

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas Gas)
Service, a division of ONE Gas, Inc. for Approval of)
its Purchase of Southern Star Central Gas Pipeline,)
Inc.'s Facilities Used to Furnish Natural Gas Service)
to Certain Customers and Approval of Customer-)
Specific Certificates of Public Convenience and)
Necessity to Serve Said Customers.)

Docket No. 24-KGSG-237-CON

**JOINT MOTION FOR APPROVAL OF UNANIMOUS SETTLEMENT
AGREEMENT AND MODIFICATION OF THE PROCEDURAL ORDER**

Kansas Gas Service, a division of ONE Gas, Inc. ("Kansas Gas Service"), the Staff of the State Corporation Commission of the State of Kansas ("Staff"), the Citizens' Utility Ratepayer Board ("CURB"), the Kansas Municipal Gas Agency ("KMGA"), and Southern Star Central Gas Pipeline, Inc., ("Southern Star") by and through their undersigned counsel, jointly submit this motion to request approval of a Unanimous Settlement Agreement ("Agreement") attached hereto as Attachment A. The Agreement is a comprehensive settlement of all issues relevant to this proceeding involving the acquisition of certain assets, customers and accounts related to farm tap and irrigation customers from Southern Star by Kansas Gas Service ("Transaction"). Kansas Gas Service, Staff, CURB, KMGA and Southern Star are collectively referred to herein as "Signatories," or individually as "Signatory." The Signatories also request a modification of the Procedural Order issued in this matter.

I. PROCEDURAL BACKGROUND

1. On September 5, 2023, Kansas Gas Service filed an application, supporting testimony and associated exhibits pursuant to K.S.A. 66-101, *et seq.*, 66-104, 66-117, 66-131, 66-136, 66-1,200 *et seq.*, and other applicable statutes, requesting approval by the Kansas Corporation Commission ("Commission" or "KCC") of a transaction whereby Kansas Gas Service acquires certain assets of

Southern Star pursuant to the terms and conditions contained in an Asset Purchase Agreement dated December 16, 2022 ("APA").¹ The assets include meters and other facilities that Southern Star currently uses to provide service to domestic customers mostly pursuant to provisions of right-of-way easements.² Southern Star has been engaged in an ongoing effort to eliminate ownership and operation of domestic meters on its system by transferring the meters and facilities to qualified local distribution companies.³ This will allow Southern Star to focus on operating its interstate transmission system while ensuring affected customers continue to receive safe and reliable service from a qualified operator.⁴

2. Kansas Gas Service seeks an order from the Commission that (1) grants it a customer specific certificate of convenience and necessity pursuant to K.S.A. 66-131 to provide natural gas service to the customers/addresses listed in Confidential Exhibit 4A and 4B of its Application; (2) approves Kansas Gas Service's purchase of Southern Star's facilities as set forth in the APA attached to the Application as Confidential Exhibit 2; (3) allows Kansas Gas Service to include the purchase price paid for said facilities be included in Kansas Gas Service's rate base for recovery from its customers; and (4) allows Kansas Gas Service to provide service and charge the customers/addresses listed in Confidential Exhibit 4A and 4B based upon the applicable Kansas Gas Service tariffs and rates.⁵ Kansas Gas Service filed supplemental testimony on March 15, 2024, explaining why the proposed transaction promotes the public interest through an application of the Commission's merger

¹Kansas Gas Service Application filed September 5, 2023, Docket No. 24-KGSG-237-CON ("Application").

²Application, pages 3-4, paragraphs 7-8.

³Application, pages 2-3, paragraph 4.

⁴*Id.*

⁵Application, pages 9-10.

standards.⁶

3. On September 11, 2023, CURB filed a petition to intervene in this matter, which was granted by Commission Order on September 21, 2023.⁷

4. On November 17, 2023, KMGGA filed a petition to intervene in this matter, which was granted by Commission Order on December 14, 2023.⁸

5. On February 19, 2024, the Staff filed its Report and Recommendation ("Staff R&R").⁹ The Staff R&R included a review of the transaction per the Commission's merger standards.¹⁰ The Staff R&R recommended the Commission approve the Joint Application, subject to the following condition:

a. If the cost of replacement of service/yard lines being acquired by Kansas Gas Service exceeds \$3.027 million over the next ten years, Kansas Gas Service will either write-off the investment that exceeds the \$3.027 million, or seek recovery of those additional costs from Southern Star in the form of a reduction to the original purchase price per customer.¹¹

6. On May 8, 2024, CURB filed its response to the Staff R&R.¹² CURB indicated that it reviewed the Staff R&R from the perspective of residential and small commercial ratepayers.¹³ It

⁶Direct Testimony of Janet Buchanan filed March 15, 2024, Docket No. 24-KGSG-237-CON.

