

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

Before Commissioners: Andrew J. French, Chairperson
Dwight D. Keen
Annie Kuether

In the Matter of the Application of Kansas)
Gas Service, a Division of ONE Gas, Inc. for) Docket No. 24-KGSG-610-RTS
Adjustment of its Natural Gas Rates in the)
State of Kansas.)

ORDER APPROVING UNANIMOUS SETTLEMENT AGREEMENT
(Public Exhibits Version)

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings:

1. On March 1, 2024, Kansas Gas Service, a Division of ONE Gas, Inc. (KGS) filed an Application to change rates and tariffs.¹ KGS explains in the five years since its last rate case, it has invested roughly \$600 million in capital expenditures necessary to provide safe and reliable natural gas to its customers.² This investment, in addition to rising Operations and Maintenance (O&M) costs, led KGS to seek a net \$58.1 million increase in base rates.³ After rebasing \$35 million currently collected through the Gas System Reliability Surcharge (GSRS), the total increase to base rates requested by KGS is \$93.1 million.⁴ If granted, an average residential customer's bill would increase \$7.87 per month (net of the current GSRS).⁵

¹ Application to Change Rates and Tariffs (Application), Mar. 1, 2024.

² *Id.*, ¶ 3.

³ *Id.*

⁴ *Id.*

⁵ Direct Testimony of Sean C. Postlethwait, Mar. 1, 2024, p. 3.

2. In addition, KGS seeks to: (1) implement an A/B rate plan for residential customers to provide customers more options to control their bills; (2) allow recovery of 50% of financially based incentives awarded to officers and executives in rates; and (3) use a performance-based ratemaking mechanism, the Annual Performance-based Rate Adjustment, (APRA) to annually adjust rates.⁶ KGS' Application is supported with testimony from 14 witnesses.⁷

3. KGS explains its proposed A/B residential rate plan provides customers of all income ranges another tool to help control their utility bills.⁸ Under the proposed plan, residential customers who use less than the average amount of natural gas would be placed on the "A" plan, which has a lower fixed monthly charge and a higher volumetric charge.⁹ Residential customers who use more than the average amount of natural gas would be placed on the "B" plan, which has a higher monthly service charge and a lower volumetric charge.¹⁰ KGS would give residential customers the option to switch rate plans once every twelve months.¹¹

4. The Commission has jurisdiction to supervise and control natural gas public utilities, as defined in K.S.A. 66-1,200, doing business in Kansas,¹² including the power to require all jurisdictional natural gas utilities to establish and maintain just and reasonable rates.¹³

5. Notice of the proposed rate increase, public hearings, and evidentiary hearing was provided by a bill insert with the monthly billing statement for each customer in KGS' service territory and by electronic mail to those customers who receive their bill by electronic mail.¹⁴ One week prior to the public hearing, KGS sent a reminder via postcard for customers receiving paper

⁶ Application, ¶ 4.

⁷ *Id.*, ¶ 5.

⁸ *Id.*, ¶ 9.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² K.S.A. 66-1,201.

¹³ K.S.A. 66-1,202.

¹⁴ Affidavit of Mailing, Publication and Electronic Service, June 7, 2024, ¶¶ 2, 4.

bills and by email for customers who receive their bill electronically.¹⁵ The Commission received comments from the public in two public hearings: on June 13, 2024, in Topeka, and on June 17, 2024, in Wichita. The Commission also received 835 public comments through its Office of Public Affairs and Consumer Protection.¹⁶ The Commission issues this Order with due consideration of those comments.

