the end of the reporting year and prior to the filing of this annual report, that have or will have an impact on the utility company. For each event listed describe the impact it has or will have on the utility company’s financial statements and/or financial condition.

N/A

### **One Time / Unusual Occurrence**

In the space below list all “material” one time or unusual occurrences, which have occurred during the reporting year for this annual report, that has or will have an impact on the utility company. For each occurrence listed describe the impact it has or will have on the utility company’s financial statements and/or financial condition.

N/A

### **Corporate Guaranties**

In the space below list all corporate guaranties issued by the utility or its parent on behalf of any affiliated interests as defined by K.S.A. §66-1401. for each guaranty provide the name of the affiliate along with the amount and terms including the beginning and ending dates. Describe what effect invoking the guaranty(s) would have on the financial condition of the utility company.

N/A

### **Cross Default Clauses**

In the space below list all of the affiliates' (as defined by K.S.A. §66-1401) debt obligations that contain cross-default clauses linking the affiliates' performance under the debt agreements to the utility and/or its parent. For each debt obligation with a cross-default clause provide the name of the affiliate, a concise description of its business and a description of the debt obligation. Describe what affect invoking the cross default clause(s) would have on the financial condition of the utility company.

N/A

BASES OF ALLOCATION TO KANSAS OF UTILITY PLANT, OPERATING EXPENSES, ETC.			
<ol style="list-style-type: none"> <li>1. In column (a), assign allocation basis reference numbers for each basis used in allocating Utility Plant and other items applicable to Kansas operations.</li> <li>2. In column (b), give a full description of each basis of allocation, showing designations and amounts of the factors involved in each equation or formula.</li> <li>3. In column (c), for each basis, show the percent of the Kansas portion to the total.</li> </ol>			
Line No.	Reference Number (a)	Full Description of Basis of Allocation (b)	Percent to Kansas (c)
		N/A	



## GAS PLANT IN SERVICE – KANSAS ONLY

(In addition to Account 101, Gas Plant in Service (Classified), this schedule includes Account 102, Gas Plant Purchased or Sold, Account 103, Gas Plant in Process of Reclassification, and Account 106, Completed Construction not Classified-Gas.

1. Report below to the nearest dollar (cents omitted) the original cost of Gas Plant in Service according to prescribed accounts.
2. This table is the equivalent to two tables in one: First – Columns (b) to (e), inclusive, call for all Gas Plant in Service which is physically located in Kansas, regardless of how much is applicable to various states. Second – Columns (f) to (h), inclusive, are concerned with determining the amounts of Gas Plant in Service applicable to Kansas operations, regardless of location.
3. In column (f), show amounts at the end of the year representing plant which applies wholly to Kansas operations, irrespective of the physical location of such plant.
4. In Column (g), show the allocated Kansas portion of plant in service at the end of the year which is common to operations of Kansas and one or more other states, irrespective of the physical location of such plant.
5. Although no Column is provided for it, the total Gas Plant in Service applicable to Kansas operations is the total of amounts in columns (f) and (g).
6. Column (h) shall show the reference numbers to allocation bases used in computing amounts in column (g). Allocations shall be based on generally accepted engineering and accounting principles (See table “Bases of Allocation to Kansas of Gas Plant in Service and Gas Operating Expenses”, page 1)
7. If the same basis of allocation is applied to several accounts within a group (e.g. Accounts 330 to 336, inclusive), the total amount allocated to Kansas for such accounts may be shown if desired, in column (g) in a blank line at the bottom of the group and reference symbols shown in column (h) instead of individual amounts for each account in the group so included.
8. Column (i) shall show the amounts of Gas Plant in Service at the end of the year which is common to Kansas and one or more other states. To determine such common plant: From the entire company total of the account of group of accounts, subtract (1) amounts directly assignable to Kansas, (2) amounts directly assignable to the other states, and (3) any other amounts located in other states, no part of which is applicable to Kansas.
9. If adjustments are included in column (c) and/or column (d), set forth by footnote (See page 5) in the amount of debits and credits together with explanation.
10. State in a footnote and insert on what dates journal entries for the year with respect to Accounts 102, “Gas Plant Purchased or Sold” was submitted to this Commission for approval.

ANNUAL REPORT OF TEXAS KANSAS OKLAHOMA GAS, LLC YEAR ENDING 2014

PLANT IN SERVICE – KANSAS ONLY (see instruction on previous page)											
Line No.	Acct. No.	Account (a)	LOCATED IN KANSAS				BALANCE AT END OF YEAR				
			Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Balance End of Year (e)	Applicable to Kansas Operations			Common To Kansas And Other State (i)	
							Assigned Direct (f)	Allocated			
								Amount (g)	Ref. No. (h)		
1.		<b>1. INTANGIBLE PLANT</b>									
2.	301	Organization .....	\$	\$	\$	\$	\$	\$	\$	\$	\$
3.	302	Franchises & Consents .....									
4.	303	Misc. Intangible Plant .....									
5.		Total Intangible Plant.....									
6.		<b>2. PRODUCTION PLANT</b>									
7.	325.1	Producing Lands .....									
8.	325.2	Producing Leaseholds.....									
9.	325.3	Gas Rights.....									
10.	325.4	Rights-of-way .....									
11.	325.5	Other land and land rights .....									
12.	326	Gas well structures.....									
13.	327	Field compressor station struct....									
14.	328	Field meas. & reg. sta. struct.									
15.	329	Other structures.....									
16.	330	Producing Gas wells-well constr..									
17.	331	Producing Gas wells-well equip...									
18.	332	Field Lines .....									
19.	333	Field compressor station equip....									
20.	334	Field meas. & reg. sta. equip.....									
21.	335	Drilling & cleaning equip.....									
22.	336	Purification equip.....									
23.	337	Other equipment.....									
24.	338	Unsuccessful expl & develop costs									
25.		Total Prod. & Gathering Plant									
26.		<b>Products Extraction Plant</b>									
27.	340	Land and land rights.....									
28.	341	Structures & improvements ...									
29.	342	Extraction & refining equipment...									
30.	343	Pipe lines.....									
31.	344	Extracted prod. Storage equip.....									
32.	345	Compressor equipment.....									
33.	346	Gas meas. & reg. equipment.									
34.	347	Other equipment.....									
35.		Total Prod. Extraction Plant...									
36.		Total Natural Gas Prod. Plant									
37.		Manufactured Gas Producing Plant .....									
38.		Total Production plant .....									

PLANT IN SERVICE – KANSAS ONLY (continued)										
Line No.	Acct. No.	Account (a)	LOCATED IN KANSAS				BALANCE AT END OF YEAR			
			Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Balance End of Year (e)	Applicable to Kansas Operations			Common To Kansas And Other State (i)
							Assigned Direct (f)	Allocated		
					Amount (g)	Ref. No. (h)				
39.		<u>3. NATURAL UNDERGROUND STORAGE AND PROCESSING PLANT</u>								
40.		<u>A. Underground Storage Plant</u>								
41.	350.1	Land .....	\$	\$	\$	\$	\$	\$	\$	\$
42.	350.2	Leaseholds .....								
43.	350.3	Storage Rights .....								
44.	350.4	Rights-of-way .....								
45.	350.5	Gas Rights .....								
46.	351	Structures & Improvements ...								
47.	352	Wells .....								
48.	352.1	Storage leaseholds and rights								
49.	352.2	Reservoirs .....								
50.	352.3	Nonrecoverable natural gas.								
51.	353	Lines .....								
52.	354	Compressor station equip .....								
53.	355	Measuring & reg. equip .....								
54.	356	Purification equipment .....								
55.	357	Other equipment .....								
56.		Total underground Storage Plant								
57.		<u>B. Other Storage Plant</u>								
58.	360	Land & land rights .....								
59.	361	Structures & improvements ...								
60.	362	Gas holders .....								
61.	363	Purification equipment .....								
62.	363.1	Liquefaction equipment .....								
63.	363.2	Vaporizing equipment .....								
64.	363.3	Compression equipment .....								
65.	363.4	Measuring & reg equipment ..								
66.	363.5	Other equipment .....								
67.		Total Local Storage Plant .....								

PLANT IN SERVICE – KANSAS ONLY (continued)										
Line No.	Acct. No.	Account (a) C. Baseload Liquefied Terminaling and Processing Plant	LOCATED IN KANSAS				BALANCE AT END OF YEAR			Common To Kansas And Other State (i)
			Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Balance End of Year (e)	Applicable to Kansas Operations			
							Assigned Direct (f)	Allocated		
					Amount (g)	Ref. No. (h)				
68.										
69.	364.1	Land & land rights .....								
70.	364.2	Structures & improvements ...								
71.	364.3	LNG process terminal equip..								
72.	364.4	LNG transportation equipment								
73.	364.5	Measuring & regulating equip								
74.	364.6	Compressor station equip .....								
75.	364.7	Communication equip.....								
76.	364.8	Other equipment.....								
77.		Total Baseload Liq Term & Proc								
78.		Total Storage Plant.....								
79.		<b>4. TRANSMISSION PLANT</b>								
80.	365.1	Land and land rights .....								
81.	365.2	Rights-of-way .....								
82.	366	Structures & improvements ...								
83.	367	Mains .....								
84.	368	Compressor station equipment....								
85.	369	Measuring & reg. sta. equipment.								
86.	370	Communication equipment....								
87.	371	Other equipment.....								
88.		Total transmission plant .....								