⁷CURB Petition to Intervene filed September 11, 2023; Order Granting CURB's Petition to Intervene; Protective Order and Discovery Order issued September 21, 2023, Docket No. 24-KGSG-237-CON.

⁸Petition for Intervention by KMGGA filed November 17, 2023; Order Granting KMGGA's Petition to Intervene issued December 14, 2023, Docket No. 24-KGSG-237-CON.

⁹Notice of Filing Staff Report and Recommendation filed May 1, 2024, Docket No. 24-KGSG-237-CON.

¹⁰*Id.*, pages 4-10.

¹¹*Id.*, page 10.

¹²CURB's Response to Staff's Report and Recommendation filed May 8, 2024, Docket No. 24-KGSG-237-CON.

¹³*Id.* page 4, paragraph 8.

included an analysis of the transaction based upon the Commission's merger standards.¹⁴ CURB stated that it supports Staff's recommendations, including the condition proposed by Staff.¹⁵

7. On May 8, 2024, Kansas Gas Service filed its response to the Staff R&R.¹⁶ With respect to Staff's recommended condition, Kansas Gas Service opposed having to write-off the cost of replacement of service/yard lines that exceeded \$3.027 million over the next ten years.¹⁷ However, Kansas Gas Service indicated that it would take the time between May 8, 2024, and the settlement conference scheduled for May 23, 2024, to explore the possibility of seeking recovery of those potential additional costs from Southern Star in the form of a reduction to the original purchase price per customer, or some other comparable revision to the APA, in an attempt to address the concern raised by Staff's conditional approval of the transaction, and to reach a settlement with the parties that does the same.¹⁸

8. On May 15, 2024, Southern Star filed a petition to intervene, which was granted by the Commission on May 21, 2024.¹⁹

9. Settlement discussions began on May 23, 2024, in accordance with the Procedural Schedule adopted by the Commission on January 16, 2024 ("Procedural Order").²⁰

¹⁴*Id.* pages 4-5, paragraph 9.

¹⁵*Id.* pages 5-6, paragraphs 10-12; 14.

¹⁶Response of Kansas Gas Service to Staff's R&R filed May 8, 2024, Docket No. 24-KGSG-237-CON.

¹⁷*Id.* at page 2, paragraph 2.

¹⁸*Id.* at page 2, paragraph 2.

¹⁹Southern Star Central Gas Pipeline's Petition to Intervene filed May 15, 2024; Order Granting Southern Star's Petition to Intervene issued May 21, 2024, Docket No. 24-KGSG-237-CON.

²⁰Order Setting Procedural Schedule issued March 14, 2024, pages 2-3, paragraph 3, Docket No. 24-KGSG-237-CON.

10. As a result of the settlement discussions, the Signatories have agreed to the terms and conditions of the Agreement attached to this Joint Motion as a full and complete resolution of the issues raised by Kansas Gas Service's request for Commission approval of the Transaction.

II. REQUEST FOR APPROVAL OF THE AGREEMENT

11. The attached Agreement represents a full and complete resolution of the issues raised by Kansas Gas Service's request for Commission approval of the Transaction. All parties to this docket are Signatories to the Agreement. Accordingly, the Agreement meets the definition of an "unanimous settlement agreement" per K.A.R. 82-1-230a(a)(2).²¹

12. The Agreement meets the Commission's standards for approval of settlements. The Agreement (a) is supported by substantial competent evidence and verified pleadings in the record as a whole; (b) results in just and reasonable rates; and (c) based upon a review by Kansas Gas Service, Staff and CURB of the Commission's merger standards is in the public interest.²²

13. The terms of the Agreement are based upon the recommendations included in the Staff R&R. Southern Star's agreement to reduce the purchase price per customer under the APA, which is included in the Agreement, addresses the concerns raised by Staff that the transaction with Southern Star not have a negative impact on Kansas Gas Service's other customers. The terms are fair, reasonable and fully supported by the testimony, exhibits, and verified pleadings filed in this docket. The terms were fully and fairly negotiated by the Signatories in good faith and with the opportunity for all parties to the proceeding to participate and represent their unique interests. Therefore, the

²¹K.A.R. 82-1-230a(a)(2).