6. On July 1, 2024, Staff filed direct testimony from eleven witnesses and Citizens' Utility Ratepayer Board (CURB)¹⁷ filed direct testimony from five witnesses. While KGS requests an overall base revenue requirement increase of \$93.1 million, with the net impact to customers equating to \$58.1 million after rebasing the amount currently collected from customers through the GSRS,¹⁸ Staff recommends a revenue requirement increase of \$66.72 million, a net increase to ratepayers of \$31.69 million.¹⁹ After rolling in \$35,029,489 currently being collected in the GSRS, CURB recommends a net revenue increase of \$10,770,305.²⁰

7. Both Staff and CURB oppose KGS' proposal to implement an A/B residential rate structure.²¹ Likewise, both Staff and CURB oppose KGS' request to implement the APRA, a performance-based ratemaking mechanism to annually adjust rates.²²

8. On July 17, 2024, Dr. Lana J. Ellis, Ph.D., filed Cross Answering Testimony on behalf of Staff, to address CURB's discussion of residential customer bill impacts of KGS'

¹⁵ *Id.*, ¶¶ 3-4.

¹⁶ The public comments were entered into the record by the Presiding Officer filing Notice of Filing of Public Comments on August 8, 2024.

¹⁷ CURB was granted intervention on March 12, 2024.

¹⁸ Direct Testimony of Katie L. Figgs (Figgs Direct), July 1, 2024, p. 8.

¹⁹ *Id.*, p. 9.

²⁰ Direct Testimony of Andrea C. Crane (Crane Direct), July 1, 2024, p. 9.

²¹ Direct Testimony of Lana J. Ellis, Ph.D., July 1, 2024, p. 17; Direct Testimony of Glenn A. Watkins. July 1, 2024, p. 47.

²² Crane Direct, p. 9, Direct Testimony of Chad Unrein, July 1, 2024, p. 57.

proposed A/B rate design and offer Staff’s methodology for calculating residential customer bill impacts of KGS’ and Staff’s proposed rate designs.²³

9. On July 22, 2024, KGS filed rebuttal testimony from 11 witnesses.

10. On August 2, 2024, KGS, Commission Staff (Staff), CURB, and WoodRiver Energy, LLC (WoodRiver),²⁴ the only parties in this Docket, filed a Joint Motion to Approve Settlement Agreement. Among the major elements of the Unanimous Settlement Agreement (Settlement Agreement), which is attached as Attachment A and incorporated by reference:

- The Parties agree to an overall annual increase in base rates of \$70,000,000, which includes \$35,029,489 related to rebasing GSRS surcharge revenues,²⁵
- KGS withdraws its proposed Annual Performance-Based Rate Adjustment (APRA),²⁶ and
- KGS withdraws its proposed A/B rate structure for residential customers.²⁷

11. Pursuant to K.A.R. 82-1-230a, the Settlement Agreement is considered a “unanimous settlement agreement.” Therefore, there is no need to apply the five-factor test.²⁸ Instead, the Commission reviews the record to determine whether the Unanimous Settlement Agreement is supported by substantial competent evidence in the record as a whole, will result in just and reasonable rates, and is in the public interest.

12. On August 9, 2024, testimony in support of the settlement was filed by Lorna Eaton on behalf of KGS, Andrea C. Crane on behalf of CURB, Chad Unrein on behalf of Staff.

²³ Cross Answering Testimony of Lana J. Ellis, Ph.D, July 17, 2024, p. 1.

²⁴ WoodRiver was granted intervention on March 28, 2024.

²⁵ Unanimous Settlement Agreement, Aug. 2, 2024, ¶ 9.

²⁶ *Id.*, ¶ 12.

²⁷ *Id.*

²⁸ *See* Order Approving Contested Settlement Agreement, Docket No. 08-ATMG-280-RTS, May 12, 2008, ¶¶ 9-10.

13. On August 13, 2024, the Commission held a hearing on the proposed Unanimous Settlement Agreement. The Parties appeared by counsel and each party submitted prefiled testimony. The Commission heard live testimony from Lorna Eaton on behalf of KGS, Andrea C. Crane on behalf of CURB, and Chad Unrein on behalf of Staff. The witnesses were cross-examined by the Commission, and the parties were given the opportunity for redirect examination.

14. In determining rates, the Commission first establishes a revenue requirement and then designs a rate structure.²⁹ The revenue requirement includes rate base, operating expenses, and rate of return.³⁰ The rate of return is simply an opportunity to earn that rate, not a guarantee. Rate design includes allocating costs among and within the customer classes.

