

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

In the Matter of the Joint Application of)
American Energies Gas Service, LLC/American)
Energies Pipeline, LLC and Kansas Gas Service,)
a Division of ONE Gas, Inc. for an Order)
Approving the Transfer to Kansas Gas Service)
Certificates of Convenience and Necessity with) Docket No. 24-KGSG-284 -ACQ
Respect to AEGS’s Natural Gas Utility Business)
and AEPL’s Pipeline Facilities Located in)
Harvey, Marion, and McPherson Counties,)
Kansas to Provide Utility Service and for Other)
Related Relief.)

**PUBLIC APPLICATION FOR THE TRANSFER AND SALE OF
PUBLIC UTILITY CERTIFICATES AND ASSETS**

American Energies Gas Service, LLC (“AEGS”), American Energies Pipeline, LLC (“AEPL”), and Kansas Gas Service, a Division of ONE Gas, Inc. (“Kansas Gas Service”), referred to collectively as “Joint Applicants,” 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 respectfully jointly apply to the State Corporation Commission of the State of Kansas (“Commission”) for an Order:

- i. approving the transfer from AEGS to Kansas Gas Service certificates of convenience and necessity to operate as a natural gas public utility;
- ii. approving the Asset Purchase Agreement dated June 22, 2023 (“APA”) entered into by the Joint Applicants, and authorizing the transfer and sale from AEGS and AEPL to Kansas Gas Service the Assets¹ used to provide utility service to customers located in Harvey, Marion, and McPherson County, Kansas;

¹ As defined in APA.

- iii. authorizing Kansas Gas Service to, generally, use its Commission-approved rates and general terms and conditions for AEGS's customers;
- iv. authorizing Kansas Gas Service to implement a new wholesale transportation rate for service provided to the City of Hesston, Kansas;
- v. authorizing Kansas Gas Service to exempt AEGS's customers from Kansas Gas Service's Winter Event Securitized Cost Recovery Rider, and instead authorize Kansas Gas Service to assume and continue the remainder of AEGS's 2021 Winter Weather Event Rider;
- vi. authorizing AEGS to convert five (5) existing customers served by AEGS to propane service because the cost to replace the AEPL pipeline facilities used to serve those customers is uneconomical;
- vii. authorizing AEGS and AEPL to cease providing natural gas public utility service to customers in Kansas upon the transfer of AEGS's certificates of convenience and necessity, AEPL's pipeline facilities, and AEGS/AEPL's obligations and responsibilities as a public utility to Kansas Gas Service;
- viii. authorizing Kansas Gas Service, for accounting and ratemaking purposes, to record the purchase price of the AEGS/AEPL system assets at the net book value of the Assets; and
- ix. for such other relief that is found to be necessary by the Commission as just and reasonable in this matter.

In support of the Joint Application, the Joint Applicants state the following to the Commission:

I. THE JOINT APPLICANTS

1. AEGS is a Kansas limited liability company with its principal offices and place of business in Kansas located at 136 N. Main Street, Canton, Kansas 67428. AEGS holds certificates of convenience and necessity issued by the Commission to provide natural gas service to customers in Harvey, McPherson, and Marion Counties in Kansas. AEGS also holds certificates of convenience and necessity to provide wholesale gas transportation service to the Cities of Hesston, Kansas, and Moundridge, Kansas. AEGS currently provides natural gas service to approximately 199 residential, commercial, and irrigation customers, and one wholesale transportation customer. A list of AEGS's customers and their addresses is attached to this Joint Application as **Confidential Exhibit 1**, and is incorporated herein by reference.²

2. AEGS is operated by AEPL pursuant to an Operational Services Agreement. AEGS also purchases its natural gas from AEPL pursuant to a Natural Gas Sales Agreement. AEGS and AEPL are affiliated companies, as defined under the Kansas Public Utility Act. AEGS is owned by Trek AEC, LLC and AEPL is owned by Trek AEC, LLC and Trek SOC, LLC, both being Texas limited liability companies with their principal offices in Dallas, Texas. Both Trek AEC, LLC and Trek SOC, LLC, are partially owned by Trek Resources, Inc., a privately held Delaware corporation with its principal offices also located in Dallas, Texas (collectively "Trek"). Trek Resources, Inc. owns and operates a diversified portfolio of energy assets, including exploration and production operations primarily located in Kansas, Texas, Louisiana, and Oklahoma. AEGS and AEPL were acquired by Trek in 2012, with Trek's acquisition of AEGS and AEPL approved by the Commission

² AEGS's certificates of convenience and necessity are granted on a customer-specific basis. Exhibit 1 is designated as confidential because it contains customer information.

in Docket No. 12-AEGS-913-ACQ. AEGS is Trek's only natural gas utility business.

3. 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 within the state of Kansas is located at 7421 West 129th Street, Overland Park, Kansas 66213. Kansas Gas Service is a Division of ONE Gas, Inc., one of the country's largest natural gas local distribution companies. Kansas Gas Service serves approximately 648,000 customers in 360 Kansas communities and is the largest natural gas distribution company in Kansas. Kansas Gas Service's Articles of Incorporation and Bylaws, and its rates, terms and conditions of service and other tariffs, are currently on file with the Commission and are incorporated herein by reference. A map showing Kansas Gas Service's service area is attached to this Application as **Exhibit 2**. As shown in **Exhibit 2**, Kansas Gas Service's service area is closely located to the area served by AEGS.

II. COMMUNICATION

4. Pleadings, notices, orders and other correspondence and communications concerning this Joint Application and proceeding should be addressed to the undersigned counsel, as well as to:

Kansas Gas Service
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Kansas Gas Service
a Division of ONE Gas, Inc.
7421 West 129th Street
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(913) 319 8662
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AEGS / AEPL
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American Energies Gas Service, LLC
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214-373-0318
ksmith@trekresources.com

III. DESCRIPTION OF THE TRANSACTION

5. AEPL owns and operates a gas gathering system which moves gas from natural gas wells to a processing site. AEGS's customers are located along AEPL's gathering system. As gas

moves through AEPL's gathering system, AEPL sells raw gas to AEGS, which in turn sells the gas to AEGS's customers. Kansas Gas Service has agreed to purchase certain Assets and rights from AEGS and AEPL, allowing Kansas Gas Service to acquire the natural gas utility business of AEGS and AEPL. Upon closing, Kansas Gas Service will provide natural gas utility service to AEGS's customers and AEGS will cease operating as a public utility in Kansas.

6. In general, Kansas Gas Service proposes to acquire AEGS and AEPL's:
 - a. natural gas gathering, distribution, and transmission pipelines and systems located in Harvey County and McPherson County, Kansas;
 - b. interests in rights-of-way;
 - c. personal property;
 - d. assigned contracts;
 - e. certificates and permits;
 - f. owned real property;
 - g. assets which are part of the System Preparation for Sale;
 - h. customer information; and
 - i. books and records.

7. Importantly, certain AEGS and AEPL assets are excluded from this transaction. In general, Kansas Gas Service will not acquire AEGS and AEPL's:

- a. cash or cash equivalents;
- b. vehicles;
- c. furniture or office equipment;
- d. contracts or other agreements not explicitly included in the APA;
- e. customer deposits;
- f. Canton office;
- g. organizational and corporate governance documents;
- h. employee benefit plans; and
- i. gas gathering wells or other wells of any kind.

8. In short, Kansas Gas Service will acquire AEGS's customer-specific certificates of convenience and necessity, as well as assets used by AEGS and AEPL in the operation of its natural gas public utility business. A complete copy of the APA is attached to this Application as **Confidential Exhibit 3** and is hereby incorporated by reference.

Purchase Price

9. There are three primary components to the transaction's purchase price: (1) existing assets, (2) system improvements, and (3) Winter Storm Uri costs. The Joint Applicant's acknowledge and agree the transaction's purchase price does not include any acquisition premium. Kansas Gas Service will acquire AEGS and AEPL's assets, including replacements and improvements to them as contemplated by the APA, for the net book value of the assets and the improvements. The net book value of the existing assets is \$322,340. The net book value or cost of replacing approximately 14 miles of AEPL's pipeline facilities, which AEGS and AEPL will complete prior to the closing of the transaction, is estimated to be \$547,000. In addition to the net book value of the assets, at closing Kansas Gas Service will pay AEGS approximately \$37,000, which represents the remainder of payments to-be-received by certain AEGS customers associated with Winter Storm Uri.

10. The purchase price is subject to pre- and post-closing adjustments. These adjustments ensure costs incurred by AEGS, AEPL, and Kansas Gas Service are adequately reflected (or excluded) from the transaction's overall purchase price.

11. Kansas Gas Service intends to pay cash for the assets being purchased under the APA and include those assets in Kansas Gas Service's utility rate base based upon the net book value of those assets. Kansas Gas Service will account for the transaction costs as set forth below. Post Transaction Pro Forma Financial Information for Kansas Gas Service is attached as **Exhibit 4**.

Contractual and Regulatory Approval

12. The sale and transfer of AEGS and AEPL's assets to Kansas Gas Service will be effectuated by AEGS and AEPL transferring their assets to Kansas Gas Service in accordance with

the terms of the APA. The transaction contemplated by the APA is subject to the approval of the Commission.

IV. KANSAS GAS SERVICE'S PLAN OF OPERATION

13. AEGS currently furnishes natural gas distribution sales and transportation services to approximately 199 residential, commercial, irrigation customers, and one wholesale transportation customer. Notice of this Joint Application is being provided to each customer. An affidavit of mailing relating to said notice will be filed with the Commission.

14. Upon consummation of the transaction, Kansas Gas Service will provide service to AEGS's customers. In general, the customers will receive service from Kansas Gas Service under Kansas Gas Service's Commission approved tariff rates, rules, and regulations on file with the Commission, which may be changed from time to time with approval from the Commission. Kansas Gas Service does not currently have a "k system" wholesale transportation tariff. As part of this transaction, Kansas Gas Service proposes to implement a new tariff to supply service to AEGS's municipal wholesale transportation customer, the City of Hesston, Kansas.

15. Instead of AEGS's customers being charged Kansas Gas Service's Winter Event Securitized Cost Recovery Rider ("WESCR"), former AEGS customers will continue to pay the AEGS 2021 Winter Weather Event Rider ("WWER"). Pursuant to the Financing Order issued by the Commission in Docket No. 21-KGSG-332-GIG, Kansas Gas Service elects to exclude the service territory acquired pursuant to this transaction from Kansas Gas Service's WESCR charges.³

16. A comparison between the current AEGS rates and Kansas Gas Service's current applicable rates is set forth in **Exhibit 5** hereto and incorporated herein by reference. A comparison

³ Financing Order, Docket No. 22-KGSG-466-TAR, ¶¶ 55, 59, 65, 95, 134 (Aug. 18, 2022).

of the rates has also been included in the notice of this Joint Application provided to AEGS's customers. A copy of the new "k system" wholesale transportation tariff is attached as **Exhibit 5A** hereto and incorporated herein by reference.

17. The Joint Applicants request approval of the transfer of AEGS's Kansas limited certificates of convenience and necessity relating to AEGS and AEPL's assets to Kansas Gas Service and correspondingly, Kansas Gas Service requests a certificate to reflect the transfer of the service territories served by the assets and to authorize Kansas Gas Service to own and operate the assets in the subject territories, in accordance with the tariffs referenced herein, as they may be later amended from time to time as provided by law. AEGS's limited certificates are customer specific. Kansas Gas Service requests as part of this Joint Application to have the limited certificates rewritten to include a metes and bounds legal description of the certificated territory based on the location of the assets and the AEGS customers. A metes and bounds legal description is included in **Exhibit 6** and incorporated herein by reference. AEGS and AEPL are also requesting permission to cease operating the business of a public utility upon the closing of the transaction and transfer to Kansas Gas Service their obligations and responsibilities as a regulated public utility.

18. Kansas Gas Service already has an office, equipment, and employees serving customers in areas that are in close proximity to the location of AEGS and AEPL's facilities and customers. The current employees that are responsible for operating AEGS's gas utility operations will not be transferred to Kansas Gas Service, but will continue to be employees of Trek upon completion of the transaction.

19. Kansas Gas Service plans to record the AEGS/AEPL assets on its books and records and include said assets as part of its utility rate base at the net book value of said assets. As noted in

the description of the transaction, no acquisition premium is contemplated with this transaction.

V. THE PROPOSED TRANSACTION WILL PROMOTE THE PUBLIC INTEREST

20. Kansas Gas Service's acquisition of AEGS's utility assets and operations and AEPL's assets, including the replacement and improvements being made on AEPL's pipeline facilities as required by the APA, and the inclusion of those operations with Kansas Gas Service's existing natural gas utility operations in Kansas is a logical extension of Kansas Gas Service's business.

21. Kansas Gas Service's acquisition of AEGS is in the public interest and meets or surpasses the criteria established by this Commission to determine if a merger or acquisition is in the public interest. See, November 15, 1991, KPL/KG&E Merger Order, Docket Nos. 172,745-U and 174,155-U, pp. 35, 36, as reaffirmed by the Commission's August 9, 2016, Order on Merger Standards issued in Docket No. 16-KCPE-593-ACQ, for the list of factors that will be considered by the Commission to determine whether the proposed transaction will promote the public interest ("Merger Standards").

22. The proposed transaction will promote the public interest because Kansas Gas Service is qualified by its experience and financial strength to meet all of the demands associated with operating AEGS's natural gas public utility operations. Kansas Gas Service will be able to maintain and strengthen the existing quality of service provided to AEGS's customers.

23. Kansas Gas Service has a demonstrated record of continuing to make investments in utility infrastructure to ensure reliability, maintaining high levels of service, and taking a proactive approach to managing the gas supply requirements of its customer base. Kansas Gas Service has maintained an active partnership with, and dedication to, the communities it serves. Kansas Gas

Service has also demonstrated a respectful and open relationship with regulators.

24. Kansas Gas Service's gas supply department has made arrangements so pipeline-quality natural gas supply will be available for all customers who elect to receive sales service from Kansas Gas Service and customers who elect to acquire their own natural gas supply will have access to pipeline-quality supplies.

25. Approval of the requested transfer and assignment to Kansas Gas Service of AEGS's applicable limited certificate with respect to its natural gas utility business, with the resulting abandonment of the certificate issued to AEGS, will promote the public interest by authorizing and ensuring the continuation and enhancement of the quality of service to AEGS's customers. Kansas Gas Service will bring its long history of active partnership and dedication to the local communities that Kansas Gas Service serves in Kansas. Kansas Gas Service is a strong supporter of the communities in which it provides utility service and takes part in local organizations, regional economic and community development through active participation in local organizations. Its employees participate in many civic groups, leadership activities, and local fund-raising events.

26. This Commission will retain full jurisdiction over the gas utility and will have the capacity to effectively regulate and audit the operation of the AEGS/AEPL assets under its regulation of Kansas Gas Service.

27. The proposed transaction between AEGS/AEPL and Kansas Gas Service is expected to be beneficial to the members and shareholders of those companies. Trek, whose business is concentrated in the development, exploration and production of oil and gas reserves, will be able to hand-off its only natural gas utility business to a company, whose only business is operating natural gas utilities.

28. Kansas Gas Service is dedicated to providing safe, affordable, and reliable service to its utility customers and plans to continue those efforts in its ownership and operation of the AEGS/AEPL operations. Kansas Gas Service has a long history of successfully and continually making investments in its utility infrastructure to ensure reliable service to its utility customers. Kansas Gas Service is familiar with the Kansas pipeline safety programs and is committed to comply with and fulfill all applicable pipeline safety rules, regulations and orders, including those relating to AEGS/AEPL.