²²*See*, e.g., *Citizens Utility Ratepayer Board v. Kansas Corp. Commission*, 28 Kan.App.2d 313, 316 (2000), rev. denied March 20, 2001; Order Approving Settlement Agreement, Docket No. 08-ATMG-280-RTS; May 12, 2008, paragraphs 9-10; Order on Proposed Acquisition issued February 2, 2021, Docket No. 21-GLPE-160-ACQ, pages 14-15, paragraphs 22-23.

Signatories submit the terms of the Agreement promote the public interest based upon application of the merger standards to the transaction and should be approved by the Commission.

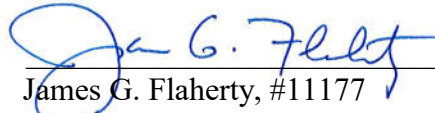
III. REQUEST TO MODIFY THE PROCEDURAL SCHEDULE

14. As part of the Agreement, the Signatories agreed that the pre-filed testimony and exhibits of Kansas Gas Service's witnesses who have pre-filed testimony in this case, the verified Staff R&R containing the Staff's review of the transaction based upon the Commission's merger standards, the verified response of CURB to Staff's R&R containing CURB's review of the transaction based upon the Commission's merger standards, the verified response to Staff's R&R filed by Kansas Gas Service, and the testimony filed by the parties in support of the Agreement, shall be included in the record of the proceeding without the necessity of any of the parties having to take the stand.

15. The Signatories have requested as part of the Agreement attached to this Joint Motion as Attachment A, that the Procedural Order be modified. The Signatories do not believe that a hearing in this matter is necessary. With the Signatories agreement to allow for the admission of the verified testimony and pleadings filed in this docket, the Signatories submit that the record is sufficient to allow the Commission to find that this Agreement is in the public interest based upon an application of the Commission's merger standards and can be approved without the need to file testimony in support of the Agreement or to hold a hearing. The Signatories respectfully request as part of this Joint Motion that the Procedural Order be modified to allow the Commission to make a decision on the Agreement attached to this Joint Motion based upon the written records submitted in this docket and without the necessity of a hearing.

WHEREFORE, for the reasons cited above, the Signatories respectfully request the Commission grant their Joint Motion for approval of the Agreement attached hereto as Attachment A and to modify the Procedural Oder to allow the Commission to make a decision on the Agreement

attached to this Joint Motion based upon the written records submitted in this docket and without the necessity of a hearing.



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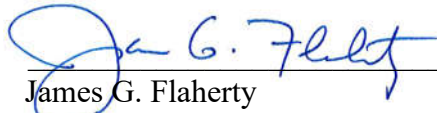
Attorneys for Southern Star Central Gas Pipeline, Inc.

VERIFICATION

STATE OF KANSAS
COUNTY OF FRANKLIN, ss:

James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Kansas Gas Service, a division of ONE Gas, Inc., named in the foregoing Joint Motion for Approval of Unanimous Settlement Agreement and Modification of the Procedural Order and is duly authorized to make this affidavit; that he has read the foregoing and knows the contents thereof; and that the facts set forth therein are true and correct.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 7th day of June, 2024.





Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 7th day of June, 2024, addressed to:

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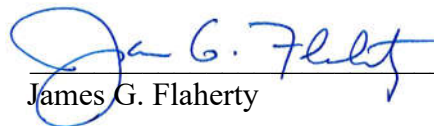
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James G. Flaherty

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Necessity to Serve Said Customers.)

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UNANIMOUS SETTLEMENT AGREEMENT

Pursuant to K.A.R. 82-1-230a, Kansas Gas Service, a division of ONE Gas, Inc. ("Kansas Gas Service"), the Staff of the State Corporation Commission of the State of Kansas ("Staff"), the Citizens' Utility Ratepayer Board ("CURB"), the Kansas Municipal Gas Agency ("KMGA"), and Southern Star Central Gas Pipeline, Inc. ("Southern Star") by and through their undersigned counsel, enter into this Unanimous Settlement Agreement ("Agreement") as a comprehensive settlement of all issues relevant to this proceeding involving the acquisition of Southern Star's meters and related facilities by Kansas Gas Service ("Transaction"). Kansas Gas Service, Staff, CURB, KMGA and Southern Star are collectively referred to herein as "Signatories," or individually as "Signatory."

