

BEFORE THE CORPORATION COMMISSION



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OF THE STATE OF KANSAS

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IN THE MATTER OF THE APPLICATION ]  
OF ONEOK, INC. FOR AN ORDER ]  
AUTHORIZING ITS PLAN OF ]  
REORGANIZATION ]

KCC Docket No. 14-KGSG-100-MIS

by  
State Corporation Commission  
of Kansas

DIRECT TESTIMONY OF  
ANDREA C. CRANE

IN SUPPORT OF SETTLEMENT AND AGREEMENT

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

December 4, 2013

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Appendix A – List of Prior Testimonies Filed Since 2008

Appendix B – Referenced Data Request

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Andrea C. Crane and my business address is 90 Grove Street, Suite 211,  
4 Ridgefield, Connecticut 06877.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in  
8 utility regulation. In this capacity, I analyze rate filings, prepare expert testimony and  
9 undertake various studies relating to utility rates and regulatory policy. I have held several  
10 positions of increasing responsibility since I joined The Columbia Group, Inc. in January  
11 1989. I have been President of the firm since 2008.

12

13 **Q. Please summarize your professional experience in the utility industry.**

14 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic  
15 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to  
16 January 1989. From June 1982 to September 1987, I was employed by various Bell  
17 Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the  
18 Product Management, Treasury, and Regulatory Departments.

19

20 **Q. Have you previously testified in regulatory proceedings?**

21 A. Yes, since joining The Columbia Group, Inc., I have testified in over 350 regulatory

1 proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas,  
2 Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania,  
3 Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of  
4 Columbia. These proceedings involved gas, electric, water, wastewater, telephone, solid  
5 waste, cable television, and navigation utilities. A list of dockets in which I have filed  
6 testimony since January 2008 is included in Appendix A.

7  
8 **Q. What is your educational background?**

9 A. I received a Master of Business Administration degree, with a concentration in Finance,  
10 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A.  
11 in Chemistry from Temple University.

12  
13 **II. PURPOSE OF TESTIMONY**

14 **Q. What is the purpose of your testimony?**

15 A. On or about August 16, 2013, ONEOK, Inc. (“ONEOK” or “Company”) filed an  
16 Application with the Kansas Corporation Commission (“KCC” or “Commission”) seeking  
17 approval for a corporate plan of reorganization (“Reorganization Plan”). Pursuant to this  
18 Reorganization Plan, ONEOK proposes to spin off its regulated natural gas distribution  
19 business into a new corporate entity, One Gas, Inc. (“One Gas”). Since ONEOK provides  
20 regulated natural gas distribution service in Kansas through its Kansas Gas Service  
21 (“KGS”) division, ONEOK requires KCC approval for the transaction.

1           The Columbia Group, Inc. was engaged by The State of Kansas, Citizens' Utility  
2           Ratepayer Board ("CURB") to review the Company's Application and to provide  
3           recommendations to the KCC.

4  
5           **Q.    Have the parties to this proceeding executed a Stipulation and Agreement ("S&A")?**

6           A.    Yes, they have. Since the Application was filed, the parties have engaged in extensive  
7           discovery activities, technical conferences and settlement negotiations. As a result, the  
8           parties have executed an S&A, which resolves the issues in this case. The parties to the  
9           S&A include the Company, the Staff of the KCC and CURB.

10  
11          **Q.    Why did the parties engage in settlement negotiations prior to the filing of Direct**  
12          **Testimony?**

13          A.    As discussed later in this testimony, the Reorganization Plan includes recapitalizing the  
14          utility with new debt. Since interest rates are currently at historic low levels, the parties  
15          felt that it was in the best interests of both shareholders and ratepayers if this transaction  
16          could be reviewed expeditiously. For that reason, the KCC approved a procedural schedule  
17          that involved two possible tracks. The parties agreed to an expedited schedule for the  
18          exchange of information and participation in technical conferences. If the parties were able  
19          to reach agreement on the proposed Reorganization Plan, then track 1 provided for  
20          testimony to be filed virtually coincident with the filing of a settlement agreement. This  
21          track assumes that a final order will be issued by the KCC by the end of December. If the

1 parties were unable to reach initial agreement on the proposed Reorganization Plan, then  
2 the procedural schedule included a second tract that provided for a full litigation schedule  
3 with final KCC order by late February 2014. In this case, the parties were able to reach  
4 agreement and therefore CURB and Staff are filing testimony that addresses both their  
5 analyses of the Reorganization Plan as well as their support for the S&A in one document.  
6

7 **Q. How is your testimony organized?**

8 A. This is a rather unusual situation in that the parties are presenting the KCC with a proposed  
9 S&A at the same time that initial Direct Testimony is filed. Therefore, my testimony will  
10 include 1) a brief summary of the proposed Reorganization Plan, 2) a discussion of the  
11 issues identified by CURB in its review of the filing and supporting documentation, 3) a  
12 description of the S&A and a summary of its main provisions, including a discussion of  
13 how the S&A satisfactorily addresses CURB's concerns, and 4) a discussion of the S&A in  
14 light of the KCC's standards of review for settlement agreements.  
15