PLANT IN SERVICE – KANSAS ONLY (continued)										
Line No.	Acct. No.	Account (a)	LOCATED IN KANSAS				BALANCE AT END OF YEAR			
			Balance Beginning of Year (b)	Additions (c)	Retirements (d)	Balance End of Year (e)	Applicable to Kansas Operations			Common To Kansas And Other State (i)
							Assigned Direct (f)	Allocated		
						Amount (g)		Ref. No. (h)		
		<b>5. DISTRIBUTION PLANT</b>								
89.	374	Land & land rights .....								
90.	375	Structures & improvements ...								
91.	376	Mains .....								
92.	377	Compressor station equip .....								
93.	378	Meas. & reg. sta. equip.-gen .								
94.	379	Meas. & reg. sta. equip-city gate .								
95.	380	Services.....								
96.	381	Meters.....								
97.	382	Meter installation .....								
98.	383	House regulators .....								
99.	384	House regulators installed.....								
100.	385	Industrial meas. & reg. sta. equip								
101.	386	Other prop. on cust. premises								
102.	387	Other equipment.....	543,187			543,187				
103.		Total distribution plant .....								
		<b>6. GENERAL PLANT</b>								
104.										
105.	389	Land & land rights .....								
106.	390	Structures & improvement.....								
107.	391	Office furniture & equipment..								
108.	392	Transportation equipment .....								
109.	393	Stores equipment .....								
110.	394	Tools, shop & garage equip ..								
111.	395	Laboratory equipment .....								
112.	396	Power operated equipment ...								
113.	397	Communication equipment....								
114.	398	Miscellaneous equipment.....								
115.	399	Other tangible property.....								
116.		Total General Plant .....								
117.		Total (Accounts 101 & 106)...								
118.	102	Gas Plant purchased.....								
119.	102	Gas plant sold .....								
120.	103	Experimental gas plant unclass. ...								
121.		Total Gas Plant in Service (Lines 115-118) .....								

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

1. This table should be submitted with amounts to the nearest dollar (cents omitted).
2. Amounts shown hereunder shall be as of the years end. Show in column (e) reference to allocation bases set forth on page 1 of this Supplemental Report.

Line No.	Item (a)	Applicable to Kansas				Common to Kansas and other States (f)
		Total Company (b)	Assigned Direct (c)	Allocated		
				Amount (d)	Ref. No. (e)	
<u>GAS PLANT</u>						
1.	Gas plant in service (from page 9, line 121).....					
2.	Gas plant leased to others (104) .....					
3.	Gas plant held for future use (105).....					
4.	Completed construction not classified – Gas (106).....					
5.	Construction work in progress – Gas (107) .....					
6.	Gas plant acquisition adjustment (114) .....					
7.	Gas stored – Base gas (117.1).....					
8.	System balancing gas (117.2) .....					
9.	Gas stored in reservoirs and pipelines-noncurrent (117.3) .....					
10.	Gas owed to system gas (117.4).....					
11.	Other Gas plant adjustment (116) .....					
12.	Other utility plant (118) .....					
13.	Total Gas utility plant (Lines 1-12 inclusive).....					
<u>ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION OF GAS PLANT</u>						
14.	Accumulated Provision for depreciation of Gas utility plant (108)-by functional divisions:					
	(a) Production (manufactured gas) .....					
	(b) Production & gathering (natural gas) .....					
	(c) Products extraction (natural gas) .....					
	(d) Underground gas storage .....					
	(e) Local gas storage .....					
	(f) Transmission .....					
	(g) Distribution .....	2,640,696	543,187			
	(h) General.....					
	(i) Total functional divisions of Account 108.....					
15.	Accumulated Provisions for amortization and depletion of gas utility plant: (Account 111)					
	(a) Producing natural gas land & land rights .....					
	(b) Underground storage land & land rights .....					
	(c) Other gas plant in service .....					
16.	Accumulated provision for amortization of gas plant acquisition adjustment (115).....					
17.	Total accumulated provisions for depreciation, amortization or depletion of accounts related to gas plant in service.....					
18.	Other depreciation, amortization or depletion provisions accumulated:					
19.	(a) Amortization of gas plant acquisition adj's (115) .....					
20.	(b) Depreciation and amortization of other utility plant (119) ..					
21.	(c) .....					
22.	Total Accumulated Provisions for depreciation, amortization and depletion of Gas Plant (Lines 14-21, inclusive).....	2,640,696	543,187			

GAS OPERATING INCOME							
Line No.	Account (a)	Total Company		Kansas Operations		All Other Operations	
		Current Year (b)	Increase (c)	Current Year (d)	Increase (e)	Current Year (f)	Increase (g)
1.	<u>UTILITY OPERATING INCOME</u>						
2.	Operating Revenues (400) .....	19,959,316	2,571,053	6,347,376	116,375	13,611,940	2,454,678
3.	Operating Expenses .....						
4.	Operation Expenses (401) .....	(17,420,237)	2,741,224	(6,276,759)	1,305,740	(11,143,478)	1,435,484
5.	Maintenance Expenses (402).....	(501,328)	(43,843)	(175,084)	70,986	(326,244)	(114,829)
6.	Depreciation Expenses (403) .....	(263,165)	(430,806)	(69,475)	(121,274)	(193,690)	(309,532)
7.	Amort. & Depl. Of Utility Plant (404 - 405) .....						
8.	Amort. Of Gas Plant Acq. Adj. (406) .....						
9.	Amort. Of Property Losses, unrecvr'd plant & reg study costs (407.1) .....						
10.	Amort. Of Conversion Expenses (407.2) .....						
11.	Regulatory debits (407.3) .....						
12.	Taxes Other Than Income, utility oper inc (408.1) ....						
13.	Taxes Other Than Income, other inc & deduction(408.2)	(124,861)	(3,384)	(27,125)	(2,994)	(97,736)	(390)
14.	Income Taxes – utility operations (409.1) .....						
15.	– other income & deductions(409.2) .						
16.	– Extraordinary (409.3) .....						
17.	Provision for deferred income taxes						
18.	- utility operations (410.1).....	<	>	<	>	<	>
19.	- other income & deductions(410.2) ..	<	>	<	>	<	>
20.	Provision for deferred income taxes – credit						
21.	- utility operations (411.1).....	<	>	<	>	<	>
22.	- other income & deductions(411.2) ..	<	>	<	>	<	>
23.	Investment Tax Credit Adjustment						
24.	- utility operations (411.4).....						
25.	- other income & deductions(411.5) ..						
26.	Gains from Disp. Of Utility Plant (411.6) .....						
27.	Losses from Disp. Of Utility Plant (411.7) .....						
28.	Total Utility Operating Expenses.....	(18,309,591)		(6,548,443)		(11,761,148)	
29.	Net Utility Operating Income .....	1,649,725		(201,068)		1,850,792	

FOOTNOTES:

ANNUAL REPORT OF TEXAS KANSAS OKLAHOMA GAS, LLC YEAR ENDING 2014

GAS OPERATING REVENUES (Account 400) KANSAS ONLY

1. Report below the amount of operating revenues for the year for each prescribed account and the amount of increase or decrease over the preceding year. If any Kansas revenues below are the results of allocation, explain basis of allocation. If space below is insufficient, attach insert.
2. If increases and decreases are not derived from previously report figures, explain any inconsistencies.
3. Number of customers should be reported on the basis of number of meters, plus number of flat rate accounts, except where separated meter readings are added for billing purposes, one customer shall be counted for each group of meters so added. The average number of customers means the average of the 12 figures at the close of each month. If the customer count in the residential service classification includes customers counted more than once because of special services, such as water heating, etc., indicate in a footnote the number of such duplicate customers included in the classification.
4. Unmetered sales should be included below. The details of such sales should be given in a footnote.
5. Classification of Commercial and Industrial Sales, Account 481, according to Small (or Commercial) and Large (for Industrial) may be according to the basis of classification regularly used by the respondent if such basis of classification is not greater generally than 1000 MCF of demand. See Account 481 of the Uniform System of Accounts. Explain basis of classification.