15. In setting rates, the Commission's goal is to balance the interests of all concerned parties and develop a rate within the "zone of reasonableness."³¹ The parties whose interests must be considered and balanced include: (1) the utility's investors vs. the ratepayers; (2) present vs. future ratepayers; and (3) the public interest.³²

16. In allocating the revenue requirement among the customer classes, the Commission follows cost causation principles,³³ so "that one class of consumers shall not be burdened with costs created by another class."³⁴

17. The law generally favors compromise and settlement of disputes between parties when they enter into an agreement knowingly and in good faith to settle the dispute.³⁵ When approving a settlement, the Commission must make an independent finding that the settlement is

²⁹ *Kansas Gas & Elec. Co. v. Kansas Corp. Comm'n*, 239 Kan. 483, 500 (1986).

³⁰ *Id.* at 500-01.

³¹ *Id.* at 488-89.

³² *Id.* at 488.

³³ See Order on Petitions for Reconsideration and Clarification, ¶¶ 14-15, Docket No. 05-WSEE-981-RTS (Feb. 13, 2006).

³⁴ *Jones v. Kansas Gas & Elec. Co.*, 222 Kan. 390, 401 (1977).

³⁵ *Krantz v. Univ. of Kansas*, 271 Kan. 234, 241-42 (2001).

supported by substantial competent evidence in the record as a whole, establishes just and reasonable rates, and is in the public interest.³⁶

18. Substantial competent evidence possesses something of substance and relevant consequence, which furnishes a substantial basis of fact to reasonably resolve the issues.³⁷ Whether another trier of fact could have reached a different conclusion given the same facts is irrelevant; a court can only find that a Commission decision is not supported by substantial competent evidence when the evidence shows “the [Commission’s] determination is so wide of the mark as to be outside the realm of fair debate.”³⁸ The Signatories agree the Settlement Agreement is supported by substantial competent evidence.³⁹ The record in this Docket is extensive, and includes hundreds of pages of testimony, hundreds of pages of work papers, and hundreds of data requests.⁴⁰ Staff and CURB used information provided in discovery to develop a comprehensive understanding of KGS’ operations, and to develop their respective positions.⁴¹

19. There was a voluminous amount of data used to develop each position.⁴² Staff explains it vigorously analyzed KGS’ Application and formed its own conclusions, which were present in its direct testimony.⁴³ The Agreement is supported by KGS’ Application, plus direct testimony from fourteen (14) KGS witnesses accompanying its Application, eleven (11) Staff witnesses and five (5) CURB witnesses, and rebuttal testimony of eleven (11) KGS witnesses.⁴⁴

³⁶*Citizens’ Util. Ratepayer Bd. v. Kansas Corp. Comm’n*, 28 Kan. App. 2d 313, 316 (2000), *rev denied* March 20, 2001.

³⁷*Farmland Indus., Inc. v. Kansas Corp. Comm’n*, 25 Kan.App.2d 849, 852 (1999).

³⁸*Id.* at 851.

³⁹ Joint Motion to Approve Unanimous Settlement Agreement, Aug. 2, 2024, ¶ 13.

⁴⁰ Transcript of Hearing on Settlement, Aug. 13, 2024, p. 11.

⁴¹ Joint Motion to Approve Unanimous Settlement Agreement, ¶ 13.

⁴² *Id.*

⁴³ Testimony in Support of Unanimous Settlement Agreement of Chad Unrein (Unrein Supporting Testimony), Aug. 9, 2024, p. 15.

⁴⁴ Testimony of Lorna M. Eaton in Support of the Unanimous Settlement Agreement (Eaton Supporting Testimony), Aug. 9, 2024, p. 7.

These filed positions represent a substantial body of evidence for the Commission to rely on to evaluate the proposed Unanimous Settlement Agreement.⁴⁵ There is extensive testimony representing the myriad interests participating in this Docket. Having reviewed the record as a whole, the Commission finds the Unanimous Settlement Agreement is supported by substantial competent evidence.