1 **III. DESCRIPTION OF THE PROPOSED TRANSACTION**

2 **Q. Please provide a description of ONEOK.**

3 A. As discussed in the Application, ONEOK is a diversified energy company. Through its  
4 KGS division, ONEOK provides natural gas distribution service to over 2 million retail  
5 and wholesale customers in Kansas, Oklahoma, and Texas. KGS serves approximately  
6 630,000 customers in 360 communities in Kansas. ONEOK is also the sole general partner  
7 and owner of 43.3% of ONEOK Partners, L.P. (“ONEOK Partners”), a limited partnership  
8 that is involved in the gathering, processing, storage and transportation of natural gas.  
9 ONEOK Partners also owns a natural gas liquids system.

10  
11 **Q. Please provide a brief description of the Reorganization Plan proposed by ONEOK in  
12 its filing.**

13 A. ONEOK is proposing to spin off its regulated natural gas distribution operations from its  
14 other business activities into a new corporate entity, One Gas. The transaction would be  
15 accomplished through a tax-free dividend of the new corporation to existing ONEOK  
16 shareholders and the result would be two independent companies that initially would be  
17 owned by the same shareholders. ONEOK’s corporate assets and liabilities, including  
18 pension liabilities and other employment-related liabilities, would be divided between the  
19 two corporate entities. In addition, ONEOK’s existing employees would be assigned to  
20 either ONEOK or One Gas. The proposed Reorganization Plan does not require a vote by  
21 existing shareholders.

1 Pursuant to the Reorganization Plan, One Gas, Inc. will borrow approximately \$1.1  
2 billion to \$1.2 billion in new debt, all of which will be used to retire existing ONEOK debt.

3 In addition, ONEOK and One Gas have entered into a Master Transition Services  
4 Agreement (“TSA”) that would provide for the sharing of certain administrative services  
5 for some interim period of time. It is envisioned that services could be provided by either  
6 corporate entity. Thus, while the majority of services under the Master TSA will be  
7 provided by ONEOK to One Gas, it is also envisioned that certain services will be  
8 provided by One Gas to ONEOK. At this time, it is envisioned that services under the  
9 Master TSA will be provided for a relatively short period of time during an initial  
10 transition period.

11  
12 **Q. What services will be provided under the Master TSA?**

13 A. The specific services to be provided pursuant to the Master TSA have not yet been  
14 finalized. However, it is envisioned that there would be two main categories of service,  
15 Information Technology (“IT”) services and other services. Services to be provided under  
16 the Master TSA include human resources, tax planning and compliance, accounting,  
17 benefit plan administration, other support services, and a variety of information technology  
18 and software services. It is proposed that services provided under this agreement would be  
19 furnished at cost. Moreover, it is envisioned that the services would generally be provided  
20 for a period of approximately 12 to 18 months, or until such time as both ONEOK and One  
21 Gas are able to provide for or obtain all necessary services on an independent basis.



1 ONEOK and One Gas generally have the option under the Master TSA to terminate their  
2 obligations to purchase services at any time with minimal notice.

3  
4 **Q. Is the Company proposing any change in rates as a result of the Reorganization Plan?**

5 A. No, ONEOK is not proposing to modify any of its tariffs or other provisions of service at  
6 this time. The Company is requesting that the KCC approve the transfer of the existing  
7 Kansas utility assets, certificates of convenience and necessity and franchises related to the  
8 Kansas operations from ONEOK to One Gas. However, One Gas would continue to  
9 operate the utility under the existing rates, tariffs, and terms of service until such time as  
10 there is a base rate case.

11  
12 **Q. What does the Company contend are the benefits of the Reorganization Plan to**  
13 **ratepayers?**

14 A. The Company contends that benefits to ratepayers include the following:

- 15 1. The Plan allows the utility to recapitalize its operations at a lower cost of debt;
- 16 2. The Plan insulates the utility from risks relating to non-regulated operations;
- 17 3. The Plan streamlines regulatory oversight;
- 18 4. The Plan separates businesses with different business models and customers,  
19 allowing One Gas to focus solely on the regulated natural gas distribution business;
- 20 5. The Plan provides for a more focused investor base for the utility; and
- 21 6. The Plan focuses capital allocation decisions and resolves the potential for

1 competition for capital between non-regulated and regulated businesses.

2 The Company is attempting to expedite review and approval of the Reorganization Plan so  
3 that it can take advantage of historically low interest rates, which most experts believe will  
4 increase sometime in 2014.