VI. RECOVERY OF TRANSACTION COSTS

29. Kansas Gas Service is not paying any acquisition premium in this transaction. However, Kansas Gas Service will record the actual transaction cost for accounting purposes as a result of the proposed transaction. Kansas Gas Service requests recovery of those costs by placing those costs into a deferred account for recovery in Kansas Gas Service's next rate case by amortizing and recovering those costs over a three-year period following the rate case decision. Ms. Drumm's testimony filed with this Joint Application identifies the calculated transaction costs. Ms. Drumm's testimony filed with this Joint Application identifies the benefits to Kansas Gas Service's existing shareholders and the public interest policy determined by this Commission in previous acquisition cases dealing with small natural gas utility and municipal gas utility systems that offset and justify the recovery of the transaction costs. Kansas Gas Service is not requesting any return on the transaction costs.

VII. CONVERSION OF FIVE (5) AEGS CUSTOMERS TO PROPANE SERVICE

30. As part of this Joint Application, AEGS is requesting permission to convert five (5) existing customers to propane service and to abandon natural gas utility service to those customers

upon conversion. These customers are located on a section of AEPL's pipeline facilities that are not included in the replacement and improvements called for under the APA because it is uneconomical to replace the existing pipeline. AEGS has contacted these customers and is in the process of entering into an agreement with the customers to pay for the cost to convert them to propane.

VIII. IDENTIFICATION OF WITNESSES THAT HAVE DIRECT TESTIMONY IN SUPPORT OF THE JOINT APPLICATION

31. In support of this Joint Application, the following witnesses have prepared and pre-filed direct testimony and exhibits on behalf of AEGS/AEPL and Kansas Gas Service:

a. Kenneth R. Smith, Executive Vice President of AEGS/AEPL, provides testimony on behalf of AEGS/AEPL. Mr. Smith discusses the general parameters of the process that AEGS/AEPL used in conjunction with its proposed sale of their assets to Kansas Gas Service. Mr. Smith testifies about AEGS/AEPL's current Kansas natural gas utility operations. He testifies as to the replacement and improvements to AEPL's pipeline facilities called for under the APA that are being sold to Kansas Gas Service and the costs of the pipeline replacement and improvements. He testifies as to AEGS's request to convert a few existing customers to propane at the cost to AEGS because it is uneconomical to replace the AEPL pipeline facilities used to serve those customers.

b. The following witnesses provide testimony and exhibits on behalf of Kansas Gas Service: Mr. Graham A. Jaynes, Supervisor in the Rates and Regulatory Department of Kansas Gas Service, as well as Ms. Crystal D. Drumm, Corporate Development Associate. The direct testimony and exhibits include information about Kansas Gas Service and its Kansas utility operations and each witness' experience in operating and servicing

Kansas Gas Service's customers. The testimony describes the asset sale transaction. The testimony explains how the transaction promotes the public interest based upon the Commission's Merger Standards, which are applicable to this particular transaction, and also discuss the Commission's policy in support of the acquisition of small natural gas utilities and municipal gas systems. The testimony explains how Kansas Gas Service is qualified to own and operate the assets being acquired from AEGS/AEPL under the transaction. The testimony supports the financial information filed with this Joint Application, which demonstrates Kansas Gas Service has the financial capability to operate the utility properties it is acquiring from AEGS/AEPL. The testimony also explains how Kansas Gas Service plans to operate the assets being acquired by AEGS/AEPL and how it intends to place the AEGS customers under Kansas Gas Services general tariffs, rates, rules and regulations. For AEGS's one municipal wholesale customer, the testimony explains why a special tariff is required at this time. In addition, Kansas Gas Service's testimony indicates the purchase price is at the net book value of the assets and that Kansas Gas Service is not paying any acquisition premium in this transaction. The testimony identifies the calculated amount of the transaction costs, the benefits received by Kansas Gas Service's existing customers and how the public interest is served as a result of the transaction. It provides a proposed plan to recover the transaction costs.

IX. CONCLUSION

WHEREFORE, pursuant to the applicable statutes as set forth herein, AEGS/AEPL and Kansas Gas Service respectfully request the Commission issue an appropriate Certificate and Order:

- a. authorizing, consenting to and approving the transaction contemplated by

AEGS/AEPL as described herein;

b. authorizing AEGS/AEPL, effective upon consummation of the transaction, to discontinue all gas utility service now furnished by it using the assets being sold to Kansas Gas Service under the APA;

c. consenting to and approving the transfer upon consummation of the transaction to Kansas Gas Service of all certificates of convenience and necessity issued to AEGS in regards to the assets being acquired by Kansas Gas Service under the APA and amending those certificates from customer-specific certificates to a metes and bounds legal description of the certificated territory as set forth herein;

d. authorizing Kansas Gas Service to succeed to all of AEGS/AEPL's rights, title and interests in the natural gas utility plant and facilities, including the replacement and improvement of AEPL's pipeline facilities pursuant to the APA, as more fully described herein, certificates, consents and permits relating to the operation of such plant and facilities;

e. authorizing Kansas Gas Service to provide natural gas service to the customers and in the area now served by AEGS using its general rates, rules, regulations, and conditions of service of Kansas Gas Service applicable thereto and which may be changed from time to time with the approval of the Commission, including but not limited to authorizing use of Kansas Gas Service's Cost of Gas Rider ("COGR") and Annual Cost Adjustment ("ACA"), tariffs, Weather Normalization Adjustment ("WNA") tariffs, purchased gas cost relating to bad debt adjustment, Gas System Reliability Surcharge ("GSRS"), Ad Valorem Tax Surcharge ("AVTS") tariffs, remaining under-recovered/over-recovered balances, if any, to serve the customers and the area served by AEGS, except for

Kansas Gas Service's WESCR tariff, which shall be replaced for AEGS customers with AEGS's WWER tariff, and approving a wholesale transportation tariff for AEGS's one municipal wholesale customers, the City of Hesston, Kansas;

f. authorizing and approving Kansas Gas Service placing the net book value of the assets and the capital costs of the replacement and improvements to the AEPL pipeline facilities in rate base;

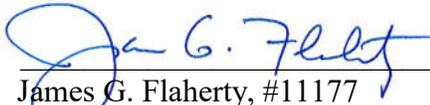
g. authorizing and approving Kansas Gas Service's recovery of its actual transaction costs relating to the transaction as set forth herein;

h. authorizing and approving AEGS converting five (5) customers to propane service and abandoning service to those customers after they have been converted to propane service;

i. finding that the requested relief will promote the public interest; and

j. granting such other relief deemed by the Commission to be just and proper to accomplish the purpose of this Joint Application and to consummate the transaction described herein.

Respectfully submitted,



James G. Flaherty, #11177
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Attorneys for American Energies Gas Service,
LLC/American Energies Pipeline, LLC

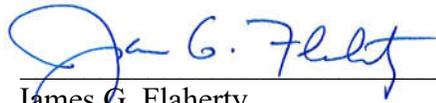
/s/ Robert Elliott Vincent

Robert Elliott Vincent, #26028
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robert.vincent@onegas.com
Attorney for Kansas Gas Service,
a Division of ONE Gas, Inc.

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 American Energies Gas Service, LLC/American Energies Pipeline, LLC named in the foregoing Joint Application 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 20th day of September, 2023.





Notary Public

Appointment/Commission Expires:

VERIFICATION

STATE OF KANSAS
COUNTY OF SHAWNEE, ss:

Robert Elliott Vincent, 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 Application 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.



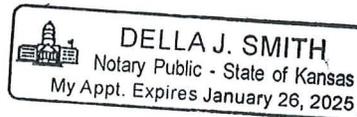
Robert Elliott Vincent

SUBSCRIBED AND SWORN to before me this 21st day of September, 2023.



Notary Public

Appointment/Commission Expires: 1/26/2025



CERTIFICATE OF SERVICE

I, Robert Elliott Vincent, hereby certify that a copy of the above and foregoing *Application and Testimony* was forwarded this 22nd day of September 2023, addressed to:

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EXHIBIT 1

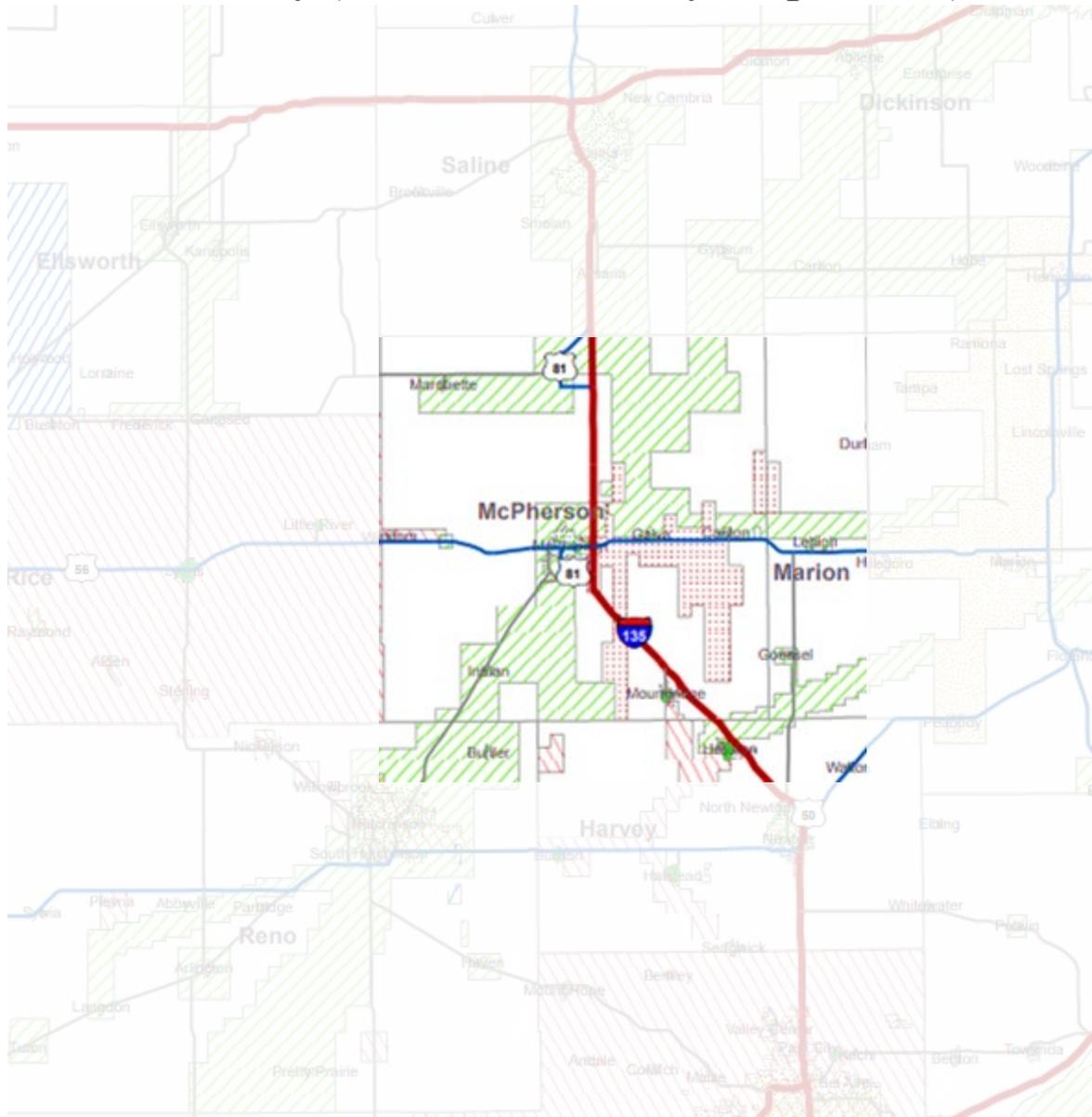
CONFIDENTIAL

A list of AEGS's
customers and their
addresses

EXHIBIT 2

Map showing
Kansas Gas
Service's service
area for Kansas that
is in close proximity
to the location of
AEGS's customers

Exhibit 2 – General Map of KGS and AEGS’s Service Territory (McPherson County Emphasized)



 - KGS  - AEGS

EXHIBIT 3

Confidential

Asset Purchase
Agreement dated
June 22, 2023

EXHIBIT 4

Post Transaction Pro Forma Financial Information for Kansas Gas Service

Exhibit 4

Post-Transaction Pro Forma Financial Information

Impact on Income Statement

		Year 1
Revenue	\$	156,500
Expense:		
Operations & Maintenance		43,426
Property Tax	\$	41,033
Depreciation	\$	29,808
Acquisition Costs	\$	37,641
Total O&M		151,908
EBIT		4,592
Interest Expense		18,095
Income Before Taxes		(13,504)
21% Income Taxes (Deferred Income Tax*)		(2,836)
Net Income	\$	(10,668)

*to note the net operating loss carry forward generated.

EXHIBIT 5 and 5A
A comparison
between the current
AEGS rates and
Kansas Gas
Service's current
applicable k system
tariff rate/wholesale
transportation tariff

AMERICAN ENERGIES GAS SERVICE - Residential

Month	Usage MCF	Monthly Customer Charge \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric Cost of Gas Rate \$/MCF	Total Volumetric Rate \$/MCF	Total Monthly Charge \$/Month	Total Bill
Jan-21	12.70	\$ 11.00	\$ 3.35	\$ 4.2401	\$ 96	\$ 11	\$ 107
Feb-21	17.79	11.00	3.35	4.4872	139	11	150
Mar-21	8.15	11.00	3.35	5.0300	68	11	79
Apr-21	5.63	11.00	3.35	4.2547	43	11	54
May-21	2.14	11.00	3.35	4.6724	17	11	28
Jun-21	1.63	11.00	3.35	4.9257	14	11	25
Jul-21	1.24	11.00	3.35	5.4977	11	11	22
Aug-21	1.16	11.00	3.35	5.8324	11	11	22
Sep-21	1.31	11.00	3.35	6.0623	12	11	23
Oct-21	1.91	11.00	3.35	7.6626	21	11	32
Nov-21	7.07	11.00	3.35	8.1026	81	11	92
Dec-21	7.73	11.00	3.35	7.3205	82	11	93
Jan-22	14.55	11.00	3.35	7.7505	162	11	173
Feb-22	12.54	11.00	3.35	8.5155	149	11	160
Mar-22	10.48	11.00	3.35	6.4713	103	11	114
Apr-22	4.90	11.00	3.35	6.9112	50	11	61
May-22	2.25	11.00	3.35	8.8747	27	11	38
Jun-22	1.59	11.00	3.35	10.9890	23	11	34
Jul-22	1.18	11.00	3.35	8.6982	14	11	25
Aug-22	1.28	11.00	3.35	10.7610	18	11	29
Sep-22	1.16	11.00	3.35	11.1368	17	11	28
Oct-22	2.23	11.00	3.35	7.8051	25	11	36
Nov-22	8.58	11.00	3.35	6.8114	87	11	98
Dec-22	14.12	11.00	3.35	9.2871	178	11	189
Jan-23	13.10	11.00	3.35	11.0792	189	11	200
Feb-23	11.01	11.00	3.35	7.4985	119	11	130
Mar-23	9.31	11.00	3.35	4.4061	72	11	83
Apr-23	3.92	11.00	3.35	3.8566	28	11	39
May-23	2.25	11.00	3.35	3.6858	16	11	27
Jun-23	1.37	11.00	3.35	3.6953	10	11	21
2021 Total	68.46						\$ 728
2022 Total	74.86						\$ 985
Prior 12 Mo. Total	69.52						\$ 906