Line No.	Account No.	Account (a)	OPERATING REVENUE		MCF OF GAS SOLD		AVERAGE NO. OF CUSTOMERS PER MO	
			Amount For Year (b)	Incr. or Decr. From preceding year (c)	Amount For Year (d)	Incr. or Decr. From preceding year (e)	Amount For Year (f)	Incr. or Decr. From preceding year* (g)
<b><u>GAS SERVICE REVENUES:</u></b>								
1.	480	Residential sales .....	7,236	2,367	1410	(218)	8	0
2.	481	Commercial and Industrial sales						
3.		Small (or Commercial) see instr. 5 .....	2,788	(3,762)	524	(830)	1	0
4.		Large (or Industrial) see instr. 5 .....	6,167,438	77,604	1,160,792	(76,648)	273	4
5.	482	Other sales to public authorities.....						
6.	483	Sales for resale						
7.	484	Interdepartmental sales.....						
8.	485	Intracompany transfers .....						
7.		Total sales to ultimate consumers.....	6,177,462		1,162,726		282	
8.		Sales for resale .....						
9.		Total Gas Sales Revenue .....	6,177,462		1,162,726		282	
<b><u>OTHER GAS REVENUES</u></b>								
10.	487	Forfeited discounts.....						
11.	488	Miscellaneous service revenues .....	112,804	17,789				
12.		Revenues from transportation of gas of others through -						
13.	489.1	Gathering facilities .....						
14.	489.2	Transmission facilities .....						
15.	489.3	Distribution facilities.....						
16.	489.4	Revenues from storage gas of others.....						
17.		Total Revenue from Transportation .....	112,804					
18.	490	Sales of products extracted from natural gas .....						
19.	491	Revenue from natural gas processed by others .....						
20.	492	Incidental gasoline & oil sales .....						
21.	493	Rent from gas property .....						
22.	494	Interdepartmental rents .....						
23.	495	Other gas revenues.....	57,110	22,377				
24.	496	Provision for rate refunds .....						
25.		Total Other Operating Gas Revenues.....	57,110					
26.		Total Gas Operating Revenues.....	6,347,376	116,375				
27.		Sales of Natural gas by communities .....						
28.		Mainline industrial sales of natural gas.....						
29.		Sales to other gas utilities.....						
30.		Total Gas Service Revenues (line 9 + line 17) .....	6,290,266	93,998				

\* Show decreases in parenthesis ()  
 # Pressure base: 14.73  
 (p.s.i.a.)  
 @ 950-1195 Avg  
 Btu content per ft.:



SALES OF NATURAL GAS BY RATE SCHEDULES – KANSAS OPERATIONS ONLY (FOR ALL COMPANIES)						
1. Information called for below shall be given for each rate schedule (by number and title) and each special contract (by name of contracting party). 2. Provided a sub-heading and total for each gas service revenue account. 3. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (e.g. 12 if all are billed monthly).						
Line No.	Number and Title of Rate Schedule or Name of Holder of Special Contract (a)	MCF Sold @ F. BTU content _____ (b)	Revenue (c)	Average Number of Customers (d)	MCF of Sales Per Customer (e)	Revenue per MCF sold (f)
1.	N/A					
2.						
3.						
4.						
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SALES OF NATURAL GAS BY KANSAS COMMUNITIES (Page 1 of 2)

1. A similar schedule in the regular report calls for sales of Gas by Communities of 10,000 population or more by separate states. In the schedule below such information for the State of Kansas is to be listed for all communities served.
2. "Communities" mean: "Cities, towns, villages and cross-road communities served on other than standard rural rates".

Line No.	COMMUNITY		BTU Content Per CF of Gas (c)	RESIDENTIAL		
	Name (a)	Population (b)		Operating Revenue (d)	MCF (e)	Average No. of Customers per month (f)
1.	N/A					
2.						
3.						
4.						
5.						
6.						
7.						
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43.						

SALES OF NATURAL GAS BY KANSAS COMMUNITIES (Page 2 of 2)

- 3. If sales of all Kansas communities are set forth fully in the regular report, the following schedule need not be prepared. In such case, merely make reference to the page in the regular report where sales by Kansas communities may be found.
- 4. The information below should be on the same basis as provided in the schedule on page 8 of this supplement except cents may be omitted in reporting revenues and the totals for the various accounts should agree with the accounts for those accounts shown on page 8.

COMMERCIAL			INDUSTRIAL			TOTAL			Line No.
Operating Revenues (h)	MCF (i)	Avg. No. Cust. Per Month (j)	Operating Revenues (k)	MCF (l)	Avg. No. Cust. Per Month (m)	Operating Revenues (n)	MCF (o)	Avg. No. Cust. Per Month (p)	
\$			\$			\$			1.
									2.
N/A									3.
									4.
									5.
									6.
									7.
									8.
									9.
									10.
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									43.

GAS EXPENSES APPLICABLE TO KANSAS OPERATIONS

1. This table should be submitted with amounts to the nearest dollar (cents omitted).
2. Reference numbers to be shown in column (g) refer to bases of allocation of page 1.
3. Explanations or general remarks concerning the determination of operation and maintenance expenses shown should be included in the footnotes below.
4. If more than one basis was used in the determination of any classification of expenses below, the detail thereof may be submitted on a separate schedule.

Line No.	Expense Classification and Account Numbers (a)	Total Company (b)	DISTRIBUTION OF EXPENSE TO KANSAS AND OTHER STATES					
			Amounts assigned direct		Balance to be Allocated, Col. (b) less cols. (c) and (d) (e)	Allocated to Kansas Amount (f)	Ref. No. (g)	Total Kansas Expenses, col. (c) plus col. (f) (h)
			Kansas Only (c)	Other States (d)				
<b>OPERATION EXPENSES</b>								
1.	Manufactured gas expense (submit schedule) .....							
2.	Production and gathering expenses (750-760) .....							
3.	Product extraction expense (770-783) .....							
4.	Exploration and development expenses (795-798) .....							
	<u>Other Gas Supply Expenses:</u>							
5.	Purchased Gas .....							
6.	(a) Well head (800) .....							
7.	(b) Well head, intracompany transfer (800.1) .....							
7.	(c) Field line (801) .....							
8.	(d) Gasoline plant outlet (802) .....							
9.	(e) Transmission line (803) .....							
10.	(f) City gate (804) .....							
11.	(g) Liquefied (804.1) .....							
12.	(h) Cost adjustment (805.1) .....							
13.	(i) Other (805) .....							
14.	Exchanged Gas (806) .....							
15.	Purchased Gas (807) .....	14,488,625	5,522,682	8,965,943				5,522,682
16.	Underground Storage Gas .....							
17.	(a) Withdrawn from – dr. (808.1) .....							
18.	(b) Delivered to – cr. (808.2) .....							
19.	Withdrawal of liquefied nat. gas held for proc.-dr (809.1)							
20.	Deliveries of nat. gas for proc.-cr (809.2) .....							
21.	Gas used in Utility operations or. (810-812) .....							
22.	Other supply expenses (813) .....							
23.	Underground storage expenses (814-826) .....							
24.	Other storage expenses (840-842) .....							
25.	Liquefied natural gas facilities expense (844-846) .....							
26.	Transmission expenses (850-860) .....							212,332
27.	Distribution expenses (870-881) .....	1,070,636	212,332	858,304				212,332
	Customer accounts expenses:							
	Customer's Accounts Expenses (901-905) .....							
28.	Service and Info. Expenses (907-910) .....							
	Sales expenses (911-916) .....							
29.	Administrative and general expenses (920-931) .....	1,985,837	568,871	1,416,966				568,871
30.	Total Operation Expenses – Acct. 401 (Lines 1-29) .....	17,545,098	6,303,885	11,241,213				6,303,885
<b>MAINTENANCE EXPENSES</b>								
31.	Manufactured gas expense (submit schedule) .....							
33.	Production and gathering expenses (761-769) .....							
31.	Products extraction expenses (784-791) .....							
32.	Underground storage expenses (830-837) .....							
33.	Other storage expenses (843) .....							
34.	Liquefied natural gas facilities expense (847.1-847.8) .....							
35.	Transmission expenses (861-867) .....							
36.	Distribution expenses (885-894) .....	501,328	175,084	326,244				175,084
37.	Maintenance of general plant (932) .....							
38.	Total Maintenance Expenses – Acct. 402 (Lines 32-37) ....	501,328	175,084	326,244				175,084

Footnotes:

DEPRECIATION, AMORTIZATION AND DEPLETION OF GAS PLANT (Account 403, 404, 405, 406, 407) KANSAS ONLY						
1. This table should be submitted with amounts to the nearest dollar (cents omitted).						
2. Amounts shown hereunder shall be as of the years end. Show in column (e) references to allocation bases set forth on page 1 of this supplemental report.						
Line No.	Item (a)	Total Company (b)	Applicable to Kansas			Common to Kansas and Other States (f)
			Assigned Direct (c)	Allocated		
				Amount (d)	Ref. No. (e)	
<u>DEPRECIATION EXPENSES (403)</u> <u>BY FUNCTIONAL CLASSIFICATION</u>						
1.	Intangible Plant.....					
2.	Production Plant – manufactured gas .....					
3.	Production and gathering plant – natural gas.....					
4.	Products extraction plant.....					
5.	Underground gas storage plant.....					
6.	Local gas storage plant .....					
7.	Transmission plant .....					
8.	Distribution plant.....	263,165	69,475			
9.	General plant.....					
10.	Total Depreciation Expenses (403) .....					
<u>AMORTIZATION &amp; DEPLETION EXPENSES (404 &amp; 405)</u>						
11.	Amortization and Depletion .....					
	Producing natural gas land and land rights (404.1) .....					
12.	Amortization: .....					
	Underground storage land and land rights (404.2) .....					
	Other limited-term gas plant (404.3) .....					
	Other gas plant (405) .....					
	Gas plant acquisition adjustment (406) .....					
	Property losses, unrecvr'd plant and reg study costs (407.1).....					
	Conversion expense (407.2).....					
13.	Total Amortization and Depletion expenses (404-407) .....					

Remarks:

TAXED CHARGED – KANSAS OPERATIONS ONLY – (Account 408 – 411 inclusive)

1. This table should be submitted with amounts to the nearest dollar (cents omitted).
2. Figures herein should represent the portion applicable to Kansas of all taxes for the calendar year, by classes, which are charged to Account 408 – 411 inclusive, "Taxes".
3. In column (a), be specific and thorough in describing all classes of taxes.
4. Provide subheading for the various accounts.
5. If any class of taxes is allocated on a basis other than any shown on page 1, explain fully, proply referenced, either in a footnote or an insert.