5  
6 **Q. How will the costs of the Reorganization Plan be treated for ratemaking purposes?**

7 A. On October 2, 2013, ONEOK filed Supplemental Testimony addressing the costs of the  
8 transaction, which ONEOK witness Derek Reiners termed “separation costs”. ONEOK  
9 identified two major categories of separation costs. First, ONEOK will incur costs for  
10 professional services, including costs for financial advisors, legal, accounting, information  
11 technology, human resources, and other business consultants. Second, ONEOK will incur  
12 debt breakage costs, i.e., costs related to retirement of its existing debt. ONEOK does not  
13 propose to allocate any of these separation costs to One Gas or to KGS. Thus, these costs  
14 will not be funded by ratepayers.

15  
16 **VI. CURB’S ANALYSIS OF PROPOSED REORGANIZATION PLAN**

17 **Q. Do you agree that the Reorganization Plan provides benefits to Kansas ratepayers?**

18 A. Yes, there are aspects of the Reorganization Plan that are clearly a benefit to ratepayers.  
19 For example, recapitalizing the Company’s long-term debt should result in a reduction  
20 from the Company’s current embedded cost of long-term debt. While utility rates will not  
21 reflect this lower cost of debt immediately, these lower costs will be passed through to

1 ratepayers when the Company files its next base rate case.

2 This lower cost of debt is the result of two factors. First, interest rates are currently  
3 low relative to historic levels. Therefore, issuing new debt at the present time will allow  
4 One Gas to take advantage of this lower cost debt. Second, the new debt issued by One  
5 Gas will reflect only the risk of the regulated utility business instead of the composite risk  
6 associated with the current ONEOK consolidated operation. Since the regulated operations  
7 tend to be low risk relative to unregulated activities, basing the cost of debt solely on the  
8 risk of the regulated utility businesses should result in lower cost debt.

9 The Company contends that there are other risks that will be reduced as a result of  
10 the Reorganization Plan, such as the “public utility’s exposure to legal liabilities” arising  
11 from non-regulated operations. I agree that this will be beneficial to ratepayers, although I  
12 note that ratepayers already receive a fair amount of protection from this risk through the  
13 regulatory process.

14 I also agree with the Company that there are additional benefits to having a  
15 corporate entity that is comprised solely of regulated natural gas distribution businesses.  
16 This corporate structure would simplify the regulatory review of natural gas distribution  
17 operations and would eliminate the need to examine certain issues such as corporate  
18 allocations between regulated and non-regulated operations.

19 The proposed transaction will also enhance the ability of management to focus its  
20 resources on regulated operations. Under the existing corporate structure, regulated  
21 operations must compete with unregulated operations for limited corporate resources

1 including capital. Thus, there is a constant decision process as to how capital and other  
2 corporate resources should be allocated. Under the new corporate structure, there will be  
3 no competition for corporate resources since One Gas will be focused solely on regulated  
4 utility operations.

5 In addition, as noted by the Company in its Application, the Plan will also result in  
6 an investor base that is more focused on regulated operations. While ONEOK  
7 management currently faces internal pressures relating to allocation of corporate resources,  
8 so too does it face external pressure from shareholders, some of whom may be more  
9 focused on non-regulated operations and opportunities while others may be focused on the  
10 relatively low-risk regulated utility business. The Plan will result in a corporate entity that  
11 has a shareholder base that is focused on regulated utility operations. While initially the  
12 shareholders of ONEOK and One Gas will be the same, shareholders of One Gas that are  
13 primarily attracted to ONEOK's unregulated businesses would be expected to sell their  
14 One Gas shares to investors that are more focused on the opportunities provided by  
15 regulated businesses. Thus, there will be a natural selection of One Gas shareholders  
16 whose primary interest is regulated utility operations.

17 In summary, I agree with the Company that the proposed Reorganization Plan will  
18 result in ratepayer benefits. Some of these benefits, such as lower cost long-term debt, are  
19 quantifiable. Other benefits, such as greater focus on utility operations and the elimination  
20 of the competition for company resources, are more difficult to quantify but nevertheless  
21 will provide a tangible benefit to ratepayers, at least initially.

1 **Q. Are there any detriments to ratepayers as a result of the Reorganization Plan?**

2 A. Yes, there are. The most significant detriment to ratepayers is the increased cost that may  
3 be included in cost of service. While the Plan is projected to lower the long-term debt cost,  
4 the Company is proposing to adopt a capitalization for One Gas that reflects an equity ratio  
5 of between 55% and 60%. Since equity is more costly than debt, this higher equity ratio  
6 could result in a higher overall cost of capital, even if one assumes that the new debt will  
7 be issued at interest rates that are lower than the currently embedded cost of long-term  
8 debt.

9 In its last base rate case, KGS proposed a capital structure consisting of 58.85%  
10 common equity. CURB's cost of capital witness in that case, Dr. J. Randall Woolridge,  
11 recommended a capital structure consisting of 50% equity and 50% long-term debt.<sup>1</sup> Staff  
12 recommended an equity ratio of 46.47%.<sup>2</sup> A settlement was subsequently reached by the  
13 parties that was silent on the issue of capital structure. Nevertheless, the settlement  
14 agreement did reflect an overall revenue requirement that was acceptable to all parties.