KANSAS GAS SERVICE Residential rates over the same time period

Month	Usage MCF	Monthly Customer Charge \$/Month	Monthly GRSR Charge \$/Month	Tax Reform Credit \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric COG Rate \$/MCF	Volumetric Hedge Factor \$/MCF	Winter Storm Securitization \$/Month	Volumetric WNA Rate \$/MCF	Volumetric Ad Valorem Rate \$/MCF	Total Volumetric Rate \$/MCF	Total Monthly Charge \$/Month	Total Bill	Increase (Decrease) to Total Bills
Jan-21	12.70	\$ 18.18	\$ -	\$ -	\$ 2.34850	\$ 4.1450	\$ -	\$ -	\$ 0.0908	\$ 0.0710	\$ 85	\$ 19	\$ 104	\$ (3)
Feb-21	17.79	18.18	1.20	-	2.3485	3.8898	-	-	0.09080	0.07100	114	19	133	(17)
Mar-21	8.15	18.18	1.20	-	2.3485	3.8898	-	-	0.09080	0.07100	52	19	72	(8)
Apr-21	5.63	18.18	1.20	-	2.3485	4.3303	0.44410	-	0.09080	0.07100	41	19	60	7
May-21	2.14	18.18	1.20	-	2.3485	4.1954	0.44410	-	0.09080	0.07100	15	19	35	7
Jun-21	1.63	18.18	1.20	-	2.3485	4.5408	0.44410	-	0.02840	0.07100	12	19	32	7
Jul-21	1.24	18.18	1.20	-	2.3485	4.5648	0.44410	-	0.02840	0.07100	9	19	29	7
Aug-21	1.16	18.18	1.20	-	2.3485	5.0025	0.44410	-	0.02840	0.07100	9	19	29	7
Sep-21	1.31	18.18	1.20	-	2.3485	5.3034	0.44410	-	0.02840	0.07100	11	19	30	7
Oct-21	1.91	18.18	1.20	-	2.3485	5.6736	0.44410	-	0.02840	0.07100	16	19	36	4
Nov-21	7.07	18.18	1.20	-	2.3485	6.3681	-	-	0.02840	0.07100	62	19	82	(10)
Dec-21	7.73	18.18	1.98	-	2.3485	7.3868	-	-	0.02840	0.07100	76	20	96	3
Jan-22	14.55	18.18	1.98	-	2.3485	7.4293	-	-	0.02840	0.10900	144	20	164	(8)
Feb-22	12.54	18.18	1.98	-	2.3485	7.4395	-	-	0.02840	0.10900	124	20	145	(15)
Mar-22	10.48	18.18	1.98	-	2.3485	8.2141	-	-	0.02840	0.10900	112	20	132	18
Apr-22	4.90	18.18	1.98	-	2.3485	6.9539	1.12580	-	0.02840	0.10900	52	20	72	11
May-22	2.25	18.18	1.98	-	2.3485	7.3466	1.12580	-	0.02840	0.10900	25	20	45	6
Jun-22	1.59	18.18	1.98	-	2.3485	8.3784	1.12580	-	0.18900	0.10900	19	20	39	6
Jul-22	1.18	18.18	1.98	-	2.3485	9.5723	1.12580	-	0.18900	0.10900	16	20	36	11
Aug-22	1.28	18.18	1.98	-	2.3485	8.8367	1.12580	-	0.18900	0.10900	16	20	36	7
Sep-22	1.16	18.18	1.98	-	2.3485	10.2793	1.68440	-	0.18900	0.10900	17	20	37	9
Oct-22	2.23	18.18	1.98	-	2.3485	10.2258	1.68440	-	0.18900	0.10900	33	20	53	17
Nov-22	8.58	18.18	1.98	-	2.3485	8.9109	-	-	0.18900	0.10900	99	20	119	21
Dec-22	14.12	18.18	2.77	-	2.3485	8.5912	-	-	0.18900	0.10900	159	21	180	(10)
Jan-23	13.10	18.18	2.77	-	2.3485	9.2490	-	-	0.18900	0.17420	157	21	178	(22)
Feb-23	11.01	18.18	2.77	-	2.3485	8.7069	-	-	0.18900	0.17420	126	21	147	16
Mar-23	9.31	18.18	2.77	-	2.3485	8.1014	-	-	0.18900	0.17420	101	21	122	38
Apr-23	3.92	18.18	2.77	-	2.3485	8.4645	1.62680	-	0.18900	0.17420	50	21	71	32
May-23	2.25	18.18	2.77	-	2.3485	8.4888	-	-	0.18900	0.17420	25	21	46	19
Jun-23	1.37	18.18	2.77	-	2.3485	8.2315	-	-	0.10630	0.17420	15	21	36	15
2021 Total	68.46										\$ 503	\$ 233	\$ 736	\$ 8
2022 Total	74.86										\$ 816	\$ 243	\$ 1,059	\$ 73
Prior 12 Mo. Total	69.52										\$ 813	\$ 247	\$ 1,060	\$ 154

AMERICAN ENERGIES GAS SERVICE - Oil & Gas Customers

Month	Usage MCF	Monthly Customer Charge		Volumetric Delivery Charge \$/MCF	Volumetric Cost of Gas Rate \$/MCF	Total		Total Bill
		Charge \$/Month	Monthly GRSR Charge \$/Month			Volumetric Rate \$/MCF	Monthly Charge \$/Month	
Jan-21	56.93	\$ 19.00	\$ -	3.35	\$ 4.2401	\$ 432	\$ 19	\$ 451
Feb-21	48.07	19.00	-	3.35	4.4872	377	19	396
Mar-21	73.33	19.00	-	3.35	5.0300	615	19	634
Apr-21	66.40	19.00	-	3.35	4.2547	505	19	524
May-21	47.73	19.00	-	3.35	4.6724	383	19	402
Jun-21	70.73	19.00	-	3.35	4.9257	585	19	604
Jul-21	72.73	19.00	-	3.35	5.4977	644	19	663
Aug-21	73.33	19.00	-	3.35	5.8324	673	19	692
Sep-21	83.93	19.00	-	3.35	6.0623	790	19	809
Oct-21	68.67	19.00	-	3.35	7.6626	756	19	775
Nov-21	87.13	19.00	-	3.35	8.1026	998	19	1,017
Dec-21	77.73	19.00	-	3.35	7.3205	829	19	848
Jan-22	89.07	19.00	-	3.35	7.7505	989	19	1,008
Feb-22	80.27	19.00	-	3.35	8.5155	952	19	971
Mar-22	93.27	19.00	-	3.35	6.4713	916	19	935
Apr-22	88.13	19.00	-	3.35	6.9112	904	19	923
May-22	79.13	19.00	-	3.35	8.8747	967	19	986
Jun-22	83.73	19.00	-	3.35	10.9890	1,201	19	1,220
Jul-22	81.53	19.00	-	3.35	8.6982	982	19	1,001
Aug-22	106.20	19.00	-	3.35	10.7610	1,499	19	1,518
Sep-22	79.53	19.00	-	3.35	11.1368	1,152	19	1,171
Oct-22	94.73	19.00	-	3.35	7.8051	1,057	19	1,076
Nov-22	116.73	19.00	-	3.35	6.8114	1,186	19	1,205
Dec-22	87.13	19.00	-	3.35	9.2871	1,101	19	1,120
Jan-23	94.67	19.00	-	3.35	11.0792	1,366	19	1,385
Feb-23	71.20	19.00	-	3.35	7.4985	772	19	791
Mar-23	90.57	19.00	-	3.35	4.4061	702	19	721
Apr-23	90.93	19.00	-	3.35	3.8566	655	19	674
May-23	88.64	19.00	-	3.35	3.6858	624	19	643
Jun-23	74.64	19.00	-	3.35	3.6953	526	19	545
2021 Total	826.73							\$ 7,815
2022 Total	1,079.47							\$ 13,135
Prior 12 Mo. Total	1,076.52							\$ 11,851

KANSAS GAS SERVICE General Sales Service- Large rates over the same time period

Month	Usage MCF	Monthly Customer Charge		Tax Reform Credit \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric COG Rate \$/MCF	Volumetric Hedge Factor \$/MCF	Winter Storm Securitization \$/Month	Volumetric WNA Rate \$/MCF	Volumetric Ad Valorem Rate \$/MCF	Total		Increase (Decrease) to Total Bills	
		Charge \$/Month	Monthly GRSR Charge \$/Month								Total Volumetric Rate \$/MCF	Monthly Charge \$/Month		Total Bill
Jan-21	56.93	\$ 43.11	\$ 4.39	\$ -	1.81450	\$ 4.1450	\$ -	\$ -	0.0908	0.0710	\$ 349	\$ 48	\$ 396	\$ (55)
Feb-21	48.07	43.11	4.39	-	1.8145	3.8898	-	-	0.09080	0.07100	282	48	329	(66)
Mar-21	73.33	43.11	4.39	-	1.8145	3.8898	-	-	0.09080	0.07100	430	48	478	(156)
Apr-21	66.40	43.11	4.39	-	1.8145	4.3303	0.44410	-	0.09080	0.07100	448	48	496	(28)
May-21	47.73	43.11	4.39	-	1.8145	4.1954	0.44410	-	0.09080	0.07100	316	48	363	(39)
Jun-21	70.73	43.11	4.39	-	1.8145	4.5408	0.44410	-	0.02840	0.07100	488	48	535	(69)
Jul-21	72.73	43.11	4.39	-	1.8145	4.5648	0.44410	-	0.02840	0.07100	504	48	551	(112)
Aug-21	73.33	43.11	4.39	-	1.8145	5.0025	0.44410	-	0.02840	0.07100	540	48	587	(105)
Sep-21	83.93	43.11	4.39	-	1.8145	5.3034	0.44410	-	0.02840	0.07100	643	48	691	(118)
Oct-21	68.67	43.11	4.39	-	1.8145	5.6736	0.44410	-	0.02840	0.07100	552	48	599	(176)
Nov-21	87.13	43.11	4.39	-	1.8145	6.3681	-	-	0.02840	0.07100	722	48	769	(248)
Dec-21	77.73	43.11	7.25	-	1.8145	7.3868	-	-	0.02840	0.07100	723	50	773	(75)
Jan-22	89.07	43.11	7.25	-	1.8145	7.4293	-	-	0.02840	0.10900	836	50	886	(122)
Feb-22	80.27	43.11	7.25	-	1.8145	7.4395	-	-	0.02840	0.10900	754	50	804	(167)
Mar-22	93.27	43.11	7.25	-	1.8145	8.2141	-	-	0.02840	0.10900	948	50	999	64
Apr-22	88.13	43.11	7.25	-	1.8145	6.9539	1.12580	-	0.02840	0.10900	884	50	934	11
May-22	79.13	43.11	7.25	-	1.8145	7.3466	1.12580	-	0.02840	0.10900	825	50	875	(111)
Jun-22	83.73	43.11	7.25	-	1.8145	8.3784	1.12580	-	0.18900	0.10900	973	50	1,023	(197)
Jul-22	81.53	43.11	7.25	-	1.8145	9.5723	1.12580	-	0.18900	0.10900	1,044	50	1,095	94
Aug-22	106.20	43.11	7.25	-	1.8145	8.8367	1.12580	-	0.18900	0.10900	1,282	50	1,332	(185)
Sep-22	79.53	43.11	7.25	-	1.8145	10.2793	1.68440	-	0.18900	0.10900	1,120	50	1,170	(1)
Oct-22	94.73	43.11	7.25	-	1.8145	10.2258	1.68440	-	0.18900	0.10900	1,328	50	1,379	303
Nov-22	116.73	43.11	7.25	-	1.8145	8.9109	-	-	0.18900	0.10900	1,287	50	1,337	132
Dec-22	87.13	43.11	10.12	-	1.8145	8.5912	-	-	0.18900	0.10900	933	53	986	(134)
Jan-23	94.67	43.11	10.12	-	1.8145	9.2490	-	-	0.18900	0.17420	1,082	53	1,135	(250)
Feb-23	71.20	43.11	10.12	-	1.8145	8.7069	-	-	0.18900	0.17420	775	53	828	37
Mar-23	90.57	43.11	10.12	-	1.8145	8.1014	-	-	0.18900	0.17420	931	53	984	263
Apr-23	90.93	43.11	10.12	-	1.8145	8.4645	1.62680	-	0.18900	0.17420	1,116	53	1,169	495
May-23	88.64	43.11	10.12	-	1.8145	8.4888	-	-	0.18900	0.17420	946	53	999	356
Jun-23	74.64	43.11	10.12	-	1.8145	8.2315	-	-	0.10630	0.17420	771	53	824	279
2021 Total	826.73										\$ 5,995	\$ 573	\$ 6,568	\$ (1,247)
2022 Total	1,079.47										\$ 12,213	\$ 607	\$ 12,821	\$ (314)
Prior 12 Mo. Total	1,076.52										\$ 12,614	\$ 624	\$ 13,238	\$ 1,387

AMERICAN ENERGIES GAS SERVICE - Commercial Customers

Month	Usage MCF	Monthly Customer Charge \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric Cost of Gas Rate \$/MCF	Total Volumetric Rate \$/MCF	Total Monthly Charge \$/Month	Total Bill
Jan-21	64.33	\$ 19.00	\$ 3.35	\$ 4.2401	\$ 488	\$ 19	\$ 507
Feb-21	93.22	19.00	3.35	4.4872	731	19	750
Mar-21	51.89	19.00	3.35	5.0300	435	19	454
Apr-21	26.50	19.00	3.35	4.2547	202	19	221
May-21	3.61	19.00	3.35	4.6724	29	19	48
Jun-21	2.33	19.00	3.35	4.9257	19	19	38
Jul-21	2.28	19.00	3.35	5.4977	20	19	39
Aug-21	1.67	19.00	3.35	5.8324	15	19	34
Sep-21	2.00	19.00	3.35	6.0623	19	19	38
Oct-21	3.94	19.00	3.35	7.6626	43	19	62
Nov-21	28.68	19.00	3.35	8.1026	329	19	348
Dec-21	37.05	19.00	3.35	7.3205	395	19	414
Jan-22	60.74	19.00	3.35	7.7505	674	19	693
Feb-22	79.58	19.00	3.35	8.5155	944	19	963
Mar-22	63.26	19.00	3.35	6.4713	621	19	640
Apr-22	20.58	19.00	3.35	6.9112	211	19	230
May-22	4.58	19.00	3.35	8.8747	56	19	75
Jun-22	1.89	19.00	3.35	10.9890	27	19	46
Jul-22	1.84	19.00	3.35	8.6982	22	19	41
Aug-22	2.37	19.00	3.35	10.7610	33	19	52
Sep-22	2.47	19.00	3.35	11.1368	36	19	55
Oct-22	5.05	19.00	3.35	7.8051	56	19	75
Nov-22	36.74	19.00	3.35	6.8114	373	19	392
Dec-22	83.37	19.00	3.35	9.2871	1,054	19	1,073
Jan-23	76.32	19.00	3.35	11.0792	1,101	19	1,120
Feb-23	60.58	19.00	3.35	7.4985	657	19	676
Mar-23	53.47	19.00	3.35	4.4061	415	19	434
Apr-23	16.47	19.00	3.35	3.8566	119	19	138
May-23	2.95	19.00	3.35	3.6858	21	19	40
Jun-23	0.47	19.00	3.35	3.6953	3	19	22
2021 Total	317.51					\$ 2,953	
2022 Total	362.47					\$ 4,337	
Prior 12 Mo. Total	342.11					\$ 4,119	