20. Every natural gas public utility in Kansas is required to provide reasonably efficient and sufficient service and establish just and reasonable rates.⁴⁶ Under Kansas Supreme Court precedent, rates must fall within a “zone of reasonableness” which balances the interests of investors versus ratepayers, present versus future ratepayers, and the public interest.⁴⁷ The Signatories agree the Settlement Agreement results in reasonable rates.⁴⁸ After rebasing the GSRS, the average residential customer will experience a rate increase of approximately \$3.83 per month or \$46.02 per year.⁴⁹

21. Crane notes the percentage of the base revenue increase allocated to residential customers is significantly less than what KGS proposed in its Application.⁵⁰ Eaton explains the Settlement Agreement represents a negotiated compromise that falls within the zone of reasonableness.⁵¹ Unrein testifies that agreed upon revenue requirement increase strikes the proper balance between KGS’ desire for reasonable assurances that it will meet its financial obligations and the need to keep rates as low as possible for customers, while still providing reliable natural gas distribution service.⁵² According to Unrein, the agreed upon rate increase accurately reflects

⁴⁵ See Unrein Testimony in Support, p. 15.

⁴⁶K.S.A. 66-1,202.

⁴⁷*Kansas Gas*, 239 Kan. at 488.

⁴⁸ Joint Motion to Approve Unanimous Settlement Agreement, ¶¶ 16-18.

⁴⁹ Unrein Supporting Testimony, p. 23.

⁵⁰ Testimony in Support of Unanimous Settlement Agreement of Andrea C. Crane (Crane Supporting Testimony), Aug. 9, 2024, p. 8.

⁵¹ Easton Supporting Testimony, p. 7.

⁵² Unrein Supporting Testimony, p. 25.

KGS' cost of providing reasonably sufficient and efficient service.⁵³ There is substantial evidence in the record that the agreed-upon rates will provide KGS sufficient revenues and cash flows to meet its financial obligations, yet will keep rates as low as possible while maintaining reliable service for its customers.⁵⁴ Accordingly, the Commission finds and concludes approval of the Unanimous Settlement Agreement will result in just and reasonable rates for KGS and its customers.

22. The Commission finds that approval of the Unanimous Settlement Agreement is in the public interest. The Signatories agree the Unanimous Settlement Agreement is in the public interest and should be approved by the Commission.⁵⁵ Staff opines the Settlement Agreement is in the public interest because it: (1) reduces KGS' requested revenue requirements to close to Staff's filed position;⁵⁶ (2) provides KGS with sufficient revenue to meet its financial obligations and provide reliable service;⁵⁷ (3) allows KGS to continue to utilize the GSRS mechanism to continue replacing its aging infrastructure in the state;⁵⁸ and (4) avoids the costly and time consuming process of a fully-litigated hearing.⁵⁹ Crane testifies that as part of the Unanimous Settlement Agreement, KGS agrees to withdraw its: (1) APRA, which would have shifted risks from shareholders to ratepayers without any commensurate ratepayer benefit, and (2) its proposed A/B rate structure, which would have led to higher rates for some residential customers.⁶⁰

23. The Commission finds the agreed-upon rates will provide KGS sufficient revenue to meet its financial obligations and provide safe and reliable service at just and reasonable rates

⁵³ *Id.*

⁵⁴ *See id.*

⁵⁵ Joint Motion to Approve Unanimous Settlement Agreement, ¶ 19.

⁵⁶ Unrein Supporting Testimony, p. 27.

⁵⁷ *Id.*, p. 28.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ Crane Supporting Testimony, p. 9.

to its customers. After considering all of the terms of the Unanimous Settlement Agreement, the Commission finds it is in the public interest. The Unanimous Settlement Agreement is a balanced agreement that is fair to all of the parties.

24. After a careful review and consideration of the evidence in the record, the Commission finds that the attached Unanimous Settlement Agreement is supported by substantial competent evidence in the record as a whole, will result in just and reasonable rates, and is in the public interest. The Commission approves the Unanimous Settlement Agreement in its entirety.