Line No.	Class of Tax (a)	Applicable to Kansas Operations (Gas)			Total Common to Kansas and Other States (e)
		Assigned direct (b)	Allocated		
			Amount (c)	Ref. No. (d)	
1.	N/A				
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FRANCHISE REQUIREMENTS (GAS) – KANSAS OPERATIONS

1. Report below all payments, made to municipal or other governmental authorities or other franchise grantor in compliance with franchise, ordinance or similar requirements, providing all such payments, etc. have not been reported separately in a similar schedule of the regular report.
2. State in a footnote, properly referenced, the actual cost of any franchise purchased outright and amounts at which they are carried on the respondents books.
3. Is the respondent the original grantee of all franchises? \_\_\_\_\_ (Yes or No)
4. If the answer to item 3 above is "No" show in a footnote or insert, for each applicable franchise, the name of the original grantee, chain of title to date and territory and operations covered.

Line No.	Name of Original Grantor (a)	Effective Date of Grant (b)	Term in Years (c)	Date Acquired by Respondent (d)	Basis of Payment and Total Case Value of Payments for Current year (Acct. 927) (e)
1.	N/A				
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FOOTNOTES:

**ADDITIONS AND RETIREMENTS OF BUILDING DURING THE YEAR**

1. Report below the information called for, for only the buildings added to your system during the year and those sold, removed, abandoned or otherwise retired.
2. List all additions under one sub-heading and all retirements under another sub-heading.

Line No.	Location (a)	Year Built (b)	Type and Material (c)	Kind of Service (d)	Dimensions (e)	Amt. Carried on Balance Sheets (f)
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						

**CONSUMER GAS METERS, REGULATORS AND LIMITING DEVICES**

1. Report below the information called for concerning consumers gas meters, regulators and limiting devices.
2. Show in a footnote below the number of consumer meters held by the respondent under lease from other, jointly owned by others or held otherwise than by reason of sole ownership by the respondent. If 100 or more meters are held under lease, give name of lessor, date and period of lease and annual rent. If 100 or more meters are held other than by reason of sole ownership or lease, give name of co-owner, basis of accounting or expenses between the parties and state amounts and accounts affected in respondent's books of account. Specify in each case whether leaser, co-owner or other party is associated with the company.
3. If one or more meters are tested more than once during the year, count them only once in showing the number of meters tested during the year.

Line No.	(a)	Meters, Regulators and Limiting Devices			
		Displacement (b)	Flow (c)	House (d)	Other (e)
1.	Number at beginning of year .....	Roots 1.5m	1500 cfm		Irrigation
2.	Acquired during year .....	Roots 3.0m	3000 cfm		
3.	Total .....				
4.	Retired during year .....				
5.	Number at end of year .....				
6.	In stock .....	90			
7.	Locked meters on customer premises.....	1			
8.	In customer's use .....	281			
9.	In company's use .....				
	Total end of year (as above).....				
10.	Number tested during year .....	20%			

Footnotes:



DISTRIBUTION LINES AND SERVICE PIPE – LOCATED IN KANSAS – ALL COMPANIES							
Line No.	Pipe Diameter (inches) (a)	Kind of Pipe (b)	In Service, Beginning of Year (c)	Added During Year (d)	Retired During Year (e)	In Service, End of Year (f)	Remarks (g)
<u>DISTRIBUTION LINES</u>							
1.	N/A						
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
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15.							
16.							
17.							
18.							
19.							
20.							
21.							
22.							
23.							
24.							
25.	Total						
<u>SERVICE PIPE</u>							
26.							
27.							
28.							
29.							
30.							
31.							
32.							
33.							
34.							
35.							
36.							
37.							
38.							
39.							
40.							
41.							
42.							
43.							
44.							
45.							
46.							
47.							
48.	Total						

N/A

MONTHLY GAS PLANT INVESTMENT DATA

1. This table may be submitted to the nearest dollar, if desired.
2. When plant represented by construction work orders has been placed into service and the aggregate costs thereof have been substantially determined, but the amounts applicable to primary plant accounts can not be promptly ascertained, it is preferable for reporting purposes below to show the balance of such work orders in Account 106 – Completed Construction – Not Classified (rather than in Account 107 – Construction Work in Progress).
3. The average for the year for each column should be computed as follows: Multiply by 2 the sum of amounts shown in lines 2 to 12, inclusive. To this product add the amounts shown in lines 1 and 13. Then divided such total by 24. The result is the average of the monthly averages.

Line No.	Account Balance Monthly Ending (a)	Construction work in Progress (Account 107)		Gas Plant in Service			Accum. Provisions for Depr. Of Gas Plant in Service	
		Located in Kansas (b)	Total Company (c)	Located in Kansas		Total Co. (Accounts 101 & 106) (f)	Located in Kansas (g)	Total Company (h)
				Completed Constr. Not Classified (Acct. 106) (d)	Plant in Service – Classified (Acct. 101) (e)			
1.	Previous Year December 31	\$	\$	\$	\$	\$	\$	\$
2.	Current Year January 31							
3.	February 28							
4.	March 31							
5.	April 30							
6.	May 31							
7.	June 30							
8.	July 31							
9.	August 31							
10.	September 30							
11.	October 31							
12.	November 30							
13.	December 31							
14.	Average for Year							

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, _____
--------------------	---	--------------------------------	----------------------------------

**DISTRIBUTION OF SALARIES AND WAGES**

- Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to *Utility Departments, Construction, Plant Removals, and Other Accounts*, and enter such amounts in the appropriate lines and columns provided.
- In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1.	Electric .....			
2.	Operation .....			
3.	Production .....			
4.	Transmission .....			
5.	Distribution .....	860,193		860,193
6.	Customer Accounts .....			
7.	Customer Service and Informational .....			
8.	Sales .....			
9.	Administrative and General .....			
10.	TOTAL Operation (Total of lines 3 thru 9) .....			
11.	Maintenance .....			
12.	Production .....			
13.	Transmission .....			
14.	Distribution .....			
15.	Administrative and General .....	256,956		256,956
16.	TOTAL Maintenance (Total of lines 12 thru 15) .....	1,117,149		1,117,149
17.	Total Operation and Maintenance .....			
18.	Production (Total of lines 3 and 12) .....			
19.	Transmission (Total of lines 4 and 13) .....			
20.	Distribution (Total of lines 5 and 14) .....			
21.	Customer Accounts (Line 6) .....			
22.	Customer Service and Informational (Line 7) .....			
23.	Sales (Line 8) .....			
24.	Administrative & General (Total of lines 9 and 15) .....			
25.	TOTAL Operation & Maintenance (Total of lines 18 thru 24) .....			

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, _____
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DISTRIBUTION OF SALARIES AND WAGES - Continued

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
26.	Gas.....			
27.	Operation .....			
28.	Production – Manufactured Gas.....			
29.	Production – Natural Gas (Including Expl. & Dev.).....			
30.	Other Gas Supply.....			
31.	Storage, LNG Terminaling and Processing.....			
32.	Transmission.....			
33.	Distribution .....			
34.	Customer Accounts.....			
35.	Customer Service and Informational.....			
36.	Sales.....			
37.	Administrative and General.....			
38.	TOTAL Operation (Total of lines 28 thru 37).....			
39.	Maintenance.....			
40.	Production – Manufactured Gas.....			
41.	Production – Natural Gas.....			
42.	Other Gas Supply.....			
43.	Storage, LGN Terminaling and Processing.....			
44.	Transmission.....			
45.	Distribution .....			
46.	Administrative and General.....			
47.	TOTAL Maintenance (Total of lines 40 thru 46).....			

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, _____
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DISTRIBUTION OF SALARIES AND WAGES - Continued

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
	Gas (Continued)			
48.	TOTAL Operation and Maintenance.....			
49.	Production – Manufactured Gas (Lines 28 and 40).....			
50.	Production – Natural Gas (Including Expl. & Dev.) (Lines 29 and 41).....			
51.	Other Gas Supply (Lines 30 and 42).....			
52.	Storage, LNG Terminaling and Processing (Lines 31 and 43).....			
53.	Transmission (Lines 32 and 44).....			
54.	Distribution (Lines 33 and 45).....			
55.	Customer Accounts (Line 34).....			
56.	Customer Service and Informational (Line 35).....			
57.	Sales (Line 36).....			
58.				
59.	TOTAL Operation & Maintenance (Total of lines 49 thru 58).....			
60.	Other Utility Departments.....			
61.	Operation and Maintenance.....			
62.	TOTAL All Utility Dept. (Total of lines 25, 59, & 61).....			
63.	Utility Plant.....			
64.	Construction (By Utility Departments).....			
65.	Electric Plant.....			
66.	Gas Plant.....			
67.	Other.....			
68.	TOTAL Construction (Total of lines 65 thru 67).....			
69.	Plant Removal (By Utility Departments).....			
70.	Electric Plant.....			
71.	Gas Plant.....			
72.	Other.....			
73.	TOTAL Plant Removal (Total of lines 70 thru 72).....			