15 In future rate cases, any savings resulting from the new long-term debt could be  
16 eliminated if One Gas's rates are determined based on a capital structure that contains a  
17 high equity ratio. The actual projected equity ratio that will result from the Reorganization  
18 Plan may be higher than the equity ratio claimed by the Company in its last base rate case  
19

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<sup>1</sup> KCC Docket No. 12-KGSG-835-RTS, Direct Testimony of Dr. Woolridge, Schedule JRW-1.

<sup>2</sup> KCC Docket No. 12-KGSG-835-RTS, Schedules of KCC Staff, Schedule C-1.

1 and will be much higher than the equity ratio recommended by CURB and Staff in that  
2 case. The use of an actual equity ratio could therefore result in a cost increase to ratepayers  
3 instead of a cost decrease. Moreover, given historic low interest rates, one could certainly  
4 argue that the Company and ratepayers would be better off if the Company issued the  
5 maximum amount of long-term debt that can be issued without providing a net detriment  
6 as a result of increasing financial risk.

7  
8 **Q. In addition to possible cost increases relating to an increased level of equity, will other  
9 costs increase as a result of the Reorganization Plan?**

10 A. Yes, there will be additional cost increases as a result of the Reorganization Plan. As noted  
11 above, ONEOK does not propose to recover any separation costs from ratepayers.  
12 However, as a result of the Reorganization Plan, the administrative costs allocated to KGS  
13 will increase. This is because certain administrative costs are currently provided on a  
14 consolidated basis and allocated among all ONEOK entities, both regulated and non-  
15 regulated. Due to the nature of these common support services, many of these costs are  
16 fixed costs. These fixed costs will now be allocated over a smaller base, resulting in an  
17 increase to KGS and its ratepayers. These costs include insurance, information technology,  
18 and human resources, among others.

19  
20 **Q. What is the overall impact of the proposed Reorganization Plan on the cost of service  
21 allocated to KGS?**

1 A. On page 2 of his Supplemental Testimony, Mr. Dittmore stated “ONEOK estimates that  
2 the net impact of the reorganization on ONE Gas and Kansas Gas Service will not be  
3 material, as incremental operations and maintenance expense will be largely offset by  
4 anticipated lower weighted average debt costs.” The Company is currently estimating a  
5 small net increase to the Company’s cost of service.<sup>3</sup> This estimate assumes that the cost  
6 savings relating to the lower cost of debt will largely offset the increased administrative  
7 costs. However, the Company’s analysis assumes a capital structure that contains less  
8 equity, and therefore more debt, than the actual capital structure projected by ONEOK.  
9 Therefore, the actual impact on ratepayers will depend upon not only the actual interest rate  
10 at which the new debt is issued, but it will also depend upon the capital structure that is  
11 adopted in the future for ratemaking purposes.

12 In addition to the uncertainty surrounding the interest rate at which new debt will  
13 actually be issued and the capital structure used in future rate proceedings, there is also  
14 uncertainty surrounding the Company’s estimate of future administrative costs. To the  
15 extent that actual costs are higher than projected, then the net increase to ratepayers could  
16 be significantly more than is currently being estimated by the Company. In summary, there  
17 are simply too many variables to know with certainty what the financial impact (positive or  
18 negative) of the proposed Reorganization Plan will be on ratepayers.

19  
20 **Q. Do you have any other concerns regarding the proposed Plan?**

---

<sup>3</sup> The details of the Company’s estimated impacts to cost of service are confidential.

1 A. Yes, I do. One of the primary benefits stated by ONEOK is the fact that One Gas will be  
2 comprised solely of natural gas distribution functions. As previously discussed, this  
3 structure will simplify the regulatory review process, result in greater shareholder focus on  
4 regulated operations, and eliminate any potential conflicts with regard to allocation of  
5 corporate resources, including capital. However, there is no guarantee that One Gas will  
6 remain a stand-alone natural gas distribution company. In fact, some reports suggest that  
7 the proposed transaction could make One Gas a desirable takeover candidate. Many of the  
8 qualitative benefits of the proposed Reorganization Plan could be reduced or eliminated if  
9 One Gas is subsequently purchased by another diversified company. Therefore, the KCC  
10 should consider that possibility when evaluating the weight that should be given to the  
11 benefits resulting from concentration of regulated utility operations into one corporate  
12 entity.

