

In the Matter of the Application of)
Kansas Gas Service, A Division)
of ONEOK, Inc. for Adjustment of) DOCKET NO. 06-KGSG-____-RTS
its Natural Gas Rates in the State)
of Kansas)

STATE CORPORATION COMMISSION

MAY 15 2006

 Docket
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DIRECT TESTIMONY
OF
RICHARD H. TANGEMAN
ON BEHALF OF
KANSAS GAS SERVICE
A DIVISION OF ONEOK, INC

DIRECT TESTIMONY
OF
RICHARD H. TANGEMAN
KANSAS GAS SERVICE
DOCKET NO. 06-KGSG-____-RTS

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

2 A. My name is Richard H. Tangeman. My business address is 7421 W. 129th Street,
3 Overland Park, Kansas 66213.

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

5 A. I am employed by Kansas Gas Service, a division of ONEOK, Inc. (Kansas Gas
6 Service), as Director, FERC Regulatory & Strategy.

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

9 A. I graduated from Kansas State University in 1972 with a Bachelor of Science degree
10 in Mechanical Engineering. I began my employment with The Kansas Power and
11 Light Company in 1972 in an engineering function. I have worked in various areas of
12 engineering, operations and gas supply. I assumed my current responsibilities and
13 title in November 1997 with the sale of Western Resources, Inc.'s gas properties to
14 ONEOK, Inc. and added some rates responsibility on January 1, 2006.

15 **Q. HAVE YOU EVER TESTIFIED BEFORE ANY REGULATORY COMMISSION?**

16 A. Yes. I have submitted testimony in proceedings before the Kansas Corporation
17 Commission, the Federal Energy Regulatory Commission and the Missouri Public
18 Service Commission. I most recently filed testimony in proceedings before this
19 Commission in Docket No. 05-KGSG-580-HED.

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

2 A. My testimony addresses the current status and proposed rate treatment of certain
3 Mid Continent Market Center (MCMC) assets transferred to Kansas Gas Service in
4 2002 pursuant to Commission authorization in Docket No. 02-KGSG-495-MER.

5 Q. **WHAT IS THE CURRENT RATE TREATMENT OF THE MCMC ASSETS?**

6 A. In Kansas Gas Service's last rate case, Docket No. 03-KGSG-602-RTS (the 602
7 Docket), the Commission approved terms of a Stipulated Settlement Agreement that
8 permitted Kansas Gas Service to recover depreciation expense and ad valorem
9 taxes on all MCMC assets, but allowed no return on or recovery of O&M expenses
10 for certain of the transferred assets.

11 Q. **PLEASE IDENTIFY THE ASSETS WHICH RECEIVED SUCH RATE TREATMENT.**

12 A. These assets and their installed costs are listed in Table 1 below. The assets were
13 identified in paragraph 12 of the Stipulated Settlement Agreement. Their installed
14 costs were provided in the Rebuttal Testimony of Bradley O. Dixon filed in the 602
15 Docket.

Table 1	
ANR Compressor Station and Interconnect	\$ 2,693,156
12" pipeline – Mullinville to ANR	\$ 420,537
12" pipeline – Satanta outlet west	\$ 501,301
Bushton Compressor Station and Interconnect	\$ 5,623,190
24" pipeline – Hutchinson to Yaggy	\$ 3,334,312
20" pipeline – Yaggy to Bushton	\$ 9,189,361
20" pipeline – KMIGT Satanta to mainline	\$ 41,774
ANR Alden Interconnect	\$ 306,254

16 Q. **WOULD YOU EXPLAIN THE STATUS OF THE ASSETS LISTED ABOVE?**

17 A. The Mullinville to ANR 12" pipeline connects the Kansas Gas Service transmission
18 line to the ANR Compressor Station and Interconnect and the ANR Compressor
19 Station in turn delivers the gas to ANR. During the test period, 121,153 dth of gas
20 were delivered to ANR for customers.

1 Q. PLEASE CONTINUE.

2 A. The Bushton Compressor Station and Interconnect were designed to deliver gas to
3 either Northern Natural Gas Company (NNG) or to the Bushton extraction plant.
4 During the test period, 945,787 dth of gas was delivered to either NNG or the
5 Bushton plant for customers.

6 Q. WHAT IS THE STATUS OF THE YAGGY TO BUSHTON PIPELINE?

7 A. In November 2004, an interconnect with Southern Star Central Gas Pipeline (SSC)
8 was made where the 20" Yaggy to Bushton line crosses the SSC Rawlins-Hesston
9 line near the Alden Gas Storage field. This interconnect receives all the Alden
10 Storage withdrawal contracted from SSC, all of the system supply gas delivered off
11 of SSC, and all of the third party marketer gas supplied from SSC for transport to
12 existing customers. Total volume received at the SSC interconnect during the test
13 period was 4,277,891 dth for LDC customers and 118,613 dth for off-system
14 transport.