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, _____
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DISTRIBUTION OF SALARIES AND WAGES - Continued

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
74.	Other Accounts (Specify):			
75.				
76.				
77.				
78.				
79.				
80.				
81.				
82.				
83.				
84.				
85.				
86.				
87.				
88.				
89.				
90.				
91.				
92.				
93.				
94.				
95.	TOTAL Other Accounts .....			
96.	TOTAL SALARIES AND WAGES.....	1,117,149		1,117,149

VERIFICATION

The foregoing report must be verified by the oath of the President or chief officer of the company. The oath required may be taken before any person authorized to administer an oath by the laws of the State in which the same is taken.

OATH

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ ) SS:

\_\_\_\_\_ makes oath and says that  
(Insert here the name of the affiant)

he/she is \_\_\_\_\_  
(Insert here the exact legal title or name of the respondent)

That he/she has examined the foregoing report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from the including.

\_\_\_\_\_, to and including \_\_\_\_\_

\_\_\_\_\_  
(Signature of affiant)

Subscribed and sworn to before me, a \_\_\_\_\_

In and for the State and county above named, this \_\_\_\_\_ day of \_\_\_\_\_.

My commission expires \_\_\_\_\_

\_\_\_\_\_  
(Signature of officer authorized to administer oaths)

EXHIBIT 3

ANADARKO CONTRACT  
FILED CONFIDENTIAL



December 16, 2013

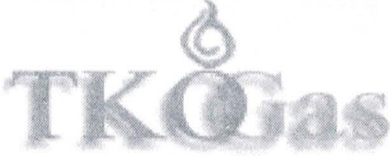
To our valued customers,

We appreciate you as our customer and regret to inform you of a price increase due to circumstances out of our control. Texas Kansas Oklahoma Gas (TKO Gas) received a letter from Anadarko Energy Services Company stating they are going to increase the transportation cost of natural gas. Therefore this is forcing TKO Gas to terminate all contracts with our customers. We will be sending you a new contract to take effect on the middle of January 2014 billing.

We, at TKO Gas, have tried to legally fight this increase but without success and apologize for the increase. TKO Gas will strive to keep the prices as low as possible. Again we do appreciate your business.

Sincerely,

Michael McEvers  
President



TEXAS - KANSAS - OKLAHOMA GAS LLC

P.O. BOX 1194  
DALHART, TX 79022  
806-244-4210 FAX 806-244-4211

ACCOUNT NUMBER	AMOUNT TO BE PAID AFTER DUE DATE	DUE DATE	IF RECEIVED BY DUE DATE
720254050	128.52	2/4/2014	116.84

Office Hours  
8:00 a.m. to 5:00 p.m.  
Monday thru Friday

Please make check payable to:  
Texas - Kansas - Oklahoma Gas, L.L.C.  
P.O. Box 1194  
Dalhart, TX 79022  
Return this stub with your payment.  
Thank You.

**RICHARD HANSON**  
16171 ROAD I  
LIBERAL, KS 67901

DETACH HERE

ACCOUNT NUMBER	SERVICE ADDRESS	SERVICE DAYS	GAS PRICE
720254050	<b>RICHARD HANSON</b> AD254CRS SEC 33-32-33 SEWARD LIBERAL, KS 67901	33	5.1300
		SERVICE FROM	SERVICE TO
		12/16/2013	1/15/2014

METER	RATE	PRESS	CORR FACT	PREV READ	CURR READ	MCF	BTU	MMBTU	CURRENT DUE
419478	RU51	7	1.502	993	7	21.026	1.083	22.775	116.84

PREV AMT 13.67  
PAYMENT -13.67

**TOTAL DUE 116.84**

NET DUE IF RECEIVED BY DUE DATE 116.84  
AMOUNT TO BE PAID AFTER DUE DATE 128.52

WEBSITE: [www.tkogas.com](http://www.tkogas.com)

Copies of Tariff rates & rules are available upon request

TODAY'S MESSAGE

TEXAS - KANSAS - OKLAHOMA GAS LLC  
P.O. BOX 1194  
DALHART, TX 79022

IF YOU SMELL GAS CALL  
806-244-4210



**TEXAS - KANSAS - OKLAHOMA GAS LLC**

P.O. BOX 1194  
 DALHART, TX 79022  
 806-244-4210 FAX 806-244-4211

ACCOUNT NUMBER	AMOUNT TO BE PAID AFTER DUE DATE	DUE DATE	IF RECEIVED BY DUE DATE
720254050	15.04	1/6/2014	13.67

**RICHARD HANSON  
 16171 ROAD I  
 LIBERAL, KS 67901**

Office Hours  
 8:00 a.m. to 5:00 p.m.  
 Monday thru Friday  
 Please make check  
 payable to:  
 Texas - Kansas - Oklahoma Gas, L  
 P.O. Box 1194  
 Dalhart, TX 79022  
 Return this stub  
 with your payment.  
 Thank You.

DETACH HERE

ACCOUNT NUMBER		SERVICE ADDRESS				SERVICE DAYS		GAS PRICE 0.6000	
720254050		RICHARD HANSON AD254CRS SEC 33-32-33 SEWARD LIBERAL, KS 67901				29			
						SERVICE FROM		SERVICE TO	
						11/15/2013		12/16/2013	
METER	RATE	PRESS	CORR FACT	PREV READ	CURR READ	MCF	BTU	MMBTU	CURRENT DUE
419478	RU53	7	1.502	979	993	21.026	1.083	22.775	13.67
								PREV AMT	6.73
								PAYMENT	-6.73
								TOTAL DUE	13.67
NET DUE IF RECEIVED BY DUE DATE					13.67				
AMOUNT TO BE PAID AFTER DUE DATE					15.04				
WEBSITE: www.tkogas.com						TODAY'S MESSAGE			
Copies of Tariff rates & rules are available upon request									

TEXAS - KANSAS - OKLAHOMA GAS LLC  
 P.O. BOX 1194  
 DALHART, TX 79022

IF YOU SMELL GAS CALL  
 806-244-4210

ARTICLES OF ORGANIZATION

OF

FREEDOM PIPELINE, LLC

The undersigned, for the purpose of forming a not for profit limited liability company under the Kansas Revised Limited Liability Company Act (the "Act"), hereby makes, acknowledges and files the following Articles of Organization:

FIRST: The name of the limited liability company (the "Company") is:

Freedom Pipeline, LLC

SECOND: The Company will commence its existence on the date these Articles of Organization are filed with the Kansas Secretary of State. The period of the duration of the Company will be perpetual or until dissolved pursuant to the Company's Operating Agreement.

THIRD: The nature of the business or purposes to be conducted or promoted by the Company is to operate as a non-profit public utility pursuant to the terms of K.S.A. 66-104c, as may be amended, restated, supplemented or replaced from time to time, and to engage in any lawful act or activity incidental thereto.

FOURTH: The address of the Company's registered office in the State of Kansas is 16171 Road 1, Liberal, Kansas 67901. The name of its resident agent at such address is Richard Hanson.

The undersigned hereby declares under penalty of perjury under the laws of the State of Kansas that the foregoing is true and correct.

Dated: June 13, 2014.



Karl F. Hirsch, KSCT NO. 23274  
901 Cedar Lake Boulevard  
Oklahoma City, Oklahoma 73114  
Telephone: (405) 235-1768  
Facsimile: (405) 608-4913  
khirsch@hirschmorrisheath.com

LLC Mailing Information  
(for official mail from Secretary of State's Office)

16171 Road 1  
Liberal, Kansas 67901

mm

# Agricultural Energy Services, Inc.

June 19, 2014

Karl Hirsch  
901 Cedar Lake Boulevard  
Oklahoma City, OK 73114

RE: Reserved Name Freedom Pipeline LLC

Good Afternoon Karl and To Whom It May Concern:

We would like for you to file for us the Articles of Organization for the Freedom Pipeline LLC with the Kansas Secretary of State. Agricultural Energy Services, Inc. reserved this name on March 31, 2014. The reservation ID number given to us was 7721269. We hereby authorize and give you permission to take care of this matter for us.

If you have any further questions please let us know.

Regards,


  
Victoria Swain  
AES Office Manager

1755 W. Broadway Street, Suite 6  
Oviedo, FL 32765

Phone: 407-365-2500  
Fax: 407-386-9929

E-mail: [Montgomery.escue@agenergy.com](mailto:Montgomery.escue@agenergy.com)

<b>LC</b> <b>50</b>	<b>KANSAS SECRETARY OF STATE</b> <b>Limited Liability Company</b> <b>Annual Report</b>
	<b>Kansas Office of the Secretary of State:</b> Memorial Hall, 1st Floor (785) 296-4564 120 S.W. 10th Avenue kssos@sos.ks.gov Topeka, KS 66612-1594 www.sos.ks.gov

4653 01 050 009 \$ . 1	<b>FILED BY KS SOS</b> <b>04-01-2015</b> <b>10:38:44 AM</b> <b>FILE#: 7721269</b>
 <b>04093856</b>	

**1. Business entity ID #** This is not the Federal Employer ID Number (FEIN). 7721269

**2. LLC name** Must match name on record with Kansas Secretary of State. FREEDOM PIPELINE, LLC

**3. Mailing address**  
 Address will be used to send official mail from the Secretary of State's Office.  
 Do not leave blank.

Attention Name	Address		
<b>RICK HANSON</b>	<b>16171 ROAD I</b>		
City	State	ZIP	Country
<b>LIBERAL</b>	<b>KS</b>	<b>67901</b>	<b>USA</b>
<input type="checkbox"/> Check this box if this is a new address. Our records will be updated only if this box is checked.			