13 Another concern I have is that the two companies intend to have a common  
14 Chairman of the Board of Directors.<sup>4</sup> It is my understanding that this arrangement is  
15 intended to provide shareholders with an assurance of continuity for some period of time  
16 after the separation is complete. It is also my understanding that the parties contemplate  
17 that this arrangement would only be in place for a limited, although unspecified, period of  
18 time. While I understand the Company's concerns about continuity, it is important to  
19 implement separate officers as soon as possible in order to ensure the independence  
20 between ONEOK and One Gas that the Company states is a valuable benefit of the

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4 Response to CURB-25.



1 Reorganization Plan.

2  
3 **Q. Could the Commission find that the Reorganization Plan, as filed, is in the public**  
4 **interest?**

5 A. Given the inherent uncertainties, I believe that it would be difficult for the KCC to find that  
6 the Reorganization Plan, as filed, is in the public interest. Any quantitative benefits will  
7 depend upon the actual costs that are incurred to issue new debt and to assume the  
8 administrative functions that were previously provided on a consolidated basis by ONEOK,  
9 as well as on the capital structure adopted for ratemaking purposes. Therefore, the net  
10 impact on ratepayers depends on a number of factors which are unknown at this time. In  
11 addition, many of the qualitative benefits depend upon One Gas remaining a stand-alone  
12 natural gas distribution company with a focus entirely on regulated operations. Since there  
13 is no guarantee that One Gas will remain an independent company, it is difficult to estimate  
14 for how long ratepayers may enjoy these qualitative benefits. Adding further complexity is  
15 the fact that if One Gas is eventually acquired by another entity, its cost structure may  
16 change, particularly with regard to administrative costs and overheads, providing further  
17 uncertainty regarding the net impact on utility rates. Thus, I don't believe that the KCC  
18 could conclude with certainty that the Plan as filed is in the public interest.

19  
20 **Q. Since the Reorganization Plan was filed, have the parties engaged in technical**  
21 **conferences and settlement negotiations?**

1 A. Yes, the parties have engaged in technical conferences and settlement negotiations. Given  
2 the uncertainty regarding any benefits to ratepayers, CURB felt that the KCC would want  
3 any S&A to include additional provisions that would mitigate some of the uncertainty  
4 inherent in the Reorganization Plan. The parties were able to agree on provisions that  
5 provide additional benefits to ratepayers. These provisions, which are discussed in more  
6 detail below, provide assured immediate benefits to ratepayers such as rate moratoriums,  
7 caps on certain surcharges, limitations on equity ratios, a contribution for low-income  
8 weatherization and enhanced quality of service requirements. As a result, the parties have  
9 entered into an S&A that resolves the issues in this case. CURB is recommending that the  
10 KCC approve the Reorganization Plan, based on the provisions outlined in the S&A.

11  
12 **V. OUTLINE OF THE SETTLEMENT**

13 **Q. Please provide a brief description of the terms of the proposed S&A.**

14 A. The S&A includes a variety of both financial and non-financial terms. These include:

- 15 1. KGS will not file a general base rate case for which any new rates would be  
16 effective prior to January 1, 2017.
- 17 2. ONEOK agrees to write off the existing regulatory asset relating to transaction cost  
18 recovery from Docket No. 97-WSRG-486-MER (“97 Docket”). This regulatory  
19 asset is being amortized over 40 years. As of September 30, 2013, the unamortized  
20 balance was approximately \$10.2 million. KGS will not seek to recover funds

1 associated with this regulatory asset in any future rate case filing, thereby reducing  
2 rates by approximately \$423,000 annually.

3 3. KGS will reduce the amounts currently being collected from customers relating to  
4 its pension and other post-employment benefit (“OPEB”) tracker by \$3 million  
5 annually. In addition, the stated amount of annual pension and OPEB tracker costs  
6 currently being recovered in base rates will be revised from \$16,605,035 to  
7 \$13,605,035.

8 4. The reductions relating to the regulatory asset from the 97 Docket and the pension  
9 and OPEB tracker will be accomplished by a one-time rebate of \$3.423 million in  
10 each of the years 2014, 2015, 2016. The rebate will be provided to customers in  
11 the month of April. The rebate shall take the form of a fixed bill credit in the  
12 amount of \$5.34 applied to all KGS customers, whether sales or transportation  
13 customers.

14 5. KGS agrees that in its annual Gas System Reliability Surcharge (“GSRS”) rate  
15 filings made in 2014, 2015, 2016, it shall not seek an increase in the GSRS charge  
16 above \$0.40 per month per residential customer, notwithstanding any potential  
17 changes in the law that may authorize a higher monthly increase.

18 6. ONEOK agrees to make a one-time contribution to a 501(c)(3) organization of \$1.2  
19 million to provide financial assistance for weatherization of housing for low-  
20 income natural gas customers of KGS. \$200,000 of this contribution will be  
21 allocated to administrative costs.

1           7.       ONEOK agrees to utilize a capital structure that consists of no more than 55%  
2                   equity in its next base rate case. Staff and CURB retain the right to argue for a  
3                   different capital structure than the one filed by KGS.