15 The new SSC interconnect replaces an old interconnect with SSC that was
16 located in the city of Hutchinson at G Street and Halsted. Gas from the old
17 interconnect was carried south through Hutchinson in a 1929-vintage pipeline
18 running through a U.S. Department of Transportation "high consequence"
19 classification area plus a river crossing. The new interconnect allows elimination of
20 the higher maintenance expenses for pipeline in a high consequence area and an
21 increase in maximum allowable operating pressure for that portion of the
22 transmission system, which increases system reliability.

23 Q. HOW IS THE 24" YAGGY TO HUTCHINSON PIPELINE NOW USED?

24 A. It is being used to carry gas supply for our LDC customers. The 24" pipeline from
25 Yaggy to Hutchinson is a part of the system that carries gas from the SSC Alden
26 interconnect to the main transmission system at Hutchinson.

1 **Q. WHAT IS THE STATUS OF THE KINDER MORGAN INTERSTATE GAS**
2 **TRANSMISSION (KMIGT) SATANTA TO MAINLINE PIPELINE IDENTIFIED IN**
3 **TABLE 1?**

4 A. First I should note that this 20" pipeline runs from the Bushton Compressor Station to
5 the Kinder Morgan extraction plant at Bushton. It was misidentified as the "KMIGT
6 Satanta to mainline" pipeline in the Stipulated Agreement in the 602 Docket. This
7 pipeline's use is related to the Bushton Compressor Station and Interconnect I
8 previously described.

9 **Q. PLEASE DESCRIBE THE USE OF THE REMAINING ASSETS**

10 A. The 12" pipeline – Satanta outlet west -- is installed from the outlet of the Pioneer
11 natural gas liquids extraction plant near Satanta to existing pipelines west of the
12 Pioneer plant. Installation of the line allows pipeline quality gas to be delivered to
13 customers located west of the Pioneer plant. Among customers west of the Pioneer
14 plant are three Atmos delivery points from which Atmos distributes gas to irrigation
15 customers. During the test period, the volume delivered to LDC customers was
16 1,012,484 dth and the volume delivered to off-system customers was 6,698,005 dth.
17 Total revenues for the volumes transported were \$401,730.

18 Finally, the ANR Alden Interconnect has been removed from service.

19 **Q. DO YOU HAVE ANY RECOMMENDATIONS FOR THE RATE TREATMENT OF**
20 **THESE ASSETS?**

21 A. Yes. The 24" Hutchinson to Yaggy Pipeline, the 20" Yaggy to Bushton Pipeline, and
22 the 12" Satanta outlet west pipeline are being used to transport gas for LDC
23 customers. Those assets should be included in rate base and Kansas Gas Service
24 should be allowed to recover a return on their net book value and associated
25 expenses. As noted above, the ANR Alden Interconnect has been removed from
26 service and so there should be no recovery of or on that asset.

1 **Q. WHAT ARE YOUR RECOMMENDATIONS ON THE REMAINING ASSETS?**

2 A. There should be no change from the treatment provided in the Stipulated Settlement
3 Agreement and approved by the Commission in the 602 Docket for the following
4 assets: the ANR Compressor Station and Interconnect, the Bushton Compressor
5 Station and Interconnect, the 20" pipeline running from the Bushton Compressor
6 Station to the KMIGT extraction plant at Bushton (misidentified as the KMIGT
7 Satanta to mainline pipeline), and the 12" Mullinville to ANR pipeline. Kansas Gas
8 Service should continue to recover only depreciation expense and ad valorem taxes
9 on these assets. The Company will not receive a return on these assets, nor recover
10 O&M expenses associated with them. Adjustment Nos. PLT 5, ADA 3 and IS 25,
11 sponsored by Company witness Don Whitlock, reflect the proposed ratemaking
12 treatment for these assets.

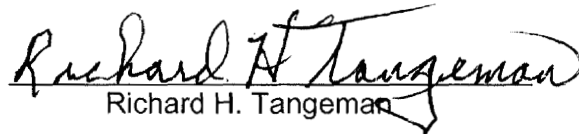
13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Richard H. Tangeman, being duly sworn upon his oath, deposes and states that he is Director, FERC Regulatory and Strategy for Kansas Gas Service, a division of ONEOK, Inc.; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.


Richard H. Tangeman

Subscribed and sworn to before me this 9 day of May, 2006.


NOTARY PUBLIC

My appointment Expires:

9/28/08