**4. Tax closing date** Month Year **5. State of organization**  
 12/31/2014 KANSAS

**6. Name and address of each member who owns 5% or more of capital (Kansas LLC only)**  
 If additional space is needed, please provide attachment.

Name 1	Address		
<b>SEE STATEMENT 1</b>			
City	State	ZIP	Country
Name 2	Address		
City	State	ZIP	Country
Name 3	Address		
City	State	ZIP	Country

**7. Federal Employer Identification Number (FEIN)** 47-1315433

**8. I declare under penalty of perjury pursuant to the laws of the state of Kansas that the foregoing is true and correct and that I have remitted the required fee.**

Signature of Member	Month Day Year
<i>X SWKI-Stevens East Inc by Kirk Heger President</i>	3/11/15
Name of Signer (printed or typed)	Phone Number
<b>KIRK HEGER</b>	620-544-1468

FORM LC MEMBERS WHO OWN MORE THAN 5% OF CAPITAL STATEMENT 1

NAME SWKI -STEVENS -HSW, INC.  
 ADDRESS 16171 ROAD I, LIBERAL, KS 67901  
 COUNTRY USA

NAME SWKI-STEVENS NORTH, INC.  
 ADDRESS 16171 ROAD I, LIBERAL, KS 67901  
 COUNTRY USA

NAME SWKI - STEVENS -NE, INC.  
 ADDRESS 16171 ROAD I, LIBERAL, KS 67901  
 COUNTRY USA

NAME SWKI - SEWARD - WEST CENTRAL, INC.  
 ADDRESS PO BOX 253, PLAINS, KS 67869  
 COUNTRY USA

NAME SWKI- STEVENS - SOUTHEAST, INC.  
 ADDRESS 16171 ROAD I, LIBERAL, KS 67901  
 COUNTRY USA

NAME SWKI - SPIKES NORTH, INC.  
 ADDRESS 16171 ROAD I, LIBERAL, KS 67901  
 COUNTRY USA

KANSAS SECRETARY OF STATE  
 NON-CERTIFIED WEB COPY  
 5/26/2015 2:42:41 PM

# FOULSTON SIEFKIN LLP

ATTORNEYS AT LAW

Topeka Tower, Suite 1400  
534 South Kansas Ave.  
Topeka, Kansas 66603-3436  
785.233.3600  
Fax 785.233.1610

MEMBER  
LEX MUNDI: THE WORLD'S  
LEADING ASSOCIATION  
OF INDEPENDENT LAW FIRMS

C. Edward Watson, II  
316.291.9589  
866.347.5153 Fax  
cewatson@foulston.com

1551 N. Waterfront Parkway, Suite 100  
Wichita, Kansas 67206-4466  
316.267.6371  
www.foulston.com

32 Corporate Woods, Suite 600  
9225 Indian Creek Parkway  
Overland Park, Kansas 66210-2000  
913.498.2100  
Fax 913.498.2101

MEMBER  
IIG  
Integrated Advisory  
Group International

February 19, 2015

## VIA ELECTRONIC DELIVERY

Lee Thompson  
Thompson Law Firm, LLC  
Occidental Plaza  
106 E. 2<sup>nd</sup> Street  
Wichita, KS 67202

RE: TKO Natural Gas' Concerns about February 11, 2015 Letter

Dear Lee:

Thanks for taking my call Tuesday, February 17<sup>th</sup> regarding the above referenced letter that was directed to the Members of the Board of Directors of Stevens North NPU ("Board of Directors"). As you know, our immediate concern was whether the February 11<sup>th</sup> letter sent on behalf of your client tortuously interfered with TKO Natural Gas' ("TKO") existing and prospective business relationships. You assured me that this was not the intent. You explained that the letter was written in response to purported statements made by a representative of TKO during a presentation before the Board of Directors in January 2015.

In my opinion, your letter fails to fully convey the status of the dispute between your client and TKO. I note that the letter written on February 11<sup>th</sup> fails to inform the reader that TKO has answered the complaint denying many of the key allegations and legal conclusions. The answer was filed and served on January 9<sup>th</sup>. Surely, this information was available to you at the time you wrote the letter. The letter also fails to inform the Board of Directors several additional facts: 1) that this matter is in its initial stage; 2) that we are in the midst of discovery and the parties have not yet had a conference before a hearing officer; and 3) that Commission staff has not taken a position. To the extent your client is interested in sharing with the Board of Directors information regarding this docket, I would hope that he would want to share all of the procedural information.

Since our call, I've had the opportunity to do some investigation, and I wanted to share with you a few things. First, my client denies that he ever told the Board of Directors that Mr. Hanson and others were or are attempting to "line their pockets." Mr. Hanson is not a member of the Board of Directors or another otherwise disinterested member of the NPU. Mr. Hanson provides contract services for the Board of Directors, in direct competition with



Mr. Lee Thompson  
February 19, 2015  
Page 2

TKO. Through his company, Hanson Engineering L.C., Mr. Hanson provides services similar to that provided by TKO, including meter reading. Specifically, I am told that Mr. Hanson charges three times as much as TKO for meter reading services. Given these facts, there is a plausible argument that Mr. Hanson's motivation was not responding to the purported statements of TKO. Instead, Mr. Hanson's real concern was to protect his lucrative business by maligning TKO's business practices.

Second, and of greater concern, is that I am told that not only has your letter been sent to the Board of Directors, but that it is being distributed by your client to TKO's existing and prospective customers. Surely, if Mr. Hanson's intention was merely to respond to the alleged statements by TKO and to inform the Board of the status of the Complaint, then there would be no need to distribute the letter on a broader basis. If true, I think you will agree that distribution of a letter of this type to TKO's existing and prospective customers is questionable at best -- particularly when the letter does not fully outline the status of the proceedings.

Thus, to the extent your client is responsible for the wide distribution of this letter, we demand that he cease and desist from such distribution. Hopefully, this will not turn out to be a letter writing campaign and we may concentrate our efforts on resolving this dispute before the Commission. Thanks for your attention to this matter.

Very truly yours,

FOULSTON SIEFKIN LLP



C. Edward Watson, II

CEW/ct

# THOMPSON LAW FIRM, LLC

---

**LEE THOMPSON**  
Email: lthompson@tslawfirm.com

Occidental Plaza  
106 E. 2<sup>nd</sup> Street  
Wichita, KS 67202

Phone: 316-267-3933  
Fax: 316-267-3901

February 11, 2015

Members of the Board of Directors  
Stevens North NPU

Re: Natural Gas Service

Dear Board Members:

It is my understanding that the Board of Directors of the North NPU met on Monday, January 5, to consider its agreements for management and natural gas providers in the future. In the process, I also understand that the Board is considering switching management from Mr. Rick Hanson to TKO Natural Gas.

As you may know, I am an attorney representing Mr. Hanson, and other irrigators, including Kirk Heger, Tron Stegman and Rome Farms. On their behalf I and former Chairman of the Kansas Corporation Commission Mr. John Wine of Topeka, filed a complaint alleging mismeasurement and discriminatory rates as to irrigation gas sales by TKO. We understand that you have been provided with a copy of the complaint.

It is also my understanding that a representative of TKO informed the Board that the complaint was not serious, that TKO has done absolutely nothing wrong, and all Mr. Hanson and others are trying to do is "line their pockets."

I have practiced law in Kansas for forty years. During that time I also served as United States Attorney for the District of Kansas. Mr. Wine, our Topeka attorney, has served as Chairman of the Kansas Corporation Commission. I just want to give you our views and opinions and insure that you are properly informed that: (1) the complaint has been accepted by the KCC for filing and service, a fact which means that the Commission has found that there is a prima facie case that the allegations have merit; (2) that the factual basis of the complaint is based on information which is neither speculative nor conjectural – it is based on specific knowledge of facts, sampling, existing regulations and common scientific knowledge; and (3) that there is a substantial body of information and evidence supporting a conclusion that TKO purchases gas from Anadarko based on a btu measurement at one pressure base and then re-sells the gas to customers such as you at a different, unscientific and unauthorized pressure base which results in prices being charged nearly 10% greater than those for which TKO pays Anadarko.

I know that the members of your Board of Directors are aware of the fiduciary duty owed to members which, we believe, would require you to be acquainted with the available

facts needed to make a reasoned and responsible decision and to avoid action which will or might cause substantial economic damage to your members.

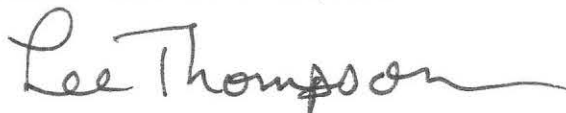
We first contacted TKO July giving TKO an opportunity to respond to our concerns. We never received any explanation of its charges which came close, in our opinion, to refuting the evidence of mismeasurement. As a result, we filed the complaint with the KCC so that an independent regulatory would review these issues. The rules of the Commission require that it find that the complaint as filed states a prima facie case before the complaint is served on the respondent – in this case TKO. A prima facie case is one which states sufficient facts to sustain the position being taken on the face of the document. The Commission made this finding, served the complaint on TKO. The Commission has also served a two subsequent data requests on TKO demanding that it provide it with the basis it has for calculating Btu content in its billings.