25. The new rates will take effect beginning November 1, 2024.⁶¹

THEREFORE, THE COMMISSION ORDERS:

A. The Unanimous Settlement Agreement is approved in its entirety. The terms of the attached Unanimous Settlement Agreement are incorporated into this Order.

B. The parties have 15 days from the date of electronic service of this Order to petition for reconsideration.⁶²

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 10/03/2024



Lynn M. Retz
Executive Director

BGF

⁶¹ See Figgs Direct, p. 36.

⁶² K.S.A. 66-118b; K.S.A. 77-529(a)(1).

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas Gas)
Service, a Division of ONE Gas, Inc. for)
Adjustment of its Natural Gas Rates in the)
State of Kansas.) Docket No. 24-KGSG-610-RTS

UNANIMOUS SETTLEMENT AGREEMENT

This Unanimous Settlement Agreement ("Agreement") is entered into between and among the Staff of the State Corporation Commission of the State of Kansas ("Staff"), Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS"), the Citizens' Utility Ratepayer Board ("CURB"), and WoodRiver Energy, LLC ("WoodRiver") (collectively referred to herein as the "Parties"). This Agreement is being submitted to the Commission for its approval pursuant to K.A.R. 82-1-230a.

I. INTRODUCTION

1. On March 1, 2024, KGS filed an Application in this docket to make certain changes in its rates and charges for natural gas service. Pursuant to the Commission's Order dated March 7, 2024, the effective date of the Application was suspended until October 28, 2024. On April 4, 2024, the Commission issued an Order establishing a procedural schedule. This matter is currently set for hearing on August 12-14, 2024.

2. On March 1, 2024, CURB requested intervention in this proceeding and was granted intervention on March 12, 2024. On March 19, 2024, WoodRiver filed for intervention which was approved on March 28, 2024. There were no other intervenors.

3. The schedules filed with KGS's Application indicated a need to increase base rates by \$93.1 million, based upon normalized operating results for the 12 months ending September 30, 2023,

adjusted for known and measurable changes in revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments. The \$93,103,156 increase in base rates includes \$35,029,489 relating to rebasing GSRS surcharge revenues. The net revenue increase to customers was \$58,073,667. In its Application, KGS also requested approval to establish a performance-based rate mechanism – the Annual Performance-based Rate Adjustment ("APRA"). KGS also prepared a rate design that implements an A/B rate structure for residential customers. KGS included a depreciation study and sought new depreciation rates as part of its Application, and KGS updated its depreciation rates as appropriate for utility plant. In support of its Application, KGS submitted the testimony of fourteen (14) witnesses and the schedules required by K.A.R. 82-1-231.

4. On July 1, 2024, Staff filed its direct testimony (including supporting schedules and exhibits) in the above docket recommending an increase in base rates for KGS in the amount of \$66,717,969, which included \$35,029,489 in GSRS surcharges and a net revenue increase to customers of \$31,688,480. Staff also recommended an adjustment to KGS's proposed depreciation rates and made recommendations regarding return on equity ("ROE") and adjustments to the income statement and rate base. Additionally, Staff opposed KGS's proposed APRA rate and A/B rate design.

5. On July 1, 2024, CURB filed testimony in which it recommended an increase in base rates of \$45,799,794, which included \$35,029,489 in GSRS surcharges and a net revenue increase to customers of \$10,770,305, based upon its recommendation concerning rate of return on equity, capital structure and several adjustments to KGS's operating income and rate base. Additionally, CURB opposed KGS's proposed APRA rate and A/B rate design.

6. On July 17, 2024, Staff filed cross-answering testimony.

7. KGS filed rebuttal testimony on July 22, 2024.

8. Subsequently, on July 31, 2024, KGS, Staff, CURB and WoodRiver met to discuss the possible settlement of the issues in this matter. The Joint Movants were able to reach a settlement agreement in principle resolving all issues in the case. The Settlement Agreement was executed and filed on August 2, 2024. The resolution of the issues is set forth below in this Agreement. Since all parties to the docket signed the Agreement, it is considered a unanimous settlement agreement under the Commission's regulations (K.A.R. 82-1-230a).