KANSAS GAS SERVICE General Sales Service- Large rates over the same time period

Month	Usage MCF	Monthly Customer Charge \$/Month	Monthly GRSR Charge \$/Month	Tax Reform Credit \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric COG Rate \$/MCF	Volumetric Hedge Factor \$/MCF	Winter Storm Securitization \$/Month	Volumetric WNA Rate \$/MCF	Volumetric Ad Valorem Rate \$/MCF	Total Volumetric Rate \$/MCF	Total Monthly Charge \$/Month	Total Bill	Increase (Decrease) to Total Bills
Jan-21	64.33	\$ 43.11	\$ 4.39	\$ -	\$ 1.81450	\$ 4.1450	\$ -	\$ -	\$ 0.0908	\$ 0.0710	\$ 394	\$ 48	\$ 441	\$ (66)
Feb-21	93.22	43.11	4.39	-	1.8145	3.8898	-	-	0.09080	0.07100	547	48	594	(155)
Mar-21	51.89	43.11	4.39	-	1.8145	3.8898	-	-	0.09080	0.07100	304	48	352	(102)
Apr-21	26.50	43.11	4.39	-	1.8145	4.3303	0.44410	-	0.09080	0.07100	179	48	226	6
May-21	3.61	43.11	4.39	-	1.8145	4.1954	0.44410	-	0.09080	0.07100	24	48	71	23
Jun-21	2.33	43.11	4.39	-	1.8145	4.5408	0.44410	-	0.02840	0.07100	16	48	64	25
Jul-21	2.28	43.11	4.39	-	1.8145	4.5648	0.44410	-	0.02840	0.07100	16	48	63	24
Aug-21	1.67	43.11	4.39	-	1.8145	5.0025	0.44410	-	0.02840	0.07100	12	48	60	25
Sep-21	2.00	43.11	4.39	-	1.8145	5.3034	0.44410	-	0.02840	0.07100	15	48	63	25
Oct-21	3.94	43.11	4.39	-	1.8145	5.6736	0.44410	-	0.02840	0.07100	32	48	79	17
Nov-21	28.68	43.11	4.39	-	1.8145	6.3681	-	-	0.02840	0.07100	238	48	285	(62)
Dec-21	37.05	43.11	7.25	-	1.8145	7.3868	-	-	0.02840	0.07100	345	50	395	(19)
Jan-22	60.74	43.11	7.25	-	1.8145	7.4293	-	-	0.02840	0.10900	570	50	620	(73)
Feb-22	79.58	43.11	7.25	-	1.8145	7.4395	-	-	0.02840	0.10900	747	50	798	(166)
Mar-22	63.26	43.11	7.25	-	1.8145	8.2141	-	-	0.02840	0.10900	643	50	693	53
Apr-22	20.58	43.11	7.25	-	1.8145	6.9539	1.12580	-	0.02840	0.10900	206	50	257	27
May-22	4.58	43.11	7.25	-	1.8145	7.3466	1.12580	-	0.02840	0.10900	48	50	98	23
Jun-22	1.89	43.11	7.25	-	1.8145	8.3784	1.12580	-	0.18900	0.10900	22	50	72	26
Jul-22	1.84	43.11	7.25	-	1.8145	9.5723	1.12580	-	0.18900	0.10900	24	50	74	33
Aug-22	2.37	43.11	7.25	-	1.8145	8.8367	1.12580	-	0.18900	0.10900	29	50	79	27
Sep-22	2.47	43.11	7.25	-	1.8145	10.2793	1.68440	-	0.18900	0.10900	35	50	85	30
Oct-22	5.05	43.11	7.25	-	1.8145	10.2258	1.68440	-	0.18900	0.10900	71	50	121	46
Nov-22	36.74	43.11	7.25	-	1.8145	8.9109	-	-	0.18900	0.10900	405	50	455	63
Dec-22	83.37	43.11	10.12	-	1.8145	8.5912	-	-	0.18900	0.10900	892	53	946	(127)
Jan-23	76.32	43.11	10.12	-	1.8145	9.2490	-	-	0.18900	0.17420	872	53	925	(195)
Feb-23	60.58	43.11	10.12	-	1.8145	8.7069	-	-	0.18900	0.17420	659	53	713	36
Mar-23	53.47	43.11	10.12	-	1.8145	8.1014	-	-	0.18900	0.17420	550	53	603	169
Apr-23	16.47	43.11	10.12	-	1.8145	8.4645	1.62680	-	0.18900	0.17420	202	53	255	118
May-23	2.95	43.11	10.12	-	1.8145	8.4888	-	-	0.18900	0.17420	31	53	85	45
Jun-23	0.47	43.11	10.12	-	1.8145	8.2315	-	-	0.10630	0.17420	5	53	58	36
2021 Total	317.51										\$ 2,121	\$ 573	\$ 2,694	\$ (259)
2022 Total	362.47										\$ 3,692	\$ 607	\$ 4,299	\$ (38)
Prior 12 Mo. Total	342.11										\$ 3,775	\$ 624	\$ 4,399	\$ 281

AMERICAN ENERGIES GAS SERVICE - Irrigation Customers

Month	Usage MCF	Monthly Customer Charge \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric Cost of Gas Rate \$/MCF	Total Volumetric Rate \$/MCF	Total Monthly Charge \$/Month	Total Bill
Jan-21	0.54	\$ 19.00	\$ 3.35	\$ 4.2401	\$ 4.09	\$ 19.00	\$ 23.09
Feb-21	1.77	19.00	3.35	4.4872	13.87	19.00	32.87
Mar-21	0.31	19.00	3.35	5.0300	2.58	19.00	21.58
Apr-21	0.15	19.00	3.35	4.2547	1.17	19.00	20.17
May-21	7.67	19.00	3.35	4.6724	61.51	19.00	80.51
Jun-21	37.83	19.00	3.35	4.9257	313.10	19.00	332.10
Jul-21	78.33	19.00	3.35	5.4977	693.07	19.00	712.07
Aug-21	58.42	19.00	3.35	5.8324	536.41	19.00	555.41
Sep-21	42.42	19.00	3.35	6.0623	399.24	19.00	418.24
Oct-21	1.25	19.00	3.35	7.6626	13.77	19.00	32.77
Nov-21	-	19.00	3.35	8.1026	-	19.00	19.00
Dec-21	2.36	19.00	3.35	7.3205	25.22	19.00	44.22
Jan-22	0.45	19.00	3.35	7.7505	5.05	19.00	24.05
Feb-22	0.55	19.00	3.35	8.5155	6.47	19.00	25.47
Mar-22	0.18	19.00	3.35	6.4713	1.79	19.00	20.79
Apr-22	9.18	19.00	3.35	6.9112	94.22	19.00	113.22
May-22	12.45	19.00	3.35	8.8747	152.25	19.00	171.25
Jun-22	10.36	19.00	3.35	10.9890	148.60	19.00	167.60
Jul-22	56.18	19.00	3.35	8.6982	676.89	19.00	695.89
Aug-22	76.00	19.00	3.35	10.7610	1,072.44	19.00	1,091.44
Sep-22	49.73	19.00	3.35	11.1368	720.39	19.00	739.39
Oct-22	11.45	19.00	3.35	7.8051	127.78	19.00	146.78
Nov-22	0.09	19.00	3.35	6.8114	0.92	19.00	19.92
Dec-22	0.45	19.00	3.35	9.2871	5.74	19.00	24.74
Jan-23	2.36	19.00	3.35	11.0792	34.11	19.00	53.11
Feb-23	2.91	19.00	3.35	7.4985	31.56	19.00	50.56
Mar-23	2.18	19.00	3.35	4.4061	16.92	19.00	35.92
Apr-23	4.91	19.00	3.35	3.8566	35.38	19.00	54.38
May-23	12.55	19.00	3.35	3.6858	88.27	19.00	107.27
Jun-23	23.73	19.00	3.35	3.6953	167.17	19.00	186.17
2021 Total	231.05						\$ 2,292.00
2022 Total	227.09						\$ 3,240.54
Prior 12 Mo. Total	242.55						\$ 3,205.56

KANSAS GAS SERVICE Irrigation Sales rates over the same time period

Month	Usage MCF	Monthly Customer Charge \$/Month	Monthly GRS Charge \$/Month	Tax Reform Credit \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric COG Rate \$/MCF	Volumetric Hedge Factor \$/MCF	Winter Storm Securitization \$/Month	Volumetric WNA Rate \$/MCF	Volumetric Ad Valorem Rate \$/MCF	Total Volumetric Rate \$/MCF	Total Monthly Charge \$/Month	Total Bill	Increase (Decrease) to Total Bills
Jan-21	0.54	\$ 33.95	\$ 4.75	\$ -	\$ 1.6890	\$ 4.1450	\$ -	\$ -	\$ -	\$ 0.0710	\$ 3	\$ 39	\$ 42	\$ 19
Feb-21	1.77	33.95	4.75	-	1.6890	3.8898	-	-	-	0.07100	10	39	49	16
Mar-21	0.31	33.95	4.75	-	1.6890	3.8898	-	-	-	0.07100	2	39	40	19
Apr-21	0.15	33.95	4.75	-	1.6890	4.3303	0.44410	-	-	0.07100	1	39	40	20
May-21	7.67	33.95	4.75	-	1.6890	4.1954	0.44410	-	-	0.07100	49	39	88	7
Jun-21	37.83	33.95	4.75	-	1.6890	4.5408	0.44410	-	-	0.07100	255	39	294	(38)
Jul-21	78.33	33.95	4.75	-	1.6890	4.5648	0.44410	-	-	0.07100	530	39	569	(143)
Aug-21	58.42	33.95	4.75	-	1.6890	5.0025	0.44410	-	-	0.07100	421	39	460	(96)
Sep-21	42.42	33.95	4.75	-	1.6890	5.3034	0.44410	-	-	0.07100	318	39	357	(61)
Oct-21	1.25	33.95	4.75	-	1.6890	5.6736	0.44410	-	-	0.07100	10	39	49	16
Nov-21	-	33.95	4.75	-	1.6890	6.3681	-	-	-	0.07100	-	39	39	20
Dec-21	2.36	33.95	7.85	-	1.6890	7.3868	-	-	-	0.07100	22	42	63	19
Jan-22	0.45	33.95	7.85	-	1.6890	7.4293	-	-	-	0.10900	4	42	46	22
Feb-22	0.55	33.95	7.85	-	1.6890	7.4395	-	-	-	0.10900	5	42	47	21
Mar-22	0.18	33.95	7.85	-	1.6890	8.2141	-	-	-	0.10900	2	42	44	23
Apr-22	9.18	33.95	7.85	-	1.6890	6.9539	1.12580	-	-	0.10900	91	42	132	19
May-22	12.45	33.95	7.85	-	1.6890	7.3466	1.12580	-	-	0.10900	128	42	170	(2)
Jun-22	10.36	33.95	7.85	-	1.6890	8.3784	1.12580	-	-	0.10900	117	42	159	(9)
Jul-22	56.18	33.95	7.85	-	1.6890	9.5723	1.12580	-	-	0.10900	702	42	744	48
Aug-22	76.00	33.95	7.85	-	1.6890	8.8367	1.12580	-	-	0.10900	894	42	936	(156)
Sep-22	49.73	33.95	7.85	-	1.6890	10.2793	1.68440	-	-	0.10900	684	42	726	(13)
Oct-22	11.45	33.95	7.85	-	1.6890	10.2258	1.68440	-	-	0.10900	157	42	199	52
Nov-22	0.09	33.95	7.85	-	1.6890	8.9109	-	-	-	0.10900	1	42	43	23
Dec-22	0.45	33.95	10.96	-	1.6890	8.5912	-	-	-	0.10900	5	45	50	25
Jan-23	2.36	33.95	10.96	-	1.6890	9.2490	-	-	-	0.17420	26	45	71	18
Feb-23	2.91	33.95	10.96	-	1.6890	8.7069	-	-	-	0.17420	31	45	76	25
Mar-23	2.18	33.95	10.96	-	1.6890	8.1014	-	-	-	0.17420	22	45	67	31
Apr-23	4.91	33.95	10.96	-	1.6890	8.4645	1.62680	-	-	0.17420	59	45	104	49
May-23	12.55	33.95	10.96	-	1.6890	8.4888	-	-	-	0.17420	130	45	175	68
Jun-23	23.73	33.95	10.96	-	1.6890	8.2315	-	-	-	0.17420	240	45	284	98
2021 Total	231.05										\$ 1,621	\$ 468	\$ 2,089	\$ (203)
2022 Total	227.09										\$ 2,790	\$ 505	\$ 3,294	\$ 54
Prior 12 Mo. Total	242.55										\$ 2,950	\$ 523	\$ 3,473	\$ 268

AMERICAN ENERGIES GAS SERVICE - Wholesale Hesston

Month	Usage MCF	Monthly Customer Charge			Volumetric Cost of Gas Rate \$/MCF	Total Volumetric Rate \$/MCF	Total Monthly Charge	
		Charge \$/Month	Delivery Charge \$/MCF				\$/Month	Total Bill
Jan-21	17,001	\$ 43.00	\$ 0.23	\$ -	\$ 3,910.23	\$ 43.00	\$ 3,953	
Feb-21	16,194	43.00	0.23	-	3,724.62	43.00	3,768	
Mar-21	16,006	43.00	0.23	-	3,681.38	43.00	3,724	
Apr-21	13,778	43.00	0.23	-	3,168.94	43.00	3,212	
May-21	11,350	43.00	0.23	-	2,610.50	43.00	2,654	
Jun-21	9,647	43.00	0.23	-	2,218.81	43.00	2,262	
Jul-21	5,798	43.00	0.23	-	1,333.54	43.00	1,377	
Aug-21	8,941	43.00	0.23	-	2,056.43	43.00	2,099	
Sep-21	10,080	43.00	0.23	-	2,318.40	43.00	2,361	
Oct-21	12,150	43.00	0.23	-	2,794.50	43.00	2,838	
Nov-21	15,762	43.00	0.23	-	3,625.26	43.00	3,668	
Dec-21	16,853	43.00	0.23	-	3,876.19	43.00	3,919	
Jan-22	17,440	43.00	0.23	-	4,011.20	43.00	4,054	
Feb-22	15,478	43.00	0.23	-	3,559.94	43.00	3,603	
Mar-22	16,613	43.00	0.23	-	3,820.99	43.00	3,864	
Apr-22	14,470	43.00	0.23	-	3,328.10	43.00	3,371	
May-22	9,185	43.00	0.23	-	2,112.55	43.00	2,156	
Jun-22	10,516	43.00	0.23	-	2,418.68	43.00	2,462	
Jul-22	9,673	43.00	0.23	-	2,224.79	43.00	2,268	
Aug-22	9,948	43.00	0.23	-	2,288.04	43.00	2,331	
Sep-22	9,312	43.00	0.23	-	2,141.76	43.00	2,185	
Oct-22	10,793	43.00	0.23	-	2,482.39	43.00	2,525	
Nov-22	12,511	43.00	0.23	-	2,877.53	43.00	2,921	
Dec-22	12,846	43.00	0.23	-	2,954.58	43.00	2,998	
Jan-23	12,864	43.00	0.23	-	2,958.72	43.00	3,002	
Feb-23	11,548	43.00	0.23	-	2,656.04	43.00	2,699	
Mar-23	12,690	43.00	0.23	-	2,918.70	43.00	2,962	
Apr-23	11,669	43.00	0.23	-	2,683.87	43.00	2,727	
May-23	9,347	43.00	0.23	-	2,149.81	43.00	2,193	
Jun-23	9,566	43.00	0.23	-	2,200.18	43.00	2,243	
2021 Total	153,560						\$ 35,835	
2022 Total	148,785						\$ 34,737	
Prior 12 Mo. Total	132,767						\$ 31,052	

KANSAS GAS SERVICE rates over the same time period would be the same since KGS is adopting the AEGS wholesale tariff for the city of Hesston only.