I. **PROCEDURAL BACKGROUND**

1. On September 5, 2023, Kansas Gas Service filed an application, supporting testimony and associated exhibits pursuant to K.S.A. 66-101, *et seq.*, 66-104, 66-117, 66-131, 66-136, 66-1,200 *et seq.*, and other applicable statutes, requesting approval by the Kansas Corporation Commission ("Commission" or "KCC") of a transaction whereby Kansas Gas Service acquires certain assets of Southern Star pursuant to the terms and conditions contained in an Asset Purchase Agreement dated

December 16, 2022 ("APA").¹ The assets include meters and other facilities that Southern Star currently uses to provide service to domestic customers mostly pursuant to provisions of right-of-way easements.² Southern Star has been engaged in an ongoing effort to eliminate ownership and operation of domestic meters on its system by transferring the meters and facilities to qualified local distribution companies.³ This will allow Southern Star to focus on operating its interstate transmission system while ensuring affected customers continue to receive safe and reliable service from a qualified operator.⁴

2. Kansas Gas Service seeks an order from the Commission that (1) grants it a customer specific certificate of convenience and necessity pursuant to K.S.A. 66-131 to provide natural gas service to the customers/addresses listed in Confidential Exhibit 4A and 4B of its Application; (2) approves Kansas Gas Service's purchase of Southern Star's facilities as set forth in the APA attached to the Application as Confidential Exhibit 2; (3) allows Kansas Gas Service to include the purchase price paid for said facilities be included in Kansas Gas Service's rate base for recovery from its customers; and (4) allows Kansas Gas Service to provide service and charge the customers/addresses listed in Confidential Exhibit 4A and 4B based upon the applicable Kansas Gas Service tariffs and rates.⁵ Kansas Gas Service filed supplemental testimony on March 15, 2024, explaining why the proposed Transaction promotes the public interest through an application of the Commission's merger

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²Application, pages 3-4, paragraphs 7-8.

³Application, pages 2-3, paragraph 4.

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⁵Application, pages 9-10.

standards ("Commission Merger Standards").⁶

3. On September 11, 2023, CURB filed a petition to intervene in this matter, which was granted by Commission Order on September 21, 2023.⁷

4. On November 17, 2023, KMGGA filed a petition to intervene in this matter, which was granted by Commission Order on December 14, 2023.⁸

5. On February 19, 2024, the Staff filed its Report and Recommendation ("Staff R&R").⁹ The Staff R&R included a review of the Transaction per the Commission's Merger Standards.¹⁰ The Staff R&R recommended the Commission approve the Joint Application, subject to the following condition:

a. If the cost of replacement of service/yard lines being acquired by Kansas Gas Service exceeds \$3.027 million over the next ten years, Kansas Gas Service will either write-off the investment that exceeds the \$3.027 million, or seek recovery of those additional costs from Southern Star in the form of a reduction to the original purchase price per customer.¹¹

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8. On May 15, 2024, Southern Star filed a petition to intervene, which was granted by the Commission on May 21, 2024.¹⁹

9. Settlement discussions began on May 23, 2024, in accordance with the Procedural Schedule adopted by the Commission on January 16, 2024 ("Procedural Order").²⁰

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²⁰Order Setting Procedural Schedule issued March 14, 2024, pages 2-3, paragraph 3, Docket No. 24-KGSG-237-CON.

10. As a result of the settlement discussions, the Signatories have agreed to the terms and conditions contained in this Agreement as a full and complete resolution of the issues raised by Kansas Gas Service's request for Commission approval of the Transaction.

II. TERMS OF SETTLEMENT AGREEMENT

11. Subject to the conditions set forth in Paragraph 12, the Signatories to this Settlement Agreement have evaluated the proposed Transaction pursuant to the Commission's Merger Standards, and agree that, in accordance with those standards, approval of the Transaction and the adoption of this Agreement are in the public interest.

12. The Signatories to this Agreement agree and request that the Commission issue an order in this proceeding that approves the acquisition of Southern Star's meters and facilities by Kansas Gas Service in accordance with the APA and approves the requests set forth in the Joint Application, subject to the following conditions:

a. Kansas Gas Service and Southern Star agree to reduce the purchase price from \$1,400 per customer to \$600 per customer, with the total purchase price being estimated to be approximately \$600,000 ("Adjusted Purchase Price").