Second, you should know that both our clients and others, including the Commission staff have undertaken preliminary reviews of available information and regulations. We believe that those reviews demonstrate that TKO is using incorrect or false information in calculating both the volumes and also the btu value which are essential to the billing process. Moreover, we believe based on available information that a review of TKO billing records to its customers with Anadarko's billing to TKO will show that the pressure base used by Anadarko for its billings to TKO varies such that the billings to TKO's customers are nearly 10% higher than those being billed to TKO by Anadarko.

The KCC has now filed two separate data requests with TKO asking for explanations for their calculations. We have also responded to data requests, and a copy of our answers is enclosed for your benefit.

We assume that the NPU would want to provide its members with a thorough review of the various thoughts and available information. To that end, we are more than happy to meet with you and review our opinions in greater detail.

Yours very truly,  
THOMPSON LAW FIRM, LLC

A handwritten signature in black ink that reads "Lee Thompson". The signature is written in a cursive style with a long horizontal flourish at the end.

By Lee Thompson

Encl.

**Before the Kansas Corporation Commission**  
Complainants' Response to TKO Information Request No.1

Request No: 1

Company Name                    Complainants' Response to TKO Request No. 1  
Docket Number                15-TKOG-236-COM  
Request Date                    January 27, 2015  
Date Information Needed      February 6, 2015

**Please Provide the Following:**

With regard to the industry standards with which the Complainants allege TKO is not in compliance, please provide:  
Industry Standards

- a) a complete description of the industry standards you believe TKO is not in compliance with:  
**See attachment**
  - b) an explanation regarding why TKO is not in compliance with the standards in described in subsection **TKO is using a pressure base of 13.45 psia for calculation of gas volumes, and it appears that it uses a btu/ft3 value based on 14.73 psia to calculate the total MMBTU's sold. Attachment and gas analyses reflect this practice.**
  - c) any authority for the assertion that the standards described in subsection (a) are industry standards; and  
<https://www.aga.org/knowledgecenter/natural-gas-101/natural-gas-glossary/p/>; and *See Attachment.*
  - d) examples along with any supporting documentation known to Complainants of gas providers whose billing practices differ from TKO's. **See Attachment.**
- 

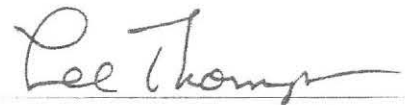
Submitted By: Lee Thompson

Submitted To: C. Edward Watson and Leo Haynos

**Verification of Response**

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: \_\_\_\_\_



Date: \_\_\_\_\_

Feb. 2, 2015

**ATTACHMENT TO COMPLAINANTS' RESPONSE TO TKO INFORMATION REQUEST NO. 1  
DOCKET 15-TKOG-236-COM**

With regard to the industry standards with which the Complainants allege TKO is not in compliance, please provide:

a) a complete description of the industry standards you believe TKO is not in compliance with;  
**See discussion following sub-paragraph d).**

b) an explanation regarding why TKO is not in compliance with the standards in described in subsection (a);

**TKO is using a pressure base of 13.45 psia for calculation of gas volumes, and it appears that they are using a btu/ft<sup>3</sup> value based on 14.73 psia to calculate the total MMBTU's sold. We have several gas analyses (attached) which indicate that this is true. Complainants have seen no facts from TKO which contradict this information.**

c) any authority for the assertion that the standards described in subsection (a) are industry standards;

<https://www.aga.org/knowledgecenter/natural-gas-101/natural-gas-glossary/p>

From the AGA website, page "Measurement 101":

**Pressure Base** The standard pressure used in determining a gas volume, expressed in terms of pounds of pressure per square inch, usually 14.73 psia.

**Btu per Cubic Foot**

A measure of the heat available or released when one cubic foot of gas is burned.

**Standard Metering Base**

Standard conditions, plus agreed corrections, to which gas volume are corrected for purposes of comparison and payment.

d) examples along with any supporting documentation known to Complainants of gas providers whose billing practices differ from TKO's.

All competent gas companies use this same standard of measurement: the volume is calculated at the same base pressure at which the btu/ft<sup>3</sup> is calculated. Just check with the measurement department of any gas company.

These are a summary of critical facts in gas measurement with positive displacement meters.

1. A “positive displacement meter” can only measure “actual cubic feet” of gas. An actual cubic foot of gas is a cubic foot of gas measured at the actual meter pressure.
2. All gas calculations dealing with pressure must be done with “absolute pressure”, which is calculated by adding atmospheric pressure (13.2 psia in the Liberal area) to the gauge pressure.
3. Gas is sold in MMBTU’s, and MMBTU’s can’t be measured directly with a positive displacement meter. The heating value of a particular gas can be measured by a chromatograph, however. The standard measurement is calculated in btu’s per cubic foot (btu/ft<sup>3</sup>). However, this value varies with pressure, so a pressure must be picked at which to calculate the btu value. This pressure is known as the “pressure base”. A btu value could be calculated at the actual meter pressure, and this btu factor could be multiplied by actual cubic feet of gas, and no other conversions would be needed; however, this would necessitate a different btu value for the same gas for all possible meter pressures, which is neither convenient nor necessary.
4. Since the btu of any gas varies with pressure, and the volume also varies with pressure, the same pressure (called the “pressure base”) must be used to calculate both the btu value and the pressure multiplier used in converting the metered volume of gas (in actual cubic feet) to a value of “standard cubic feet”. The btu value at that pressure base can then be applied to the standard cubic feet at that pressure base, and the total of MMBTU can be determined.
5. If a different “pressure base” is used to determine the btu content of the gas than that used to calculate the “standard cubic feet” of gas, the number of MMBTU’s calculated will be in error. Examples will be provided later which will illustrate this fact.

Natural gas is compressible; that means that a fixed number of molecules (hence, a fixed number of mmbtu’s) will expand in order to occupy any finite volume. Natural gas very nearly follows ideal gas laws, and so it will follow Boyle’s Law, which says that the volume of a fixed mass (hence, fixed mmbtu quantity) of natural gas at a given temperature is inversely proportional to the pressure under which it is measured. Stated mathematically for that fixed quantity of gas at a fixed temperature, where P1= pressure 1, P2=pressure 2, V1= volume 1 and V2=volume 2:

$$P1V1 = P2V2.$$

This is important in the measurement of natural gas, because we can see that when the pressure of that fixed quantity of gas increases, the volume decreases, and vice versa. That is



telling us that as the pressure goes up, we “pack more gas molecules” into a fixed volume. It is intuitive that as we “pack more gas molecules” into a cubic foot, we also “pack more mmbtu’s” into that cubic foot, since the btu value of a cubic foot of a given gas is dependent on the number of molecules in that cubic foot of gas. This presents a problem in gas measurement with a positive displacement meter, since the meter only sees how many “actual cubic feet” (not “standard cubic feet”) went through it at whatever pressure was on the meter. A meter cannot physically measure “standard cubic feet”; hence, we have to calculate a way to use the given meter pressure and atmospheric pressure, and a standard gas analysis to convert the actual cubic feet measured to standard cubic feet, so that we can accurately measure the MMBTU’s sold through that meter. Attached are 4 gas analyses from some of the meters in question; all of those gas analyses have the calculated btu value at both 13.45 psia and 14.73 psia. You can see by observing these analyses that the btu/standard cubic foot of gas goes up for any given gas as the pressure goes up. A more detailed observation is that the btu/cubic foot at 14.73 psia is equal to the btu/cubic foot at 13.45 psia x 14.73/13.45, which means it is approximately 9.5% higher. In other words, the btu value of a gas varies proportionally with the pressure; i.e., as pressure goes up, the btu’s in a cubic foot of gas goes up. Boyle’s Law shows us that volume of a gas varies inversely proportional to the pressure; i.e., as pressure goes up, volume goes down.

The formula which TKO provided in their reply to the KCC DR of 1/09/15 was indeed correct; however, their explanation of terms used in the formula was in error. The 13.2 psia (Patm) is actually the atmospheric pressure (referred to as “gravitational base line” in the TKO response) in the Liberal, Kansas area. It is added to the gauge pressure (Pg = 37 psig in TKO’s example) to come up with an absolute meter pressure of 50.2 psia. The pressure base which they have picked in their example of a pressure factor calculation is 13.45psia; TKO called it an “appropriate altitude adjustment”. There is no “appropriate altitude adjustment” used in a pressure factor calculation, unless you are talking about the atmospheric pressure which is added to the gauge pressure to calculate the absolute pressure in the numerator of the equation.

The “pressure factor” is calculated as such:

$(P_g + P_{atm})/P_b = \text{Pressure Factor}$ , where  $P_g$ = gauge pressure,  $P_{atm}$ = atmospheric pressure, and  $P_b$ = Pressure Base.

It should also be noted that  $P_a$ = absolute pressure =  $(P_g + P_{atm})$ , which is the same as the numerator in the previous equation. Thus, Pressure Factor =  $P_a/P_b$ .

The total volume of gas at the meter pressure, or thousand actual cubic feet (MACF), is calculated with this formula:

MACF = (Meter Reading 2 – Meter Reading 1)

The total volume of gas (in thousand standard cubic feet, or MSCF (generally shortened to MCF, but will be used as MSCF here for clarity) is calculated with this formula:

MSCF= MACF x Pressure Factor

The MMbtu Factor = btu/scf (from gas analysis at pressure base) x 1 MSCF/1000 scf x 1 MMBTU/1,000 btu. The btu/scf value will vary, depending on pressure base, but at 14.73 psia will normally be in the range of 950 to 1100 btu/scf. That sets the MMBTU Factor at 14.73 psia to the range of 0.95 to 1.1 MMBTU/MSCF. It can vary from that, but these are normal values in this area.