Month	Usage MCF	Monthly Customer Charge			Tax Reform Credit \$/Month	Volumetric Delivery Charge \$/MCF	Volumetric COG Rate \$/MCF	Volumetric Hedge Factor \$/MCF	Winter Storm Securitization \$/Month	Volumetric WNA Rate \$/MCF	Volumetric Ad Valorem Rate \$/MCF	Total Monthly Charge			Increase (Decrease) to Total Bills
		Charge \$/Month	Monthly GRS Charge \$/Month									Total Bill			
Jan-21	17,001	\$ 43.00	\$ -	\$ -	\$ 0.23000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,910	\$ 43	\$ 3,953	\$ -	
Feb-21	16,194	43.00	-	-	0.2300	-	-	-	-	-	3,725	43	3,768	\$ -	
Mar-21	16,006	43.00	-	-	0.2300	-	-	-	-	-	3,681	43	3,724	\$ -	
Apr-21	13,778	43.00	-	-	0.2300	-	-	-	-	-	3,169	43	3,212	\$ -	
May-21	11,350	43.00	-	-	0.2300	-	-	-	-	-	2,611	43	2,654	\$ -	
Jun-21	9,647	43.00	-	-	0.2300	-	-	-	-	-	2,219	43	2,262	\$ -	
Jul-21	5,798	43.00	-	-	0.2300	-	-	-	-	-	1,334	43	1,377	\$ -	
Aug-21	8,941	43.00	-	-	0.2300	-	-	-	-	-	2,056	43	2,099	\$ -	
Sep-21	10,080	43.00	-	-	0.2300	-	-	-	-	-	2,318	43	2,361	\$ -	
Oct-21	12,150	43.00	-	-	0.2300	-	-	-	-	-	2,795	43	2,838	\$ -	
Nov-21	15,762	43.00	-	-	0.2300	-	-	-	-	-	3,625	43	3,668	\$ -	
Dec-21	16,853	43.00	-	-	0.2300	-	-	-	-	-	3,876	43	3,919	\$ -	
Jan-22	17,440	43.00	-	-	0.2300	-	-	-	-	-	4,011	43	4,054	\$ -	
Feb-22	15,478	43.00	-	-	0.2300	-	-	-	-	-	3,560	43	3,603	\$ -	
Mar-22	16,613	43.00	-	-	0.2300	-	-	-	-	-	3,821	43	3,864	\$ -	
Apr-22	14,470	43.00	-	-	0.2300	-	-	-	-	-	3,328	43	3,371	\$ -	
May-22	9,185	43.00	-	-	0.2300	-	-	-	-	-	2,113	43	2,156	\$ -	
Jun-22	10,516	43.00	-	-	0.2300	-	-	-	-	-	2,419	43	2,462	\$ -	
Jul-22	9,673	43.00	-	-	0.2300	-	-	-	-	-	2,225	43	2,268	\$ -	
Aug-22	9,948	43.00	-	-	0.2300	-	-	-	-	-	2,288	43	2,331	\$ -	
Sep-22	9,312	43.00	-	-	0.2300	-	-	-	-	-	2,142	43	2,185	\$ -	
Oct-22	10,793	43.00	-	-	0.2300	-	-	-	-	-	2,482	43	2,525	\$ -	
Nov-22	12,511	43.00	-	-	0.2300	-	-	-	-	-	2,878	43	2,921	\$ -	
Dec-22	12,846	43.00	-	-	0.2300	-	-	-	-	-	2,955	43	2,998	\$ -	
Jan-23	12,864	43.00	-	-	0.2300	-	-	-	-	-	2,959	43	3,002	\$ -	
Feb-23	11,548	43.00	-	-	0.2300	-	-	-	-	-	2,656	43	2,699	\$ -	
Mar-23	12,690	43.00	-	-	0.2300	-	-	-	-	-	2,919	43	2,962	\$ -	
Apr-23	11,669	43.00	-	-	0.2300	-	-	-	-	-	2,684	43	2,727	\$ -	
May-23	9,347	43.00	-	-	0.2300	-	-	-	-	-	2,150	43	2,193	\$ -	
Jun-23	9,566	43.00	-	-	0.2300	-	-	-	-	-	2,200	43	2,243	\$ -	
2021 Total	153,560										\$ 35,319	\$ 516	\$ 35,835	\$ -	
2022 Total	148,785										\$ 34,221	\$ 516	\$ 34,737	\$ -	
Prior 12 Mo. Total	132,767										\$ 30,536.41	\$ 516.00	\$ 31,052.41	\$ -	

Kansas Gas Service, a Division of ONE Gas, Inc.

SCHEDULE INDEX

All Rate Areas

Replacing Sheet 2 filed ~~February 5, 2019~~ November 21, 2022

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

Sheet 2 of 2

Rate Schedule Index

Index #	Schedule Name	Designation
Transportation Service Rate Schedules		
29	Small Transportation Service – ‘k’ system	STk
30	Small Transportation Service – ‘t’ system	STt
32	Large Volume Transportation Service – ‘k’ system	LVTk
33	Large Volume Transportation Service – ‘t’ system	LVTt
<u>34</u>	<u>Wholesale Transportation Service – Hesston</u>	<u>WTH</u>
35	Wholesale Transportation Service – ‘t’ system	WTt
36	Interruptible Gas Transportation Service – ‘t’ system	ITt
37	Gas Irrigation Transportation Service – ‘t’ system	GITt
38	Compressed Natural Gas General Transportation Service – ‘k’ system	CNGk
39	Compressed Natural Gas General Transportation Service – ‘t’ system	CNGt
Surcharges/Riders to Rate Schedules		
40	Cost of Gas Rider	COGR
41	Economic Development Rider – Gas	EDG
42	Electronic Flow Measurement Rider	EFMR
43	Weather Normalization Adjustment Rider	WNAR
44	Gas System Reliability Surcharge	GSRS
47	Gas Transportation for Schools Rider	GTSR
48	Ad Valorem Tax Surcharge Rider	ATSR
49	Winter Event Securitized Cost Recovery Rider	WESCR
50	Sales Service for Resale Winter Event Cost Recovery Rider	SSRWECR

Issued: <u>November 21, 2022</u> September 1, 2023 Effective: <u>December 1, 2022</u> By: <u>/s/ Janet L. Buchanan, Director – Regulatory Affairs</u>	22-KGSG-466-TAR Approved Kansas Corporation Commission August 13, 2022 /s/ Lynn Retz
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Kansas Gas Service, a Division of ONE Gas, Inc.
 Rate Area "k"

SCHEDULE WTH
 Initial Sheet
 Sheet 1 of 1

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

Wholesale Transportation Service – Hesston

Availability

Available to utilities and municipal gas systems at single locations previously served by American Energies Gas Service System (AEGS) under AEGS Wholesale Transportation Service schedule on Company’s system for transportation of gas for resale outside Company's service territory. This tariff is closed to new customers. Service is subject to the Definitions and Conditions section below.

Net Monthly Bill

\$43.00 Service Charge, plus
 Applicable adjustments and charges provided in Company’s Gas System Reliability Surcharge Rider, plus
 \$0.2300 Delivery Charge per Mcf for all gas delivered, plus
 Applicable adjustments and charges provided in Company’s Ad Valorem Tax Surcharge Rider.

The Net Monthly Bill shall be no less than the Service Charge plus any minimum charges set forth in a customer’s Service Agreement.

Definitions and Conditions

1. Annual deliveries of at least 3,000 Mcf at a single location during the last 12 billing periods shall qualify a customer for service under this schedule. A customer, once qualified, shall remain eligible for service under this schedule.
2. A customer shall meet all conditions of the following tariffs to maintain service under this rate schedule:
 - a. Electronic Flow Measurement Rider
 - b. Company's General Terms and Conditions for Gas Service (GTC), Section 10, Requirements for Transportation Service.
3. Transportation service is provided for the charge specified in the Net Monthly Bill section when supplied from Company's existing facilities. When additional facilities are needed to serve a customer, an additional charge may be required.
4. Multiple meter installations, installed at a single location for a customer's convenience, shall be billed additional Service Charges for each meter installation. Usage recorded on these multiple meters shall be aggregated for purposes of qualifying for this rate schedule.
5. Transportation service under this rate schedule is subject to the provisions and applicable charges contained in Company's GTC, or successor documents, approved by the Commission.
6. All provisions of this rate schedule are subject to changes made by order of the Commission.

Issued:	September 1, 2023	
Effective:	_____	
By:	/s/	
	Janet L. Buchanan, Director – Regulatory Affairs	

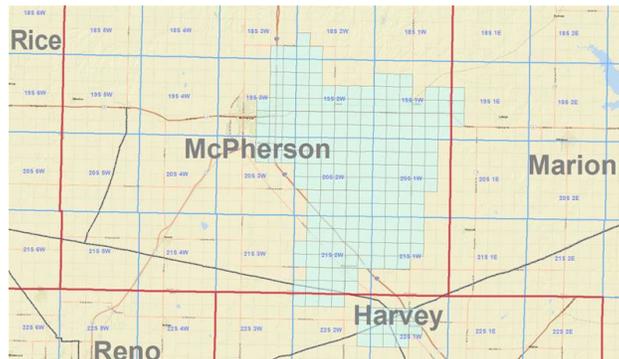
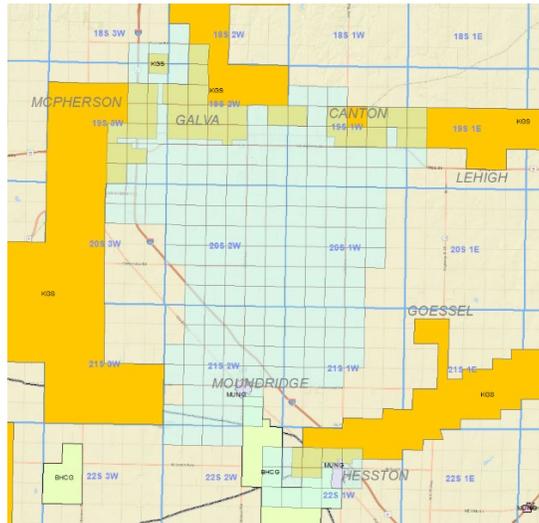
EXHIBIT 6

A metes and
bounds legal
description

Exhibit 6

Metes and Bounds Legal Description

1. McPherson County, Kansas
 - a. Sections 30-32, Township 18 South, Range 2 West
 - b. Sections 35-36, Township 18 South, Range 3 West
 - c. Sections 7-9, 13-14, 16-36, Township 19 South, Range 1 West
 - d. Sections 5-8, 13-36, Township 19 South, Range 2 West
 - e. Sections 1-2, 11-14, 22-27, 34-36, Township 19 South, Range 3 West
 - f. Sections 2-11, 14-23, 27-34, Township 20 South, Range 1 West
 - g. Sections 1-29, 32-36, Township 20 South, Range 2 West
 - h. Sections 1-3, 10-12, Township 20 South, Range 3 West
 - i. Sections 3-10, 15-21, Township 21 South, Range 1 West
 - j. Sections 1-5, 8-24, 26-29, 31-35, Township 21 South, Range 2 West
2. Marion County, Kansas
 - a. Sections 18, 19 and 30, Township 19 South, Range 1 East
3. Harvey County, Kansas
 - a. Sections 7-10, 15-21, Township 22 South, Range 1 West
 - b. Sections 3-6, 12-13, and 24, Township 22 South, Range 2 West



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

In the Matter of the Joint Application of)
American Energies Gas Service,)
LLC/American Energies Pipeline, LLC and)
Kansas Gas Service, a Division of ONE Gas,)
Inc. for an Order Approving the Transfer to)
Kansas Gas Service Certificates of) Docket No. 24-KGSG-____-ACQ
Convenience and Necessity with Respect to)
AEGS's Natural Gas Utility Business and)
AEPL's Pipeline Facilities Located in Harvey,)
Marion and McPherson Counties, Kansas to)
Provide Utility Service and for Other Related)
Relief.

DIRECT TESTIMONY OF

GRAHAM A. JAYNES

ON BEHALF OF

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.

September 22, 2023

1 **I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE**

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

3 A. My name is Graham A. Jaynes. My business address is 7421 West 129th Street, Overland
4 Park, Kansas, 66213.

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

6 A. I am employed by Kansas Gas Service, a Division of ONE Gas, Inc. (“KGS” or the
7 “Company”), as a Supervisor in the Rates and Regulatory Department.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
9 **PROFESSIONAL EXPERIENCE.**

10 A. I have a Bachelor of Business Administration in both Accounting and Finance from Drury
11 University with minors in Entrepreneurship and Global Studies. I was employed with
12 ONEOK Gathering and Processing in Tulsa, Oklahoma from 2015 through May 2017 as a
13 Gas Scheduler and Financial Analyst. During the summer of 2017, I joined KGS in
14 Overland Park, Kansas as a Rates Analyst I. I was promoted to my current position in
15 November of 2021.

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**
17 **CORPORATION COMMISSION (“KCC” OR “COMMISSION”)?**

18 A. Yes. I testified in KGS’s last rate case filed in Docket No. 18-KGSG-560-RTS.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of my testimony is to support the Joint Application filed in this matter and
21 also to show KGS’s purchase of certain assets, operations, and obligations from American
22 Energies Gas Service, LLC and American Energies Pipeline, LLC (collectively referred to
23 in my testimony as “AEGS”) is in the public interest. To do this, I compare the proposed

1 transaction to the Commission's Merger Standards. Kansas Gas Service believes the
2 proposed transaction satisfies all the Commission's Merger Standards, is in the public
3 interest, and should be approved. I then provide a brief overview of KGS's natural gas
4 utility operations, how AEGS's customers are located near KGS's other operations in
5 Kansas, and how KGS plans to integrate the AEGS system with its other assets.

6 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

7 A. Yes. I am sponsoring Exhibits 2, 5, and 5A, to the Joint Application, which respectively
8 contain a map of AEGS and KGS service areas generally, a rate comparison between the
9 two utilities, and a proposed tariff for AEGS's wholesale customer the City of Hesston,
10 Kansas. As such, Exhibits 2, 5, and 5A are adopted and incorporated into my testimony
11 by reference.

12 **II. REVIEW OF COMMISSION MERGER STANDARDS**

13 **Q. IN GENERAL, WHAT ARE THE COMMISSION'S MERGER STANDARDS?**

14 A. The Merger Standards are eight factors which assist the Commission in evaluating whether
15 a merger or acquisition is in the public interest. Specifically:

16 (a) The effect of the transaction on consumers, including:

17 (i) the effect of the proposed transaction on the financial condition of the newly
18 created entity as compared to the financial condition of the stand-alone entities if
19 the transaction did not occur;

20 (ii) reasonableness of the purchase price, including whether the purchase price was
21 reasonable in light of the savings that can be demonstrated from the merger and
22 whether the purchase price is within a reasonable range;

23 (iii) whether ratepayer benefits resulting from the transaction can be quantified;

1 (iv) whether there are operational synergies that justify payment of a premium in
2 excess of book value; and

3 (v) the effect of the proposed transaction on the existing competition.

4 (b) The effect of the transaction on the environment.

5 (c) Whether the proposed transaction will be beneficial on an overall basis to state and local
6 economies and to communities in the area served by the resulting public utility operations
7 in the state. Whether the proposed transaction will likely create labor dislocations that may
8 be particularly harmful to local communities, or the state generally, and whether measures
9 can be taken to mitigate the harm.

10 (d) Whether the proposed transaction will preserve the jurisdiction of the KCC and the
11 capacity of the KCC to effectively regulate and audit public utility operations in the state.

12 (e) The effect of the transaction on affected public utility shareholders.

13 (f) Whether the transaction maximizes the use of Kansas energy resources.

14 (g) Whether the transaction will reduce the possibility of economic waste.

15 (h) What impact, if any, the transaction has on the public safety.

16 **Q. HOW WERE THE COMMISSION'S MERGER STANDARDS DEVELOPED?**

17 A. On November 14, 1991, the Commission issued an order approving the Kansas Power &
18 Light and Kansas Gas & Electric merger in the consolidated Docket Nos. 172,745-U and
19 174,155-U. In approving the merger, the Commission stated mergers should be approved
20 where the applicant can demonstrate that the merger "will promote the public interest."¹
21 Specifically, the Order listed several factors to consider in determining whether the public
22 interest is promoted.²

¹ Order, Consolidated Dockets 172,745-U and 174,155-U, p. 35 (Nov. 14, 1991).

² *Id.* at pp. 35 - 36.

1 On September 28, 1999, in Docket No. 97-WSRE-676-MER, the Commission reaffirmed
2 its Merger Standards, but made clear they are to be supplemented by other considerations
3 relevant to the unique facts and circumstances of each proposed merger. Since this order,
4 the Commission has applied the Merger Standards in several dockets:

- 5 • 13-BHCG-509-ACQ (Black Hills' acquisition of Anadarko's HRDS holdings);
- 6 • 14-KGSG-100-MIS (ONEOK's separation of its natural gas utility distribution
7 business into a stand-alone publicly traded company, ONE Gas);
- 8 • 16-BHCG-144 ACQ (Black Hills' acquisition of Anadarko's West HRDS
9 holdings);
- 10 • 16-KCPE-593-ACQ (The proposed acquisition of Westar Energy by Great Plains
11 Energy), and
- 12 • 18-KCPE-085-MER (The merger of Westar Energy and Great Plains Energy).