II. SETTLEMENT PROVISIONS

A. STIPULATED REVENUE REQUIREMENT

9. The Parties agree that the Commission should authorize an overall annual increase in base rates of \$70,000,000. This increase includes \$35,029,489 related to rebasing GSRS surcharge revenues.

B. MISCELLANEOUS ISSUES

10. The Parties agree the revenue requirement specified in paragraph 9 above includes implementation of the depreciation rates proposed by Staff witness Roxie McCullar and are set forth in Appendix A to this Agreement. KGS agrees it will adopt the depreciation rates in Appendix A. By agreeing to the depreciation rates set forth in Appendix A, KGS is not agreeing to the policy recommendation made by Ms. McCullar. Further, KGS is not precluded from advancing positions or arguments in future rate filings that differ from the policy recommendation made by Ms. McCullar.

11. The Parties agree that nothing in this Agreement constitutes an agreement by the Parties to the capital structure proposals presented in this case and this Agreement does not prevent the Parties from challenging such proposals in the future.

12. KGS agrees to withdraw, without prejudice, (1) its proposed APRA; and (2) its

proposal to implement an A/B rate structure for residential customers.

C. ACCOUNTING MATTERS

13. Subject to the other provisions in this paragraph, for purposes of filing KGS's Ad Valorem Surcharge Rider in December 2024 (and subsequent years until rebased in KGS's next base rate case), the Parties agree that the ad valorem tax expenses embedded in base rates shall be \$36,353,632.

14. Amortization periods and/or expenses are established as follows:

(a) KGS's actual rate case expense - three years;

(b) KGS's cyber-security tracker - three years;

(c) KGS's Pension amortization of (\$5,280,403) and OPEB amortization of (\$667,388) - three years;

(d) amortization of deferred manufactured gas plant expense of \$902,293 per year as allowed under the order issued in Docket No. 17-KGSG-455-ACT;

(e) with respect to item 14(c) above, KGS shall have the right to recover any unamortized amount relating to Pension and OPEB deferrals.

15. For the purposes of calculating KGS's pension tracker going forward, the Parties agree that the base rates agreed to in this Agreement include the following expenses:

(a) KGS's Pension Expense:

\$3,704,409

(b) KGS's OPEB Expense:

\$0.00

16. For purposes of calculating KGS's GSRS, the carrying charges to be applied to

recoverable investments in such filings shall be calculated using a carrying charge of 8.97% gross of tax, which is based on state and federal tax rates in effect as of the date of this Agreement. The Parties agree this carrying charge is solely for purposes of subsequent GSRS filings and is not precedential for any other purpose. Should tax rates change between now and the next KGS general rate case, the carrying charge set forth in this paragraph shall be adjusted to reflect the change in the tax rates.

17. For allocating costs among customer classes in a GSRS filing, such costs shall be allocated among KGS's classes of customers based on the rate allocation approved in this rate case.

D. CLASS COST OF SERVICE AND RATE DESIGN

18. The Parties agree that nothing in this Agreement constitutes an agreement by the Parties to the Class Cost of Service Studies presented in this case and this Agreement does not prevent the Parties from challenging such studies in the future.

19. The Parties agree the rate increase shall be allocated among the respective classes of customers according to the amounts indicated for each class as shown in Appendix B attached hereto.

E. WEATHER NORMALIZATION ADJUSTMENT ("WNA") ISSUES

20. For the purpose of calculating the WNA factor, the Parties agree to use Staff's Heating Sensitivity Factors and Staff's Heating Degree Day Normals.

F. EXCESS DEFERRED INCOME TAXES

21. Based upon the pre-filed direct testimony of William E. Baldry (pages 14-23), KGS is permitted to do the following:

(a) Begin amortizing Kansas State excess deferred income tax due to re-measurement over a 30-year period.