4           8.       There are no restrictions on either Staff's or CURB's ability to review and make  
5                   recommendations relating to cost increases resulting from the Reorganization Plan  
6                   in future rate cases.

7  
8                   The S&A also contains other provisions that were outlined in the Company's filing,  
9                   supporting testimony, and supplemental testimony such as the Company's assurance that  
10                  separation costs will not be allocated to One Gas or KGS. In addition, the Company  
11                  proposes to supply the KCC with additional information relating to such items as the actual  
12                  weighted average cost of new debt and credit rating agency reports on One Gas. The  
13                  Company also agrees that One Gas will submit a cost allocation manual within 90 days of  
14                  the proposed reorganization and that the methodology used to allocate corporate costs to  
15                  KGS will not change as a result of the transaction. One Gas also agrees in the S&A to  
16                  continue to make its books and records available for examination by the KCC.

17                  With regard to pipeline safety, the S&A provides that KGS will continue its  
18                  program to replace 10,000 bare steel service lines per year as addressed in Docket No. 11-  
19                  KGSG-177-TAR, and will continue its program to replace cast iron piping by December  
20                  31, 2024. KGS also agrees to institute a replacement program for protected bare steel main  
21                  segments that have experienced three or more main leaks within a block over the past three

1 years. The Company also agrees to track and report its response times for any  
2 unintentional release of gas.

3 In addition to these provisions regarding pipeline safety, the S&A also contains a  
4 variety of provisions regarding quality of service and penalties for not meeting certain  
5 quality benchmarks. These include benchmarks relating to answered call rates, estimated  
6 bills, and response times relating to odor complaints. The Company also agrees to provide  
7 a variety of reports relating to service quality.

8  
9 **Q. Do the provisions of the S&A provide financial benefits to the ratepayers of KGS?**

10 A. Yes, they do. Many of these provisions provide financial benefits to ratepayers. As filed,  
11 the Reorganization Plan did not include any moratorium on base rates. The S&A includes  
12 a rate moratorium until January 1, 2017. Given that current base rates went into effect on  
13 January 1, 2013, this provision ensures that base rates will not change for a period of at  
14 least four years, providing rate stability to the customers of KGS.

15 The S&A also provides for the elimination of the regulatory asset approved in  
16 Docket No. 97-WSRG-486-MER. This regulatory asset, which is being amortized over 40  
17 years, relates to transaction costs incurred when ONEOK acquired the gas assets of  
18 Western Resources, Inc. Thus, the S&A provides a real savings to ratepayers by ensuring  
19 that One Gas will not seek to recover the unamortized costs in future rate cases. This  
20 provision will return approximately \$423,000 annually to ratepayers through a rebate  
21 mechanism in each of the next three years.

1           The S&A also provides benefits by accelerating the return to ratepayers of amounts  
2           being recovered through the pension and OPEB tracker. These amounts would ordinarily  
3           be returned to ratepayers through the true-up process inherent in the tracker when the  
4           Company files its next base rate case. Instead, the parties agreed to return \$3.0 million  
5           annually in each of the next three years through a fixed bill credit. This will ensure that  
6           ratepayers have the benefits from these credits sooner than they would have in the absence  
7           of the S&A.

8           The S&A also retains the current statutory cap on increases to residential customers  
9           in the GSRS through 2016. CURB was concerned that the benefits of a rate moratorium  
10          could be jeopardized if the legislature increased or eliminated the current cap on GSRS  
11          increases. This provision ensures that annual GSRS increases will be capped at the  
12          present level of \$0.40 per month per year even if a change in law permits the Company to  
13          impose a higher increase during this period. This provision, together with the rate  
14          moratorium, provides a measure of rate stability to KGS ratepayers over the next three  
15          years. In addition, the S&A provides benefits to ratepayers by limiting the equity  
16          percentage included in the Company's capital structure in its next base rate case to 55.0%.  
17          This limitation is important to ensure that ratepayers receive at least some ratemaking  
18          benefit from the lower cost debt that is expected to be issued as a result of the  
19          Reorganization Plan.

20          Ratepayers will also see immediate benefits from ONEOK's agreement to make a  
21          one-time contribution to a 501(c)(3) organization for weatherization of housing for low-

1 income customers. This is funding that would not exist in the absence of the S&A.  
2 Finally, the S&A does not preclude Staff or CURB from recommending other adjustments  
3 in future cases with respect to cost increases resulting from the Reorganization Plan. This  
4 provision provides further protection for KGS customers against rate increases that may  
5 result if the Reorganization Plan is approved.

6 These provisions are in addition to the provisions proposed by the Company  
7 relating to separation costs. ONEOK agreed in its Supplemental Testimony that it would  
8 not seek to recover any separation costs associated with the Reorganization Plan from  
9 ratepayers. ONEOK will not allocate either transaction costs associated with professional  
10 services or debt breakage costs to One Gas or KGS, thereby ensuring that these costs will  
11 not be passed along to ratepayers through their utility rates.