13 **Q. ARE THE MERGER STANDARDS THE APPROPRIATE STANDARD TO**
14 **EVALUATE THIS DOCKET'S PROPOSED TRANSACTION?**

15 A. Yes. The Merger Standards provide an appropriate guide for evaluating public utility
16 acquisitions in Kansas.

17 **Q. ARE THERE ANY OTHER STANDARDS OF REVIEW RELEVANT TO**
18 **TRANSACTIONS OF THIS SIZE?**

19 A. Yes. The Commission has developed a separate framework for the purchase of municipal
20 gas systems by larger utilities.³ While the size of AEGS's system is closer to a municipal
21 gas utility, KGS decided to evaluate the transaction under the more stringent Merger
22 Standards.

³ See Order Approving Application, Docket No. 08-ATMG-182-ACQ (Dec. 18, 2007).

1 **Q. WHY DID KGS DECIDE TO EVALUATE THE PROPOSED TRANSACTION**
2 **UNDER THE MERGER STANDARDS?**

3 A. First, despite its smaller size, the AEGS system is not a municipal gas utility. Second, the
4 AEGS system is unique, where two affiliated companies operate a gas gathering system to
5 supply end-use customers with natural gas. Because of the nature of the AEGS system,
6 KGS decided to prepare a more comprehensive application for this acquisition.

7 **Q. DOES USING THE MERGER STANDARDS CHANGE HOW THIS**
8 **TRANSACTION IS EVALUATED?**

9 A. No. The Commission's Merger Standards are the default and primary benchmark for
10 evaluating whether acquisitions are in the public interest.

11 **III. ANALYSIS OF THE TRANSACTION UNDER THE MERGER STANDARDS**

12 **Q. WILL YOU PLEASE REVIEW THE FIRST MERGER STANDARD?**

13 A. Merger Standard (a) evaluates the effect of the proposed transaction on consumers. It has
14 five subparts. I address each of these subparts in turn, ultimately concluding the effect of
15 the proposed transaction is beneficial to consumers and is in the public interest.

16 *The effect of the proposed transaction on the financial condition of the newly created*
17 *entity as compared to the financial condition of the stand-alone entities if the transaction*
18 *did not occur.*

19 **Q. CAN YOU DESCRIBE THE PROPOSED TRANSACTION'S EFFECTS ON THE**
20 **FINANCIAL CONDITION OF THE ENTITIES?**

21 A. There is no newly created entity resulting from the proposed transaction. However, the
22 proposed transaction results in a financially stronger public utility serving AEGS's
23 customers. KGS is a Division of ONE Gas, Inc., a major investor-owned public utility
24 serving 2.3 million customers across three states. With a market cap of over \$4 billion,
25 ONE Gas holds investment-grade credit ratings (Moody's: A3 Stable; S&P: A- Stable)

1 with significant access to capital. KGS will fully integrate AEGS's customers into the
2 Company's operations, providing them the same financial stability as any other KGS
3 customer.

4 *The reasonableness of the purchase price, including whether the purchase price was*
5 *reasonable in light of the savings that can be demonstrated from the merger and whether*
6 *the purchase price is within a reasonable range.*

7 **Q. IS THE PURCHASE PRICE REASONABLE?**

8 A. Yes, the purchase price is reasonable. Most importantly, KGS is paying the net book value
9 of AEGS's assets. There is no acquisition premium associated with the proposed
10 transaction, and KGS will not seek recovery of a return or carrying charges on its
11 transaction costs. Considering the significant improvements that will be made to AEGS's
12 system as part of this transaction, acquiring the system at its net book value is reasonable.
13 Ms. Drumm discusses the impact of the proposed transaction on KGS's financials.

14 **Q. MS. DRUMM NOTES A PORTION OF THE PURCHASE PRICE IS USED TO**
15 **PAY OFF AEGS'S WINTER STORM URI DEBT. WHY IS KGS PAYING OFF**
16 **AEGS'S WINTER STORM URI DEBT?**

17 A. KGS is paying off AEGS's Winter Storm Uri debt so KGS can, thereafter, collect any
18 amounts still owed from AEGS's former customers. As part of the proposed transaction,
19 AEGS requests to cease operating as a public utility. Because of this, AEGS will not be
20 able to continue billing customers using its Winter Weather Event Rider ("WWER"). If
21 AEGS's Winter Storm Uri debt was not included in the purchase price, AEGS would never
22 recover the costs it incurred to serve customers during Winter Storm Uri. However, this
23 will not result in KGS's customers subsidizing AEGS's customers. For all intents and
24 purposes, KGS will assume AEGS's WWER and continue to bill AEGS's former
25 customers their customer-specific Winter Storm Uri costs. The end result is KGS pays off

1 AEGS’s Winter Storm Uri costs, and then recovers this “paid off amount” from AEGS’s
2 former customers using AEGS’s former tariff.

3 **Q. HOW DOES THIS IMPACT KGS’S OWN WINTER STORM URI COST**
4 **RECOVERY RIDER?**

5 A. There is no impact. KGS will not collect its Winter Event Securitized Cost Recover Rider
6 (“WESCR”) from AEGS customers. Pursuant to the Financing Order issued by the
7 Commission in Docket No. 22-KGSG-466-GIG, KGS elected to exclude the service
8 territory acquired pursuant to this transaction from Kansas Gas Service’s WESCR charges.

9 **Q. IS KGS SEEKING TO RECOVER ITS TRANSACTION COSTS?**

10 A. Yes. However, KGS is only seeking to recover its actual transaction costs without any
11 return or carrying charges. Kansas Gas Service requests recovery of those costs by placing
12 those costs in a deferred account for recovery in Kansas Gas Service’s next rate case by
13 amortizing and recovering those costs over a three-year period following the rate case
14 decision. As of September 2023 the estimated transaction costs for this matter are
15 approximately \$113,000.

16 *Whether ratepayer benefits resulting from the transaction can be quantified.*

17 **Q. CAN THE RATEPAYER BENEFITS FROM THIS TRANSACTION BE**
18 **QUANTIFIED?**

19 A. Yes. At the outset, it is important to recognize the proposed transaction will establish a
20 new source of gas for AEGS’s customers. Rather than primarily relying on gas from wells
21 connected directly to a gas gathering system, AEGS’s customers will be served off of
22 KGS’s transmission system or a major interstate pipeline and receive pipeline-quality gas.
23 Likewise, the proposed transaction gives KGS direct control over the pipeline facilities and

1 supplies used to serve AEGS customers. The majority of the benefits to AEGS's ratepayers
2 are operational, and stem from being served by a major natural gas company.

3 *Whether there are operational synergies that justify payment of a premium in excess of*
4 *book value.*

5 **Q. IS KGS PAYING A PREMIUM IN EXCESS OF BOOK VALUE?**

6 A. No. KGS will pay AEGS the net book value of its assets at the time of closing. There is
7 no acquisition premium associated with this transaction. In fact, the APA explicitly states
8 this.

9 **Q. HOW DOES THE PURCHASE PRICE COMPARE TO THE NET BOOK VALUE**
10 **OF THE ASSETS BEING ACQUIRED?**

11 A. The purchase price of the existing assets and system improvements is equal to the net book
12 value of the gas utility assets.

13 **Q. WHAT IS THE PROPOSED TRANSACTION'S EFFECT ON EXISTING**
14 **COMPETITION?**

15 A. The proposed transaction should not negatively impact existing competition. Kansas'
16 natural gas public utilities are not subject to a one-provider per area statute like electric
17 utilities are. KGS serves the communities surrounding AEGS's customers (McPherson,
18 Hutchinson, and Newton, Kansas). Acquiring the AEGS system is a natural extension of
19 KGS's service area, which will strengthen rural access to natural gas. The transaction does
20 not affect the ability of large transportation customers to potentially bypass gas utilities
21 (i.e., directly connect with interstate pipelines). Likewise, rural gas users will still have the
22 ability to bypass utilities due to the Rural Kansas Self-Help Gas Act. As such, the proposed
23 transaction should not negatively impact competition.

1 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (A)**
2 **AND ITS SUB PARTS?**

3 A. Yes, it does.

4 **Q. WHAT IS THE COMMISSION'S SECOND MERGER STANDARD?**

5 A. This merger standard requires discussion of the effect of the transaction on the
6 environment.

7 **Q. WHAT IS THE EFFECT OF THE TRANSACTION ON THE ENVIRONMENT?**

8 A. The transaction should not impact the environment. To the extent it does, it should be a
9 positive impact. AEGS's customers are currently receiving gas from a gas gathering
10 system. As part of the transaction, these wells will be disconnected from the distribution
11 system. In addition, the proposed transaction results in 14 miles of PVC being replaced
12 with more modern materials and to KGS's construction standards. These improvements
13 provide environmental benefits by creating a more resilient and modern natural gas
14 distribution system.

15 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (B)?**

16 A. Yes, it does.

17 **Q. WHAT IS THE COMMISSION'S THIRD MERGER STANDARD?**

18 A. The third Merger Standard requires a discussion of whether the proposed transaction will
19 be beneficial on an overall basis to state and local economies and to communities in the
20 area served by the resulting public utility operations in the state. It also requires a discussion
21 of whether the proposed transaction will likely create labor dislocations that may be
22 particularly harmful to local communities, or the state generally, and whether measures can
23 be taken to mitigate the harm.

1 **Q. HOW DOES THE PROPOSED TRANSACTION IMPACT THE STATE'S**
2 **ECONOMIES, COMMUNITIES, AND LABOR FORCE?**

3 A. Because of the significant system improvements contemplated by the proposed transaction,
4 local economies should benefit. The overall value of the AEGS system will increase by
5 over \$500,000, which results in increased property tax remittances to local taxing
6 authorities.

7
8 Likewise, local communities should benefit from the transaction. The transaction ensures
9 rural Kansas communities continue to have access to safe, affordable, and reliable natural
10 gas. Expanding rural access to natural gas is an ongoing focus of the Commission, with
11 Docket No. 14-GIMG-514-GIG initiated to study the issue. By preserving and expanding
12 access to natural gas, local communities in Harvey, Marion, and McPherson Counties will
13 benefit from this transaction.

14
15 Finally, there should be no labor disruptions. As Kenneth Smith testifies, the AEGS
16 employees who currently take care of utility operations will be retained by Trek Resources,
17 Inc. and will be assigned to Trek's Kansas oil and gas exploration and production
18 operations.

19 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (C)?**

20 A. Yes, it does.

21 **Q. WHAT IS MERGER STANDARD (D)?**

1 A. This Merger Standard requires a discussion of whether the proposed transaction will
2 preserve the jurisdiction of the KCC and the capacity of the KCC to effectively regulate
3 and audit public utility operations in the state.

4 **Q. WHAT IS THE EFFECT OF THE PROPOSED TRANSACTION ON THE**
5 **COMMISSION'S JURISDICTION?**

6 A. The Commission's jurisdiction is preserved in its entirety. KGS is a 100% regulated local
7 distribution company already subject to pervasive oversight and regulation from the
8 Commission. This oversight will continue if the proposed transaction is approved. Put
9 simply, both AEGS and KGS's public utility operations are subject to Commission
10 jurisdiction today, and if the transaction is approved, the Commission will continue to
11 exercise jurisdiction over KGS. All assets and certificates related to this transaction are
12 subject to the Commission's jurisdiction and will continue to be regulated by the
13 Commission if the transaction is approved.

14 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (D)?**

15 A. Yes, it does.

16 **Q. WHAT IS MERGER STANDARD (E)?**

17 A. This Merger Standard requires a discussion of the effect of the transaction on affected
18 public utility shareholders.

19 **Q. WHAT IS THE EFFECT OF THE TRANSACTION ON KGS'S**
20 **SHAREHOLDERS?**

21 A. KGS is one of three operating divisions of ONE Gas, Inc., a publicly traded company.
22 Given the size of ONE Gas, Inc.'s market capitalization (i.e., over \$4 billion) to the
23 transaction's size (i.e., approximately \$1 million), there should be a beneficial (though

1 minimal) impact to KGS's shareholders. As I noted before, no acquisition premium is
2 being paid for this transaction. Ms. Drumm testifies how the transaction impacts the
3 Company's pro forma financial statements. The incremental revenues received from
4 AEGS's customers will work to offset incremental operating costs, and including the
5 acquired assets of AEGS in KGS's rate base will provide KGS an opportunity to earn a fair
6 return on its investment.

7 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (E)?**

8 A. Yes, it does.

9 **Q. WHAT IS MERGER STANDARD (F)?**

10 A. This Merger Standard requires discussion of whether the transaction maximizes the use of
11 Kansas energy resources.

12 **Q. DOES THE PROPOSED TRANSACTION MAXIMIZE KANSAS' ENERGY
13 RESOURCES?**

14 A. Yes. Kansas produces natural gas which is processed at processing plants across the state.
15 Many of these processing plants deliver gas into major pipelines. If the proposed
16 transaction is approved, KGS will use its transportation agreements on these pipelines to
17 deliver gas to AEGS's former customers. While there is no guarantee any one particular
18 molecule of natural gas went to any one particular burner tip, maintaining demand for
19 natural gas in Kansas naturally flows down to the entities drilling for and processing the
20 commodity.

21 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (F)?**

22 A. Yes, it does.

23 **Q. WHAT IS MERGER STANDARD (G)?**

1 A. Whether the transaction will reduce the possibility of economic waste.

2 **Q. DOES THE TRANSACTION REDUCE THE POSSIBILITY OF ECONOMIC**
3 **WASTE?**

4 A. The transaction may reduce the possibility of economic waste. If the proposed transaction
5 is approved, KGS's commercial development personnel are sure to begin exploring ways
6 to grow the former AEGS system. The expansion of natural gas distribution infrastructure
7 may reduce economic waste. For example, a customer using diesel fuel to operate a center
8 mounted irrigation pivot may save a considerable amount of money switching to natural
9 gas. This provides the irrigator with additional funds to deploy elsewhere in their local
10 community. Moreover, the operation of the system itself will become more efficient, with
11 KGS fully integrating it into its field operations.

12 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (G)?**

13 A. Yes, it does.

14 **Q. WHAT IS MERGER STANDARD (H)?**

15 A. This Merger Standard requires a discussion of what impact, if any, the transaction has on
16 public safety.

17 **Q. HOW DOES THE PROPOSED TRANSACTION IMPACT PUBLIC SAFETY?**

18 A. The proposed transaction improves public safety. First, significant capital is being
19 deployed to replace miles of obsolete infrastructure. AEGS's system will be more resilient
20 than it was before the transaction was even considered. Second, KGS will use its full
21 arsenal of field operations personnel to survey, operate, and maintain the system serving
22 AEGS's former customers. KGS has a state-wide workforce of nearly 1,000 employees,
23 with service a center already in McPherson. KGS will be able to timely respond to

1 scenarios as they arise from time to time, which enhances public safety. Moreover, KGS
2 does, and will continue to, comply with all applicable pipeline safety rules and regulations.

3 **Q. DOES THE PROPOSED TRANSACTION SATISFY MERGER STANDARD (H)?**

4 A. Yes, it does.

5 **IV. KANSAS GAS SERVICE'S OPERATIONS AND PLAN OF INTEGRATION**

6 **Q. CAN YOU BRIEFLY DESCRIBED KGS'S OPERATIONS?**

7 A. KGS provides retail natural gas service to approximately 648,000 customers in over 360
8 Kansas communities. KGS maintains a workforce across the state, and has nearly 1,000
9 employees. The rates, terms, and conditions of service KGS provides to its customers are
10 regulated by the Commission, and contained in KGS's Commission-approved tariffs.
11 KGS's tariffs are incorporated into my testimony by reference.