The total number of MMBTU's sold through that meter is then calculated as such:

MMBTU= MSCF x MMbtu Factor

TKO is free to choose what pressure base they want to use in their calculation of mmbtu's sold; however, the pressure at which the btu value of the gas is determined (i.e., used in their MMBTU Factor) MUST BE IDENTICAL with the pressure which they use in their volumetric calculations (i.e., used in their pressure factor). This pressure (used in both these factors) is referred to as the "pressure base". The reason for this is that the "Pressure Factor" is nothing more than the ratio of the number of "standard cubic feet" at the selected pressure base to an "actual cubic foot" which is occupied by the 1 cubic foot of gas at the given meter pressure. In the  $P_1V_1 = P_2V_2$  equation, if we say that  $P_1$  is 1 cubic foot of gas at 50.2 psia, you can calculate the number of "standard cubic feet of gas" ( $V_2$ ) at any given pressure base ( $P_2$ ), by solving the equation for  $V_2$ . If we use 14.73 psia as our pressure base ( $P_2$ ), we get a pressure factor of 3.408. If we use 13.45 psia as our pressure base ( $P_2$ ), we get a pressure factor (or "multiplier") of 3.732.

There are two main pressure bases used in this area by different pipelines": Panhandle Eastern Pipe Line (PEPL) and West Texas Gas (WTG) use a pressure base of 14.73, as do most of their customers; this is due to the convenience of not having to re-calculate the btu value to a different pressure base from that provided by the seller. Black Hills also uses the 14.73 psia pressure base in this area, as does Anadarko in this area. Some other area pipelines use a pressure base of 14.65 psia. I am not aware of another pressure base used in this area, other than the pressure base of 13.45 psia in use by TKO.

Attached is an example of MMBTU calculations at different pressure bases, and an example which uses different pressures for the two factors (Pressure Factor and MMBTU Factor). Please



note that when the same pressure base is used for the btu value AND for the volumetric calculation, the total btu's measured by the meter come out the same, no matter whether the pressure base used is 13.45 psia, 14.65 psia or 14.73 psia, or any other for that matter. However, if you use different pressure bases for the btu and for the volumetric calculations, the total MMBTU calculated through that meter with the same meter readings and pressure readings will change (and will not be correct). If a seller were allowed to use 2 different pressure bases, he could arrange them so that he could charge for however many MMBTU's that he wanted to, just by changing the pressure base in his volumetric calculation. This is very similar to a butcher using 2 different sets of scales with which to weigh his meat, or using two elevator scales calibrated differently with which to buy and sell wheat.

GAS TESTING AND MEASUREMENT  
 PETROLEUM LABORATORY  
 PHYSICAL TEST  
 GAS SURVEY

GAS PRODUCTION SURVEYS  
 BACK PRESSURE TESTS  
 ELECTRONIC VOLUMES  
 CHART INTEGRATION

# THURMOND-McGLOTHLIN, INC.

THE NATURAL GAS MEASUREMENT COMPANY

1428 N. BANKS

P.O. BOX 2358 PAMPA, TX 79066-2358

800-242-1854 OFFICE | 806-665-2632 FAX

DATE RUN: August 18, 2014

COMPONENTS	MOL %	GPM	
		13.45	14.73
CARBON DIOXIDE	CO2 0.1621		
NITROGEN	N2 13.0808		
METHANE	C1 72.4627		
ETHANE	C2 6.9227	1.6944	1.8561
PROPANE	C3 4.3740	1.1028	1.2081
iso-BUTANE	IC4 0.5326	0.1595	0.1747
n-BUTANE	NC4 1.3297	0.3837	0.4203
iso-PENTANE	IC5 0.2724	0.0912	0.0999
n-PENTANE	NC5 0.3241	0.1075	0.1178
HEXANE +	NC6+ 0.2055	0.0821	0.0899
HELIUM	HE 0.3334		
TOTAL	100.0000		

COMPANY: HANSON ENGINEERING  
 LEASE: Rome Irrigation Tap #1  
 STATION:  
 PILOT:  
 PRESSURE: PSI  
 TEMPERATURE: 70 F  
 CYLINDER: 4947  
 ANALYSIS BY: LA  
 SECURED BY: Trish Starr  
 DATE SAMPLED: 08/15/14  
 RUN NUMBER: 28130  
 SAMPLE TYPE: S

GASOLINE CONTENT @ 60F 13.45 14.73

REMARKS: Sec 21-30-37  
 Grant Co.

ETHANE & HEAVIER	3.6212	3.9668
PROPANE & HEAVIER	1.9268	2.1107
BUTANE & HEAVIER	0.8240	0.9026
PENTANE & HEAVIER	0.2808	0.3076

H2S: PPM  
 H2O: lb/mmcf  
 RESULTS TO: HANSON ENGINEERING

GROSS HEATING VALUE  
 BTU @ 60F REAL 13.45 14.73

DRY	972.1960	1064.9743
WET	953.9714	1046.7619

SPECIFIC GRAVITY Z = 0.9975 0.9972

REAL 0.7297 0.7299

\*Based on GPA 2145 & 2172

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DATE RUN: August 18, 2014

COMPONENTS	MOL %	GPM		COMPANY:	HANSON ENGINEERING
		13.45	14.73		
CARBON DIOXIDE	CO2 0.1748			LEASE:	Hanson Farm Tap
NITROGEN	N2 16.3469			STATION:	
METHANE	C1 72.7059			PILOT:	
ETHANE	C2 5.3544	1.3100	1.4350	PRESSURE:	5 PSI
PROPANE	C3 2.8651	0.7221	0.7910	TEMPERATURE:	60 F
iso-BUTANE	IC4 0.3987	0.1194	0.1308	CYLINDER:	2858
n-BUTANE	NC4 0.9294	0.2681	0.2936	ANALYSIS BY:	LA
iso-PENTANE	IC5 0.2474	0.0828	0.0907	SECURED BY:	Trish Starr
n-PENTANE	NC5 0.2729	0.0905	0.0991	DATE SAMPLED:	08/15/14
HEXANE +	NC6+ 0.2376	0.0948	0.1039	RUN NUMBER:	28132
HELIUM	HE 0.4669			SAMPLE TYPE:	S
TOTAL	100.0000				

GASOLINE CONTENT @ 60F		13.45	14.73	REMARKS:	Sec. 33-32-33 Seward Co.
ETHANE & HEAVIER		2.6877	2.9441	H2S:	PPM
PROPANE & HEAVIER		1.3777	1.5091	H2O:	lb/mmcf
BUTANE & HEAVIER		0.6556	0.7181	RESULTS TO:	HANSON ENGINEERING
PENTANE & HEAVIER		0.2681	0.2937		

GROSS HEATING VALUE			
BTU @ 60F REAL		13.45	14.73

DRY		896.5589	982.0857
WET		879.7417	965.2799

SPECIFIC GRAVITY	Z =	0.9978	0.9976
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REAL		0.7119	0.7120
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\*Based on GPA 2145 & 2172

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DATE RUN: August 18, 2014

COMPONENTS	MOL %	GPM			
		13.45	14.73		
CARBON DIOXIDE	CO2 0.1674			COMPANY:	HANSON ENGINEERING
NITROGEN	N2 13.1863			LEASE:	Rome Irrigation Tap #2
METHANE	C1 72.3777			STATION:	
ETHANE	C2 6.8444	1.6752	1.8351	PILOT:	
PROPANE	C3 4.3943	1.1080	1.2137	PRESSURE:	PSI
iso-BUTANE	IC4 0.5364	0.1606	0.1760	TEMPERATURE:	70 F
n-BUTANE	NC4 1.3374	0.3859	0.4227	CYLINDER:	101
iso-PENTANE	IC5 0.2790	0.0934	0.1023	ANALYSIS BY:	LA
n-PENTANE	NC5 0.3157	0.1047	0.1147	SECURED BY:	Trish Starr
HEXANE +	NC6+ 0.2198	0.0878	0.0962	DATE SAMPLED:	08/15/14
HELIUM	HE 0.3416			RUN NUMBER:	28129
TOTAL	100.0000			SAMPLE TYPE:	S

GASOLINE CONTENT @ 60F		13.45	14.73	REMARKS:	Sec 21-30-37 Grant Co.
ETHANE & HEAVIER		3.6156	3.9607		
PROPANE & HEAVIER		1.9404	2.1256	H2S:	PPM
BUTANE & HEAVIER		0.8324	0.9119	H2O:	lb/mmcf
PENTANE & HEAVIER		0.2859	0.3132	RESULTS TO:	HANSON ENGINEERING

GROSS HEATING VALUE					
BTU @ 60F REAL		13.45	14.73		
DRY		971.5514	1064.2681		
WET		953.3395	1046.0686		
SPECIFIC GRAVITY	Z =	0.9975	0.9972		
REAL		0.7305	0.7306		

\*Based on GPA 2145 & 2172

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EXHIBIT 9

WTG CONTRACT  
FILED CONFIDENTIAL