12  
13 **Q. Does the S&A include other provisions that also benefit ratepayers?**

14 **A.** Yes, it does. In addition to the financial provisions discussed above, the S&A also includes  
15 provisions regarding pipeline safety programs and quality of service standards that will  
16 provide additional ratepayer benefits. When all of these provisions are considered, I  
17 believe that the KCC can find that the Reorganization Plan is in the public interest.

18  
19 **VI. STANDARDS OF REVIEW**

20 **Q. Are you familiar with the standards used by the KCC to evaluate a settlement that is**  
21 **proposed to the Commission?**

1 A. Yes, I am. The KCC has adopted five guidelines for use in evaluating settlement  
2 agreements. These include: (1) Has each party had an opportunity to be heard on its  
3 reasons for opposing the settlement? (2) Is the agreement supported by substantial evidence  
4 in the record as a whole? (3) Does the agreement conform to applicable law? (4) Will the  
5 agreement result in just and reasonable rates? (5) Are the results of the agreement in the  
6 public interest, including the interests of customers represented by any party not consenting  
7 to the agreement?

8 I understand that CURB counsel will address item 3, i.e., does the agreement  
9 conform to applicable law, in his opening statement at the upcoming hearing. Since I am  
10 not an attorney, it is more appropriate for CURB counsel to address this issue than for me  
11 to address it. However, I will discuss the remaining four guidelines.

12  
13 **Q. Has each party had an opportunity to be heard on its reasons for opposing the**  
14 **settlement?**

15 A. CURB participated in technical conferences and settlement negotiations in this case and  
16 each party had a full and complete opportunity to be heard. The parties discussed issues,  
17 resolved certain numerical discrepancies, and negotiated aggressively. At this time, I am  
18 not aware of any party to the case who opposes the settlement.

19  
20 **Q. Is the agreement supported by substantial evidence in the record as a whole?**

21 A. Yes, it is. In addition to its Application, the Company provided supporting testimony as



1 well as supplemental testimony. The Company also responded to numerous data requests  
2 and provided extensive supporting documentation for review by Staff and CURB. While it  
3 is relatively unusual for an S&A to be filed prior to the submission of direct testimony by  
4 Staff and CURB, the parties believed that an expedited schedule could help the Company  
5 to issue new debt quickly and therefore to take advantage of relatively low interest rates.  
6 Therefore, the parties agreed to attempt to resolve this case as soon as Staff and CURB had  
7 completed their review of supporting documentation and prior to the filing of direct  
8 testimony. Therefore, while the official record may not be as extensive as is usually the  
9 case in a proceeding before the KCC, the parties are satisfied that the existing record does  
10 support approval of the S&A. Moreover, the parties reviewed extensive documentation  
11 that is not part of the official record. I am not aware of any documentation reviewed in  
12 discovery that conflicts with CURB's conclusion that there is substantial evidence to  
13 support a Commission finding that the transaction is in the public interest.

14  
15 **Q. Will the agreement result in just and reasonable rates?**

16 A. Yes, I believe that the S&A will result in just and reasonable rates. As filed, the  
17 Reorganization Plan exposed ratepayers to rate uncertainty, particularly with regard to  
18 capital structure and administrative costs. The additional provisions contained in the S&A  
19 are an attempt to provide some immediate relief to customers, to mitigate future risk, and  
20 to provide additional non-rate commitments that will benefit ratepayers.

21 The S&A provides that rates will not change until at least January 1, 2017. Thus, in

1 the short-term rates will not be impacted by the transaction. Moreover, CURB and Staff  
2 have the right to recommend adjustments in future rate cases relating to capital structure  
3 and/or administrative costs and overheads that may increase as a result of the  
4 Reorganization Plan. Therefore, there are safeguards in place to protect the interests of  
5 ratepayers if material cost increases result from the transaction. The S&A also provides  
6 some safeguards against significant annual increases in GSRS surcharges by capping such  
7 increases at \$0.40 per month per year through December 31, 2016. The S&A provides an  
8 immediate benefit by eliminating \$423,000 in amortization costs associated with the 97  
9 Docket. It also allows ratepayers to benefit from an accelerated return of \$3.0 million in  
10 pension and OPEB costs that they would otherwise not receive until the next base rate case.  
11 Finally, the S&A provides some funds to sponsors of weatherization programs that assist  
12 low-income customers to implement measures that reduce energy consumption. All of  
13 these provisions help to ensure that rates to KGS customers will continue to be just and  
14 reasonable if the transaction is approved.