12 **Q. DOES KGS PROVIDE SERVICE NEAR AEGS'S CUSTOMERS?**

13 A. Yes. As I outlined in my analysis of Merger Standard a(v), KGS serves the cities of
14 McPherson, Hutchinson, and Newton, Kansas. As shown in Exhibit 2 to the Joint
15 Application, KGS is already operating near and around AEGS's customers.

16 **Q. WHY IS KGS SEEKING TO ACQUIRE AEGS'S PUBLIC UTILITY
17 OPERATIONS?**

18 A. The AEGS system, assets, and customers, are located near existing KGS owned and
19 operated assets. KGS expects to be able to use existing employees, offices, and equipment
20 located in the area to provide service to AEGS's customers. With service to McPherson,
21 Hutchinson, and Newton, Kansas, KGS has substantial experience in serving customers
22 and communities in central Kansas. In short, acquiring and serving AEGS's customers fits
23 well with KGS's existing operations.

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Likewise, the purchase price is reasonable. As I outlined in my testimony on the Merger Standards, there is no acquisition premium associated with the proposed transaction. AEGS's customers will be able to take advantage of KGS's robust gas supply program, as well as reliable pipeline-quality gas since KGS will serve AEGS's customers from its own transmission system as well as a major interstate natural gas pipeline. Finally, as shown in Exhibit 4 to the Joint Application, KGS expects the acquisition to be financially beneficial to KGS's shareholders.

Q. HOW DOES KGS PLAN TO FINANCE THE PROPOSED TRANSACTION?

A. KGS intends to pay cash for the AEGS Assets and AEGS's Winter Storm Uri debt.

Q. HOW WILL THE AEGS ASSETS BE OPERATED BY KGS?

A. KGS intends to incorporate and roll-in the AEGS assets and customers into KGS's overall utility operations. The AEGS assets will be added to KGS's rate base at their net book value, and the revenues and expenses related to operating AEGS's assets will be added to KGS's revenues and expenses.

Q. DOES KGS PLAN TO HIRE ANY ADDITIONAL EMPLOYEES TO EXECUTE THE PROPOSED TRANSACTION?

A. No. KGS intends to use its existing Kansas employees to operate and maintain the AEGS assets.

Q. WHAT RATES WILL AEGS's CUSTOMERS BE CHARGED?

A. AEGS's retail customers will be charged KGS's Commission-approved rates and charges, as such are amended from time to time. For the time being, AEGS's one wholesale customer, the City of Hesston, Kansas, will continue to be charged its existing AEGS rates.

1 **Q. WHY IS KGS PROPOSING TO CHARGE THE CITY OF HESSTON, KANSAS**
2 **ITS EXISTING AEGS RATES?**

3 A. KGS operates two systems in Kansas – the “t” system and the “k” system – with separate
4 tariffs applicable to transportation customers on each system. The “t” system serves
5 communities and customers from KGS’s own transmission system. Since other utilities
6 and natural gas shippers can utilize KGS’s transmission system, KGS’s “t” system has
7 wholesale, interruptible, and irrigation transportation tariffs. This allows another company,
8 like a utility, to ship gas across KGS’s transmission network recognizing it will eventually
9 be resold. “K” system rates are for communities served directly from a non-KGS pipeline.
10 In these communities, KGS taps into another entity’s pipeline (for example, an interstate
11 pipeline), and then distributes natural gas to the community using KGS’s distribution
12 assets. Since no other third-party wholesale shippers are using KGS’s *distribution*
13 network, there are no “wholesale k” system rates.⁴ KGS will serve most of AEGS system
14 directly off of its own transmission system, which would be considered a “t” system
15 community. However, AEGS serves the City of Hesston, Kansas, using a pipeline directly
16 connected with Southern Star Central Gas Pipeline, Inc. (“Southern Star”). Since Hesston,
17 Kansas is served directly from Southern Star, under KGS’s existing tariff structure it should
18 be considered a “k” community. Importantly, Hesston, Kansas uses a third-party to procure
19 its gas supply. In short, AEGS uses its *distribution* system to provide wholesale service to
20 the City of Hesston, but if KGS acquires the AEGS system there are no KGS transportation

⁴ Note: Kansas Gas Service does have a Sales Service for Resale tariff, which, in both “t” and “k” system communities, allows KGS to provide gas to utilities and municipal gas systems for resale outside of KGS’s service territory. Because service is performed under a “sales” tariff, KGS procures gas for these customers and bills them using KGS’s Cost of Gas Rider. KGS’s Wholesale Transportation Service tariff, which allows transportation customers to use a third-party to procure gas for resale outside of KGS’s service territory, is only available in “t” system communities.

1 tariffs that allow third-parties to ship wholesale gas across KGS's *distribution* system for
2 resale outside of KGS's service territory. Therefore, KGS will need to create a tariff to
3 ensure the City of Hesston can continue using its current suppliers even though the AEGS
4 system will be considered a "k" system community. For the ease of administrative
5 efficiency, KGS has agreed to adopt AEGS's current rates and charges for this wholesale
6 tariff. Exhibit 5A contains the proposed Hesston tariff. KGS will update the rates
7 associated with this tariff during KGS's next base rate case.

8 **Q. WHAT IS KGS'S POLICY ON CAPITAL EXPENDITURES?**

9 A. KGS maintains a strong commitment to provide safe, reliable, and affordable natural gas
10 to the communities it serves. KGS will make capital expenditures necessary to meet these
11 commitments. If the AEGS system is acquired by KGS, this commitment would extend to
12 AEGS's former customers.

13 **Q. WILL KGS INFORM AEGS'S CUSTOMERS ABOUT THE ACQUISITION, AS
14 WELL AS THE RATES TO BE CHARGED?**

15 A. Yes. KGS will prepare a customer notification campaign, and coordinate with the
16 Commission's Public Affairs and Consumer Protection Team and other stakeholders on
17 the campaign's content and timing.

18 **Q. HAS KGS PREPARED A SCHEDULE SHOWING A RATE COMPARISON
19 BETWEEN THE RATES CURRENTLY CHARGED BY AEGS AND THOSE
20 CHARGED BY KGS?**

21 A. Yes. Exhibit 5 to the Joint Application is a schedule showing the comparison between the
22 rates currently charged for service by AEGS and the current KGS Commission-approved
23 rates.

V. CONCLUSION

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Q. WHAT DOES YOUR TESTIMONY SHOW?

A. The proposed transaction satisfies all of the Commission’s Merger Standards. Because of this, the Commission should find the proposed transaction is in the public interest and should be approved.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Graham A. Jaynes, being duly sworn upon his oath, deposes and states that he is Supervisor, Rates and Regulatory Department for Kansas Gas Service, a Division of ONE Gas, Inc.; that he has read and is familiar with the foregoing Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.



Graham A. Jaynes

Subscribed and sworn to before me this 5 day of September 2023.



NOTARY PUBLIC

My appointment Expires:

6/5/26



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

In the Matter of the Joint Application of)
American Energies Gas Service,)
LLC/American Energies Pipeline, LLC and)
Kansas Gas Service, a Division of ONE Gas,)
Inc. for an Order Approving the Transfer to)
Kansas Gas Service Certificates of) Docket No. 24-KGSG-____-ACQ
Convenience and Necessity with Respect to)
AEGS's Natural Gas Utility Business and)
AEPL's Pipeline Facilities Located in Harvey,)
Marion and McPherson Counties, Kansas to)
Provide Utility Service and for Other Related)
Relief.

DIRECT TESTIMONY OF

CRYSTAL D. DRUMM

ON BEHALF OF

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.

September 22, 2023

1 **I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE**

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

3 A. My name is Crystal D. Drumm. My business address is 15 E. Fifth Street, Tulsa, Oklahoma.

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

5 A. I am employed by ONE Gas, Inc. (“ONE Gas” or the “Company”), as a Corporate
6 Development Associate.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

9 A. I received a Master of Science Degree in Quantitative Financial Economics from
10 Oklahoma State University in 2012 and a Bachelor of Science Degree in Statistics with
11 minors in Mathematics and Spanish as well as an Honors Degree with International
12 Emphasis from Oklahoma State University in 2008. I began my career with ONE Gas on
13 May 12, 2014, as a Rates Analyst I, where I was responsible for assisting ONE Gas’
14 operating divisions with the review and analysis of company financial data and records. In
15 May 2016, I was promoted to a Rates Analyst II and in April 2018, I was promoted to Rates
16 Specialist in which my responsibilities include calculating, researching, and analyzing
17 accounting related issues, analyzing and preparing studies, reports, and testimony related
18 to cost of service, rate design, alternative ratemaking, and depreciation. In 2020, I
19 transitioned to a Senior Commercial Analyst position and finally in 2022, I was promoted
20 to my current role where I primarily assist with mergers, acquisitions, divestitures, and
21 strategic investments by coordinating all aspects of the deal process, including financial
22 analysis and modeling.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**
2 **CORPORATION COMMISSION (“KCC” OR “COMMISSION”)?**

3 A. Yes. I testified in Kansas Gas Service (“KGS”), a Division of ONE Gas’ 2016 rate case,
4 Docket No. 16-KGSG-491-RTS. A complete list of the dockets in which I have testified
5 is provided as Exhibit CDD-1.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to support the Joint Application in this matter. My
8 testimony discusses the Asset Purchase Agreement (“APA”) and KGS’s request to recover
9 the transaction costs relating to KGS’s purchase of certain assets, operations, and
10 obligations from American Energies Gas Service, LLC and American Energies Pipeline,
11 LLC (collectively referred to in my testimony as “AEGS”). In addition, my testimony
12 provides the pro forma financial information of KGS after the acquisition.

13 **Q. ARE YOU SPONSORING ANY EXHIBITS TO THE JOINT APPLICATION?**

14 A. Yes. I am sponsoring the following Exhibits to the Joint Application:

- 15 • Confidential Exhibit 1 – A list of AEGS’s customers and their addresses,
- 16 • Exhibit 3 – Asset Purchase Agreement,
- 17 • Exhibit 4 – Post Transaction Pro Forma Financial Information for KGS, and
- 18 • Exhibit 6 – A metes and bounds legal description.

19 These exhibits to the Joint Application are adopted by reference and incorporated into my
20 testimony.

21 **II. ASSET PURCHASE AGREEMENT**

22 **Q. CAN YOU DESCRIBE THE PROPOSED TRANSACTION?**

1 A. Yes. AEGS’s public utility operations are regulated by the Commission. On June 22,
2 2023, KGS and AEGS executed an Asset Purchase Agreement (“APA”), which, upon the
3 Commission’s approval, sells and transfers AEGS’s public utility, assets, operations, and
4 responsibilities to KGS. A copy of the APA between KGS and AEGS is attached to the
5 Joint Application as Exhibit 3.

6 **Q. WHAT ASSETS ARE KGS ACQUIRING FROM AEGS?**

7 A. The APA defines which assets are being acquired by KGS, and also makes clear which
8 assets are excluded from the transaction. Generally, the assets to be acquired include
9 AEGS’s:

- 10 1. natural gas gathering, distribution, and transmission pipelines and systems located
- 11 in Harvey County and McPherson County, Kansas;
- 12 2. interests in rights-of-way;
- 13 3. personal property;
- 14 4. assigned contracts;
- 15 5. certificates and permits;
- 16 6. owned real property;
- 17 7. assets which are part of the System Preparation for Sale¹;
- 18 8. customer information; and
- 19 9. books and records.

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22 **Q. WHAT CUSTOMERS CURRENTLY SERVED BY AEGS WILL BE ACQUIRED**
23 **BY KGS?**

24 A. AEGS holds customer-specific certificates of convenience and necessity. Exhibit 1 to the
25 Joint Application details which specific customers will be acquired if the Commission

¹ As defined in the APA.

1 approves the proposed transaction. KGS requests the Commission issue a certificate of
2 convenience and necessity to serve the geographic area where AEGS's customers are
3 currently located. This would allow KGS to add customers to its facilities, the same as its
4 other service territory, without having to seek Commission-authorization for each
5 customer. Exhibit 6 to the Joint Application contains a general metes and bounds legal
6 description of the territory where AEGS's customers are located. As such, KGS requests
7 the Commission authorize it to serve the area shown in Exhibit 6 of the Joint Application.

8 **Q. WHAT ELEMENTS MAKE UP THE PURCHASE PRICE?**

9 A. There are three components to the purchase price: (1) AEGS's existing assets, (2) AEGS's
10 system improvements, and (3) AEGS's Winter Storm Uri costs. Kansas Gas Service will
11 acquire AEGS's and AEPL's assets, including replacements and improvements to them as
12 contemplated by the Asset Purchase Agreement ("APA"), for the net book value of the
13 assets and the improvements. The estimated net book value at close of the existing assets
14 is \$322,340. The net book value or cost of replacing approximately 14 miles of AEPL's
15 pipeline facilities, which will be completed prior to the closing of the transaction, is
16 estimated to be \$547,000. In addition to the net book value of the assets, at closing KGS
17 will pay AEGS the 2021 Winter Weather Event Rider account balance of approximately
18 \$37,000, which represents the remainder of payments to-be-received from certain AEGS
19 customers associated with Winter Storm Uri extraordinary gas costs.

20 **Q. CAN THE PURCHASE PRICE BE ADJUSTED?**

21 A. Yes. Given the significant work being undertaken by AEGS to bring the system up to a
22 condition satisfactory for KGS to take ownership, the transaction is subject to pre- and

1 post-closing adjustments. The adjustments are more fully set out in the APA, and work to
2 ensure the purchase price is reasonable.

3 **Q. HOW WILL THE SALE AND TRANSFER OF AEGS'S UTILITY ASSETS BE**
4 **ACCOMPLISHED?**

5 A. AEGS will transfer its assets to KGS in accordance with the terms of the APA.

6 **Q. WHAT REGULATORY APPROVALS ARE REQUIRED FOR THE**
7 **TRANSACTION CONTEMPLATED BY THE APA?**

8 A. As noted in the APA, the proposed transaction requires the Commission's approval.

9 **III. TRANSACTION COSTS**

10 **Q. IS KGS SEEKING APPROVAL TO RECOVER THE TRANSACTION COSTS**
11 **RELATING TO THIS ACQUISITION?**

12 A. Yes.

13 **Q. HOW IS KGS PROPOSING TO RECOVER THE TRANSACTION COSTS**
14 **RELATING TO THIS ACQUISITION?**

15 A. KGS is seeking permission from the Commission to establish an accounting order that
16 allows it to defer recovery of the transaction costs relating to this acquisition and to seek
17 recovery of these costs in KGS's next rate case filing by amortizing and recovering those
18 costs over a three-year period following the setting of rates in that next rate case. This
19 request mirrors that of prior acquisitions approved by the Commission, including Black
20 Hills Energy's acquisition of Anadarko Natural Gas Company's Hugoton Delivery System
21 in Docket Nos. 13-BHCG-509-ACQ² and 16-BHCG-144-ACQ.³

² Order Approving Joint Application, Docket No. 13-BHCG-509-ACQ (Oct. 3, 2013).

³ Order Approving Transfer of The West HRDS To Black Hills, Docket No. 16-BHCG-144-ACQ (Jun. 7, 2016).

1 **Q. WHY IS KGS SEEKING RECOVERY OF THE TRANSACTION COSTS**
2 **RELATED TO THE PROPOSED ACQUISITION OF THE AEGS PUBLIC**
3 **UTILITY SYSTEM?**

4 A. Transaction costs are prudently incurred costs necessary to execute the transaction. If the
5 Commission determines the proposed transaction is in the public interest, the costs
6 necessary to complete the transaction should be able to be recovered.