b. In the event Kansas Gas Service's portion of the cost to replace bare steel yard/service lines of the approximately 734 of the total customers being acquired from Southern Star exceeds \$4 million, then the amount over \$4 million shall be shared equally between Kansas Gas Service's shareholders and customers. If Kansas Gas Service serves additional customers from the facilities being acquired by Southern Star, then all projected revenues to be received from those additional customers over a ten-year period ("Additional Revenues") shall increase the \$4 million (the \$4 million plus the Additional Revenues shall be referred to as "Total Revenues"). Kansas Gas Service shall have five (5) years to replace the bare steel yard/service lines. At the end of that five year period, or yard when all of the bare steel yard/service lines have been replaced, whichever occurs first ("Completion Date"), Kansas Gas Service shall make a compliance filing in this docket within 150 days following the Completion Date to show the total of its portion of the cost to replace the approximately 734 bare steel yard/service lines. The compliance filing shall also show Total Revenues. If the portion of Kansas Gas Service's cost to replace the approximately 734 bare steel yard/service lines is less than the Total Revenues, then no additional action will be required. If the portion of Kansas Gas Service's cost to replace the approximately 734

bare steel yard/service lines exceeds the Total Revenues, then Kansas Gas Service shall establish a Regulatory Liability equal to one-half of the amount that Kansas Gas Service's portion of the replacement cost exceeds the Total Revenues. The amount in the Regulatory Liability account shall be accounted for in Kansas Gas Service's next general rate case following the compliance filing. Kansas Gas Service's portion of the cost to replace bare steel yard/service lines means Kansas Gas Service's cost to install/replace up to 200 feet per line. The customer is responsible for the cost to install/replace any amount in excess of 200 feet per line. For purposes of replacing the 734 bare steel service/yard lines described herein, Kansas Gas Service's replacement cost shall not include construction overhead costs when Kansas Gas Service's contractor performs the work. Kansas Gas Service has an agreement with Southern Star that Southern Star shall reimburse Kansas Gas Service for the amount of the Regulatory Liability up to but not exceeding the Adjusted Purchase Price.

c. The meter associated with the City of Humboldt, Kansas²¹ ("City"), a member of KMGAs, shall be removed from the Application and will not be certificated to Kansas Gas Service. Kansas Gas Service and Southern Star shall agree to amend their APA so that the Southern Star meter that provides service to the city is not included in the transaction. Further, in its notice filing to the Federal Energy Regulatory Commission of this Commission's approval of the Agreement, Southern Star shall explicitly note that the meter associated with the City has been removed from the APA.

d. Kansas Gas Service and Southern Star shall file with the Commission an updated list of customers/addresses covered by the Transaction within thirty (30) days following the closing of the Transaction under the APA.

13. This Agreement is the result of negotiations among the Signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Agreement in total or materially changes the terms of this Agreement, the Agreement shall be voidable and, if voided, no Signatory shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof. Each Signatory reserves the right to withdraw its support in the event that the Commission materially modifies the Agreement in a manner which is adverse to the Signatory.

14. This Agreement represents a negotiated settlement that fully resolves the issues raised in this proceeding. The Signatories represent that the terms of this Agreement constitute a fair and

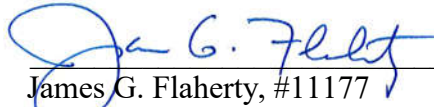
²¹The referenced meter number is 8783 of Exhibit 3 and Exhibits 4A and 4B to the Application.

reasonable resolution of the issues addressed herein, in a manner which is in the public interest. Except as specified herein, the Signatories shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve the Agreement.

15. In the event the Commission accepts the specific terms of this Agreement without material modification, the Signatories waive, with respect to the issues resolved herein and to the extent a hearing on this Agreement is required, cross examination of the Signatories' witnesses on testimony filed in this docket, any respective rights they may have to seek rehearing; and judicial review pursuant to the Kansas Judicial Review Act, K.S.A. 77-601, *et seq.* Furthermore, in the event the Commission accepts the specific terms of this Agreement without material modification, the Signatories agree that the pre-filed testimony and exhibits of Kansas Gas Service's witnesses who have pre-filed testimony in this case, the verified Staff R&R containing the Staff's review of the Transaction based upon the Commission's Merger Standards, the verified response of CURB to Staff's R&R containing CURB's review of the Transaction based upon the Commission's Merger Standards, the verified response to Staff's R&R filed by Kansas Gas Service, and the testimony filed in support of this Agreement, shall be included in the record of the proceeding without the necessity of any of the parties having to take the stand.

16. The Signatories have requested as part of this Agreement, that the Procedural Order be modified. The Signatories do not believe that a hearing in this matter is necessary. With the Signatories agreement in paragraph 15 of this Agreement to allow for the admission of the testimony and pleadings identified in that paragraph, the record is sufficient to allow the Commission to find that this Agreement is in the public interest and should be approved without the need for a hearing.

WHEREFORE, the Signatories hereto recommend that the Commission approve this Agreement in its entirety without modification.



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/s/ Joseph R. Astrab

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