15  
16 **Q. Are the results of the agreement in the public interest, including the interests of**  
17 **customers represented by any party not consenting to the agreement?**

18 **A.** As noted above, all parties to this proceeding support the S&A. Therefore, the interests of  
19 customers represented by all parties to this proceeding have been considered. It provides  
20 for the creation of a corporate entity that will focus solely on regulated natural gas  
21 distribution services. The Reorganization Plan will simplify regulatory review, concentrate

1           shareholder focus on regulated utility operations, and eliminate the competition for capital  
2           and other corporate resources between regulated and non-regulated activities. The  
3           proposed Reorganization Plan will also result in a lower embedded cost of debt.

4           The S&A provides additional benefits to ratepayers by ensuring that base rates will  
5           remain unchanged until at least January 1, 2017, by eliminating \$423,000 annually that is  
6           currently included in base rates related to a regulatory asset from the 97 Docket, and by  
7           capping annual increases in GSRS rates. It will also accelerate the return to ratepayers of  
8           \$3.0 million annually in amounts being collected through the pension and OPEB tracker  
9           and will provide funds for low-income weatherization. The S&A provides protection for  
10          ratepayers in future rate proceedings by capping the equity ratio than can be requested in  
11          the next base rate case and by retaining the ability of Staff and CURB to recommend future  
12          adjustments relating to capital structure and/or overhead costs in future rate cases. It also  
13          ensures that the pipeline safety programs will be continued and that quality of service will  
14          be maintained. While it is impossible to accurately predict the impact of the transaction  
15          on future rates, on balance I believe that the KCC can find that the transaction, with the  
16          provisions agreed to in the S&A, is in the public interest.

17  
18       **Q.    What do you recommend?**

19       **A.**    I recommend that the KCC find that the S&A is supported by substantial evidence in the  
20          record, will result in just and reasonable rates, and is in the public interest. Therefore, I  
21          recommend that the KCC approve the S&A as filed.

1

2 **Q. Does this conclude your testimony?**

3 A. Yes, it does.

VERIFICATION

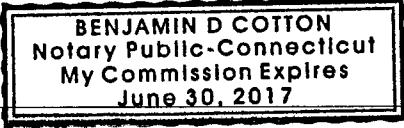
STATE OF CONNECTICUT                    )  
COUNTY OF FAIRFIELD                 )            ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of her knowledge, information and belief

  
\_\_\_\_\_  
Andrea C. Crane

Subscribed and sworn before me this 2<sup>ND</sup> day of December, 2013.

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

My Commission Expires:  \_\_\_\_\_

**APPENDIX A**

**List of Prior Testimonies**

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Public Service Company of New Mexico	G	New Mexico	13-00187-UT	11/13	Fuel and Purchased Power Cost Adjustment Clause	New Mexico Office of Attorney General
Public Service Electric and Gas Co.	E/G	New Jersey	EO13020155 GO13020156	10/13	Energy Strong Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	12-000350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	11-258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate



The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

**APPENDIX B**

**Referenced Data Request**

**CURB-25**



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Friday, October 18, 2013  
Logged in as: [ [Benjamin Cotton](#) ] [Logout](#)

**Docket:** [ 14-KGSG-100-MIS ] 2013 ONEOK Reorganization  
**Requestor:** [ Citizens Utility Ratepayer Board ] [ David Springe ]  
**Data Request:** 100 CURB-025 :: Employment  
**Date:** 0000-00-00

100 CURB-025 (Prepared by Rhonda Mayhan)

Please identify any current ONEOK, Inc. employees who are expected to terminate employment with both ONEOK, Inc. and ONE Gas, Inc. after the reorganization.

*Response:*

The only employee expected to terminate employment as a result of the separation is John Gibson, current Chairman of the Board and Chief Executive Officer of ONEOK, Inc. Mr. Gibson will retire as an employee, but will continue to serve as chairman of the boards of ONEOK and ONEOK Partners and will also become Chairman of the Board of ONE Gas.

No Digital Attachments Found.

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**CERTIFICATE OF SERVICE**

14-KGSG-100-MIS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 4<sup>th</sup> day of December, 2013, to the following parties who have waived receipt of follow-up hard copies:

JAMES G. FLAHERTY, ATTORNEY  
ANDERSON & BYRD, L.L.P.  
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OTTAWA, KS 66067

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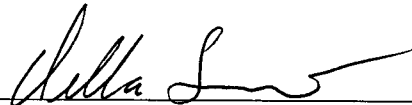
JOHN P. DECOURSEY, DIRECTOR, LAW  
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OVERLAND PARK, KS 66213-2634

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WALKER HENDRIX, COMPLAINTS  
KANSAS GAS SERVICE, A DIVISION OF ONEOK, INC.  
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OVERLAND PARK, KS 66213-2634

CARON A. LAWHORN, SR. VICE-PRESIDENT,  
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TULSA, OK 74103

DEREK S. REINERS, CFO  
ONEOK INC. D/B/A ONEOK, INC.  
100 W FIFTH  
TULSA, OK 74103

A handwritten signature in cursive script, appearing to read "Della Smith", written over a horizontal line.

Della Smith  
Administrative Specialist