7 **Q. WHAT COSTS ARE INCLUDED IN KGS'S TRANSACTION COSTS?**

8 A. At this time, there are two primary categories of Transaction Costs – legal fees and safety-
9 related expenses. Legal fees include costs paid to outside attorneys to prepare the Asset
10 Purchase Agreement, regulatory filings such as the Joint Application, exhibits, and
11 supporting testimony submitted in this proceeding. Safety-related fees include the costs to
12 pressure test AEGS's transmission assets and perform a leak survey over the entire AEGS
13 system.

14 **Q. WHAT ARE THE CURRENT TRANSACTION COSTS?**

15 A. At the time this Joint Application was filed, KGS had incurred \$43,600 in legal fees and
16 \$0 in safety-related expenses since those costs will occur after KGS takes ownership of the
17 assets.

18 **Q. IS THIS THE TOTAL AMOUNT OF TRANSACTION COSTS KGS ANTICIPATES?**

19 A. No. As the docket progresses, KGS expects to incur additional Transaction Costs.

20 **Q. HAS KGS ESTIMATED WHAT ITS TRANSACTION COSTS WILL BE?**

21 A. Yes. KGS estimates the total amount of Transaction Costs to acquire the AEGS system
22 will be approximately \$113,000, broken down as \$56,000 in legal fees and \$57,000 in

1 safety-related expenses. KGS will submit a report to the Commission once all Transaction
2 Costs have become known and final.

3 **IV. PRO FORMA FINANCIAL INFORMATION AFTER ACQUISITION**

4 **Q. WILL THE PROPOSED TRANSACTION BE BENEFICIAL TO THE**
5 **SHAREHOLDERS OF ONE Gas?**

6 A. Yes. ONE Gas expects to earn a reasonable return on its investment in the assets of AEGS.

7 **Q. HAS KGS PREPARED PRO FORMA FINANCIAL STATEMENTS TO REFLECT**
8 **THE FINANCIAL CONDITION OF KGS AFTER THE CLOSING OF THE**
9 **PROPOSED TRANSACTION?**

10 A. Yes. The income statement impact of the proposed transaction is included in Exhibit 4 to
11 the Joint Application, which I am sponsoring. As shown in Exhibit 4, the proposed
12 transaction generates negative net income while the Transaction Costs are expensed over
13 the three-year period. However, once KGS expenses its Transaction Costs the proposed
14 transaction generates positive net income. This shows the proposed transaction will be
15 beneficial to KGS's shareholders, which satisfies one of the Commission's Merger
16 Standards.

17 **Q. ARE THERE ANY FACTORS THAT MAY INFLUENCE TRANSACTION COSTS**
18 **AND THEIR IMPACT ON NET INCOME?**

19 A. Yes. The largest factor in this case is the inclusion of safety-related costs in the requested
20 regulatory asset. Historically, the costs to initially pressure test facilities are capitalized at
21 the time the facilities are placed into service. However, since KGS is acquiring AEGS's
22 assets *after* their installation, these costs were included in KGS's requested regulatory
23 asset. If the costs related to KGS's initial pressure test of AEGS system are capitalized,

1 that will reduce the requested regulatory asset, thereby increasing net income. A second
2 factor is how long Transaction Costs are expensed. If KGS were allowed to recover its
3 Transaction Costs over a five year period, that would reduce the amount of Transaction
4 Costs recovered every year which would increase net income. Assuming both the legal
5 and safety-related Transaction Costs are included in the requested regulatory asset and
6 expensed over five years, the proposed transaction would generate positive net income.

7 **V. CONCLUSION**

8 **Q. WHAT DOES YOUR TESTIMONY SHOW?**

9 A. The proposed transaction is based on prudently incurred transaction costs which KGS
10 should be allowed to recover. In addition, the proposed transaction is beneficial to ONE
11 Gas' shareholders, which shows the effect on ONE Gas' shareholders as required by part
12 (e) of the Commission's Merger Standards. Because of this, the Commission should find
13 the proposed transaction is in the public interest and should be approved.

14 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

15 A. Yes, it does.

CRYSTAL D. DRUMM (TURNER) – LIST OF PRIOR TESTIMONY

Line	Jurisdiction	Docket	Company	Year
1	Oklahoma Corporation Commission	Cause No. PUD 201500213	Oklahoma Natural Gas	2015
2	Kansas Corporation Commission	Docket No. 16-KGSG- 491-RTS	Kansas Gas Service	2016
3	Oklahoma Corporation Commission	Cause No. PUD 201700079	Oklahoma Natural Gas	2017
4	Municipalities of Rio Grande Valley		Texas Gas Service	2017
5	Oklahoma Corporation Commission	Cause No. PUD 201800028	Oklahoma Natural Gas	2018
6	Railroad Commission of Texas	Gas Utilities Docket No. 10766	Texas Gas Service	2018
7	Oklahoma Corporation Commission	Cause No. PUD 201900018	Oklahoma Natural Gas	2019
8	Kansas Corporation Commission	Docket No. 19-EPDE- 223-RTS	Kansas Gas Service (Responsive Testimony)	2019
9	Railroad Commission of Texas	Gas Utilities Docket No. 10928	Texas Gas Service	2020

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

In the Matter of the Joint Application of)
American Energies Gas Service,)
LLC/American Energies Pipeline, LLC and)
Kansas Gas Service, a Division of ONE Gas,)
Inc. for an Order Approving the Transfer to)
Kansas Gas Service Certificates of) Docket No. 24-KGSG-____-ACQ
Convenience and Necessity with Respect to)
AEGS's Natural Gas Utility Business and)
AEPL's Pipeline Facilities Located in Harvey,)
Marion and McPherson Counties, Kansas to)
Provide Utility Service and for Other Related)
Relief.

DIRECT TESTIMONY OF

KENNETH R. SMITH M. JAYNES

ON BEHALF OF

AMERICAN ENERGIES GAS SERVICE, LLC AND

AMERICAN ENERGIES PIPELINE, LLC (AEPL)

September 22, 2023

1 **I. INTRODUCTION AND SUMMARY**

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

3 A. My name is Kenneth R. Smith. My business address is 1020 East Levee Street, Dallas,
4 Texas 75207.

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

6 A. I am Executive Vice President for American Energies Gas Service, LLC (AEGS) and
7 American Energies Pipeline, LLC (AEPL).

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. I provide a description of AEGS's natural gas utility operations in Kansas. I provide a
10 description of AEPL's gas gathering system operations in Kansas. I provide testimony as
11 to the sale of the assets of AEGS and AEPL to Kansas Gas Service, including testimony
12 relating to AEPL's agreement to replace portions of its pipeline prior to the closing of the
13 sale of assets to Kansas Gas Service and AEGS's conversion of five residential customers
14 to alternative fuel. I explain why AEGS and AEPL are selling their respective assets to
15 Kansas Gas Service and why the transaction will benefit AEGS's customers, is in the
16 public interest and should be approved by the Kansas Corporation Commission
17 (Commission).

18 **II. DESCRIPTION OF AEGS' NATURAL GAS UTILITY OPERATIONS AND**
19 **AEPL'S GATHERING SYSTEM**

20 **Q. CAN YOU PROVIDE A GENERAL DESCRIPTION OF AEGS' NATURAL GAS**
21 **UTILITY OPERATIONS AND AEPL'S NATURAL GAS GATHERING SYSTEM**
22 **OPERATIONS THAT ARE BEING SOLD TO KANSAS GAS SERVICE?**

23 A. Yes. AEGS is a Kansas limited liability company with its principal offices and place of
24 business in Kansas located at 136 N. Main Street, Canton, Kansas 67428. AEGS holds

1 customer specific certificates of convenience and necessity issued by the Commission to
2 provide natural gas service to residential and commercial customers in Harvey,
3 McPherson and Marion Counties, in Kansas and to provide wholesale gas transportation
4 service to the City of Hesston, Kansas. AEGS currently provides natural gas service to
5 approximately 200 customers.

6
7 AEGS is operated by AEPL pursuant to an Operational Services Agreement approved by
8 the Commission. AEGS also purchases its natural gas from AEPL pursuant to a Natural
9 Gas Sales Agreement approved by the Commission. AEGS and AEPL are affiliated
10 companies. AEGS is owned by Trek AEC, LLC and AEPL is owned by Trek AEC, LLC
11 and Trek SOC, LLC, both being Texas limited liability companies with their principal
12 offices located in Dallas, Texas. Both Trek AEC, LLC and Trek SOC, LLC are partially
13 owned by Trek Resources, Inc., a privately held Delaware corporation with its principal
14 offices also located in Dallas, Texas (collectively Trek). Trek Resources, Inc. owns and
15 operates a diversified portfolio of energy assets, including exploration and production
16 operations primarily in Kansas, Texas, Louisiana and Oklahoma. AEGS and AEPL were
17 acquired by Trek in 2012. Trek's acquisition of AEGS and AEPL was approved by the
18 Commission in Docket No. 12-AEGS-913-ACQ (2012). AEGS's natural gas utility
19 operations in Kansas is the only utility operations owned and operated by Trek.

20 **III. PROPOSED SALE OF AEGS AND AEPL ASSETS TO KANSAS GAS**
21 **SERVICE**

22 **Q. WOULD YOU PLEASE DESCRIBE THE DIVESTITURE BY AEGS AND AEPL**
23 **OF ITS ASSETS TO KANSAS GAS SERVICE.**

24 **A.** The specific terms and conditions in which AEGS and AEPL have agreed to divest their

1 respective assets relating to the natural gas utility operations in Kansas to Kansas Gas
2 Service are set forth in the Asset Purchase Agreement dated June 22, 2023, (APA).
3 AEGS and AEPL are selling their respective assets to Kansas Gas Service at the net book
4 value of those assets. There is no acquisition premium being paid in the transaction. An
5 important part of the transaction included AEPL's agreement to replace approximately 14
6 miles of PVC pipe prior to the closing of the transaction. Kansas Gas Service was
7 unwilling to enter into the transaction unless such improvements were made to the pipe
8 that is used to distribute natural gas to AEGS's utility customers. As part of the purchase
9 price under the APA, Kansas Gas Service will pay the actual cost incurred by AEPL in
10 replacing the pipe. Kansas Gas Service will also reimburse AEGS the remaining amount
11 of gas cost previously paid by AEGS during Storm Uri for its customers and Kansas Gas
12 Service will continue to collect that amount from AEGS's customers under AEGS's
13 Winter Weather Event Rider. That amount is roughly \$37,000. Upon acquisition of the
14 natural gas utility, the current Operational Services Agreement and Gas Supply
15 Agreement will be terminated, Kansas Gas Service will begin providing customers with
16 service and pipeline quality natural gas supplies, and AEGS will exit the utility
17 business.

18 **Q. WHY IS AEGS SEEKING TO SELL ITS NATURAL GAS UTILITY BUSINESS**
19 **TO KANSAS GAS SERVICE?**

20 A. For several years, the owners of AEGS and AEPL have been in discussions with the other
21 natural gas utilities that operate in Kansas to determine whether they would be interested
22 in acquiring the natural gas utility business. As I mentioned above, AEGS's natural gas
23 utility business is the only utility operated by Trek and Trek Resources, Inc. and was

1 acquired as part of a larger transaction involving the purchase of oil and gas properties,
2 which is Trek Resources, Inc.'s primary business. Therefore, the utility business is not a
3 strategic fit with Trek Resources, Inc.'s portfolio. Given the relatively small size of the
4 utility (around 200 customers) and lack of synergies and economies of scale due to that
5 small size, coupled with using a pipeline system that was constructed to primarily
6 function as a gas gathering system to deliver natural gas from wells to a natural gas
7 processing plant to also simultaneously distribute natural gas to utility customers, and
8 further coupled with dealing with both an aging pipeline system and depleting natural gas
9 supplies, AEGS has had real concerns about its ability to continue to provide efficient
10 and sufficient natural gas utility service to its customers at a reasonable rate. In the
11 discussions with the other natural gas utilities, the primary concern was the physical
12 condition of portions of the gas gathering system being used to distribute gas to the utility
13 customers and the failure of that gas gathering pipeline to meet the standards required by
14 those distribution companies. AEGS and AEPL were able to address that hurdle in the
15 proposed transaction with Kansas Gas Service by agreeing to identify and replace those
16 portions of the AEPL gas gathering system that were of concern prior to the closing of
17 the transaction in exchange for Kansas Gas Service reimbursing AEPL its actual
18 cost to replace that part of its pipeline at closing. AEGS has also agreed to pay
19 to convert five current residential customers to an alternative fuel since it was
20 uneconomical to replace that portion of the AEPL gas gathering system used to
21 serve those five customers. Also, Kansas Gas Service plans to replace the depleting
22 gas supply from the local wells that AEPL sells to AEGS to supply to the utility
23 customers with pipeline quality natural gas supplies If the transaction is approved

1 by the Commission and the closing occurs, then AEGS will have fulfilled its
2 obligations and responsibilities to its utility customers by leaving them in good
3 hands with a well-qualified owner and operator and exiting the natural gas utility
4 business knowing that such as occurred.

5 **Q. WHAT IS THE STATUS OF AEPL'S REPLACEMENT OF THE 14 MILES OF**
6 **PVC PIPE REQUIRED UNDER THE APA?**

7 A. AEPL has replaced 4 1/2 miles of pipe as of August 11, 2023. It anticipates replacing the
8 remaining 9 1/2 miles of pipe by no later than November 10, 2023, weather permitting.

9 **Q. WILL THE SALE OF THE NATURAL GAS UTILITY BUSINESS BENEFIT**
10 **AEGS' CUSTOMERS?**

11 A. Kansas Gas Service will have the synergies and economies of scale to use to
12 provide and maintain sufficient and efficient service to AEGS's customers at
13 reasonable rates that AEGS and AEPL lack. AEGS's customers will clearly
14 benefit from being part of the largest natural gas utility operating in Kansas.
15 Kansas Gas Service also currently serves customers nearby and can use existing
16 employees in the area to maintain and operate the system used to serve AEGS's
17 customers without incurring any significant additional operating costs. Kansas Gas
18 Service will be able to obtain a more reliable gas supply for AEGS's customers by
19 replacing the depleting gas supply from the local wells that AEPL sells to AEGS with
20 pipeline quality gas.

21 **Q. WHAT WILL HAPPEN TO THE TREK EMPLOYEES WHO CURRENTLY**
22 **TAKE CARE OF THE UTILITY OPERATIONS OF AEGS?**

23 A. They will be retained by Trek Resources, Inc. and assigned to the company's oil and gas

1 exploration and production operations in Kansas.

2 **Q. IS THE SALE OF THE NATURAL GAS UTILITY BUSINESS IN THE BEST**
3 **INTEREST OF BOTH COMPANIES AND THE AEGS'S CUSTOMERS?**

4 A. For all of the reasons that I have previously mentioned, the sale of the natural gas utility
5 business is in the best interest of AEGS's customers and both companies. Trek Resources,
6 Inc. is primarily focused on and engaged in the exploration and production of oil and
7 natural gas. In contrast, Kansas Gas Service is a public utility that already provides
8 natural gas service to nearly 650,000 customers in Kansas. Kansas Gas Service has the
9 financial strength to operate AEGS's utility business. Kansas Gas Service possesses
10 extensive experience in supplying natural gas to customers in rural areas throughout
11 Kansas. As more fully described in the Direct Testimony of Graham Jaynes and Crystal
12 Drumm the sale of the natural gas utility business is an excellent opportunity for both
13 companies and will provide the customers benefits that they would not otherwise receive.

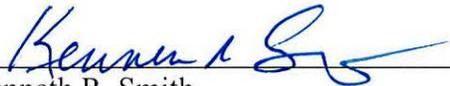
14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 A. Yes.

VERIFICATION OF KENNETH R. SMITH

STATE OF TEXAS, COUNTY OF DALLAS, ss:

I, Kenneth R. Smith, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing Direct Testimony; that I have read the testimony and am familiar with its contents; and that the facts set forth therein are true and correct.


Kenneth R. Smith

SUBSCRIBED AND SWORN to before me this 15 day of August, 2023.


Notary Public

Appointment/Commission Expires:

