

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

MAR 28 2012

In the Matter of the Application of)
Kansas Gas Service, A Division of)
ONEOK, Inc. for the Approval of)
An Infrastructure Replacement)
Program Surcharge)

by
State Corporation Commission
of Kansas
Docket No. 12-KGSG-721 - TAR

APPLICATION

COMES NOW Kansas Gas Service, a Division of ONEOK, Inc. ("Kansas Gas Service" or "Company" or "Applicant"), and, pursuant to K.S.A. 66-117 and K.S.A. 66-1,200 et seq., submits for filing a new tariff schedule, Infrastructure Replacement Program Surcharge (IRP), which is designed to allow for the adjustment of Kansas Gas Service's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements. The program is designed to expeditiously remove from service all cast iron pipe that is remaining in the Kansas Gas Service distribution system. In support of its Application, Kansas Gas Service states as follows:

1. Kansas Gas Service is a natural gas public utility operating in the State of Kansas pursuant to certificates of convenience and necessity issued by the Commission. Kansas Gas Service's principal place of business in the state of Kansas is located at 7421 West 129th Street, Overland Park, Kansas 66213.

2. Pleadings, notices, orders and other correspondence and communications regarding the Application should be sent to:

John P. DeCoursey
Walker Hendrix
Kansas Gas Service
A Division of ONEOK, Inc.
7421 W. 129th Street
Overland Park, Kansas 66213

David Dittmore
Kansas Gas Service
A Division of ONEOK, Inc.
7421 W. 129th Street
Overland Park, Kansas 66213

3. Kansas Gas Service currently has approximately 108 miles of cast iron main remaining in its gas distribution system. Kansas Gas Service, in consultation with the Pipeline Safety Division of the Commission, has determined that the efficient and cost effective replacement of the cast iron pipe is in the public interest. This replacement entails a significantly expedited process involving a major expenditure of funds in excess of normal budgetary planning. Kansas Gas Service estimates that the cost of the replacement program will exceed \$70 million and the Company intends to complete the replacement program over a period of 8 years.

4. The proposed IRP included in this Application will allow the Company to recover the costs of the program in a timely fashion. Under the program, the Company will be replacing all of the cast iron mains in its distribution system. As stated, there are approximately 108 miles of cast iron main in the distribution system. In conjunction with the replacement of the cast iron mains, the Company will also be replacing certain segments of unprotected bare steel main which are interconnected with the cast iron main, which total approximately 40 miles of unprotected bare steel main. Construction efficiency requires that Kansas Gas Service replace interconnected bare steel main simultaneously with the replacement of cast iron main. The most significant amount of cast iron main is four inches or six inches in diameter and is interconnected with service lines. When the cast iron mains are replaced, it will be necessary to also replace or tie back with the associated service lines.

5. Kansas Gas Service will recover the costs of installing the new pipe pursuant to the Infrastructure Replacement Program Surcharge which is included in Mr. David Dittmore's testimony as Exhibit DND-3. This cost recovery will include

depreciation, carrying charges and associated income taxes. Under the program, the Company will submit on or before May 1 of each year, a formal budget of its cast iron replacement costs for the subsequent twelve month period running from July through June. The first year's budget and recovery calculation is included with this Application in the testimony of Company witnesses Ron Bridgewater and David Dittmore. The budget will show the amount to be expended over the budget year, the associated depreciation expense, carrying charges and associated income tax recovery. The Surcharge will set forth the rate to be recovered from customers over the upcoming budget year. At the end of the budget year, a true up will occur and the actual expenditures will be compared to the budgeted expenditures and either a credit or assessment will be applied in the following budget year. The costs of the cast iron replacements will be recovered through a monthly fixed charge assigned to rate classes based on the assignment of revenue requirement to individual classes as adopted in the most recent base rate case. The monthly carrying charge will be computed assuming a ratable monthly expenditure of the annual capital budget, less the sum of Accumulated Depreciation and less Accumulated Deferred Income Tax liability. The net of these two amounts will be multiplied by the most recent overall Rate of Return approved by the Commission in a Kansas Gas Service base rate case, grossed up for income tax expense. During the first budget year which begins July 1, 2012, the Company projects that it will be spending \$8.75 Million under the program and is requesting the recovery of \$469,000 for the budget year that begins July 1, 2012.

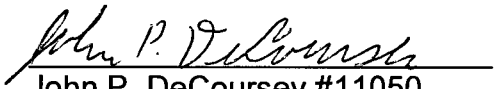
6. Included in this Application is the testimony of Ron Bridgewater and David Dittmore. Mr. Bridgewater's testimony explains the program, why it is being proposed,

the expected total cost of the program and the projected budget for the first budget year of the program. Mr. Dittmore's testimony explains the Infrastructure Replacement Program Surcharge, which is attached to his testimony as Exhibit DND-3. Mr. Dittmore also sets forth the calculation of the carrying charge for the first budget year of the program and the proposed charges to customers which are set forth in Exhibits DND-1 and DND-2. Upon approval of this Application and the Infrastructure Replacement Program Surcharge, attached as Exhibit DND-3, Kansas Gas Service will make a compliance filing for those additional tariff sheets which recognize and incorporate the applicability of the Infrastructure Replacement Surcharge.

7. Kansas Gas Service requests that the Commission issue its Order approving the program by June 1, 2012 so that the program can begin with the first budget year of July 1 2012.

WHEREFORE, for the reasons set forth herein, Kansas Gas Service requests that the Commission issue an Order Approving the Application and the attached Infrastructure Replacement Program Surcharge as set forth in Exhibit DND-3.

KANSAS GAS SERVICE
A DIVISION OF ONEOK, INC.


John P. DeCoursey #11050
Walker Hendrix #08835
7421 West 129th Street
Overland Park, Kansas 66213
(913) 319-8617
ITS ATTORNEYS

VERIFICATION

STATE OF KANSAS)
) ss
COUNTY OF JOHNSON)

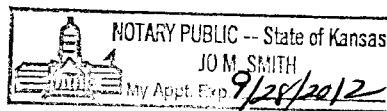
John P. DeCoursey of lawful age, being first duly sworn upon oath, deposes and states: That he is an attorney for Kansas Gas Service, a Division of ONEOK, Inc; that he has read the above and foregoing *Application* and that the statements therein contained are true according to his knowledge, information and belief.

John P. DeCoursey
John P. DeCoursey

Subscribed and sworn before me this 28th day of March, 2012.

Jo M. Smith
Notary Public

My Appointment Expires: 9/28/2012





KANSAS GAS SERVICE

A DIVISION OF ONEOK

John P. DeCoursey
Managing Attorney

March 28, 2012

HAND DELIVERED

Patrice Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604

Received
on

MAR 28 2012

by
State Corporation Commission
of Kansas

Re: In the Matter of the Application of Kansas Gas Service, A Division of ONEOK, Inc.
for the Approval of an Infrastructure Replacement Program Surcharge

Dear Ms. Petersen-Klein:

Enclosed please find an original and seven (7) copies of our *Application* for filing in the
above-referenced matter.

Thank you for your assistance in this matter.

Sincerely,

John P. DeCoursey

JPD/jms

Enclosure

cc: Jeff McClanahan
Leo Haynos
David Springe