(b) Continue to amortize the balances of the protected portions of EDIT using

ARAM.

(c) Amortize the State EDIT (due to the State of Kansas corporate income tax rate for utilities being reduced to zero in 2020), over 30 years.

(d) Recover from customers the \$247,046 excess EDIT refund over a three-year period.

(e) Amortize unprotected EDIT from February 2024 to the time new rates go into effect, over a 30-year period.

(f) Amortize the unprotected portion of the Return to Accrual True-Up over 30 years.

(g) Amortize the protected EDIT portion of the Return to Accrual True-Up using the ARAM methodology. (The unprotected EDIT portion from the previous rate case was fully amortized by February 2024.)

(h) The estimated cost of removal portion of EDIT that was included as a protected asset since December 31, 2017, the time the TCJA went into effect, should now be:

(i) Accounted for as a separate component of KGS's EDIT liability;

(ii) Shown separately from the depreciation expense used in the ARAM calculation;

(iii) Included as an "unprotected" EDIT asset;

(iv) Amortized using the ARAM method of amortization;

(v) Amortized based on the same amortization period as the protected plant, so the portion of EDIT related to the Cost of Removal that was considered as protected since December 31, 2017, would be amortized using the same amortization

period as the protected plant. Protected plant is subject to the ARAM method of amortization.

(i) Although KGS never recorded the EDIT Tracker on its books and the EDIT Tracker was never recorded as a regulatory asset or regulatory liability and KGS did not add any amortization into the present rate case, the EDIT Tracker and the amortization of any tracked balances shall be discontinued into the future to avoid any possible normalization violation.

(j) Include the amortization of EDIT totaling a credit of \$3,821,173 as a component of KGS's cost of service. The amortization will be grossed up for taxes as part of the revenue component.

G. DISCONNECTION AND RE-CONNECTION FEES

22. KGS agrees to reinstate the disconnect and reconnect fees as specified in Index 12 of KGS's approved tariff and charge the actual cost of disconnection and reconnection to the customer if disconnection of service occurs at the main. Parties reserve the right to present arguments concerning disconnect and reconnect fees in Docket No. 24-GIMG-453-GIG. Other proposed changes included in Lorna Eaton's direct testimony shall be implemented.

H. CYBER-SECURITY TRACKER

23. The amount of cyber-security costs included in base rates is \$1,046,538. KGS shall be allowed to continue to use the tracker to defer and recover cyber-security costs in future rate cases.

I. BREHM STORAGE COSTS

24. Costs associated with Brehm Storage shall be removed from base rates and collected through the Company's Cost of Gas Rider ("COGR").

J. REVENUES AND EXPENSES ASSOCIATED WITH SERVICING AND ADMINISTERING AGREEMENTS WITH KGSSI

25. KGS shall establish a regulatory liability relating to revenues and expenses incurred by KGS in servicing and administering the agreements with KGSSI and shall account for same in KGS's next general rate case filing.

III. MISCELLANEOUS PROVISIONS

A. THE COMMISSION'S RIGHTS

26. Nothing in this Agreement is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation, including the obligation to ensure that KGS is providing efficient and sufficient service at just and reasonable rates.

B. PARTIES' RIGHTS

27. The Parties, including Staff, shall have the right to present pre-filed testimony in support of this Agreement. Such testimony shall be filed formally in the docket and presented by witnesses at a hearing on this Agreement. Such testimony shall be filed on or before August 6, 2024,¹ as required by the procedural schedule filed in this docket.

C. WAIVER OF CROSS-EXAMINATION AND POST-HEARING BRIEFS

28. The Parties waive cross examination on all pre-filed testimony. The Parties agree that all such pre-filed testimony and exhibits may be incorporated into the record without objection. The Parties agree to waive the submission of post-hearing briefs.

D. NEGOTIATED SETTLEMENT

¹The parties will be requesting at the prehearing conference that the deadline for filing testimony in support of the settlement be extended to August 9, 2024.

29. This Agreement represents a negotiated settlement that fully resolves all of the issues in this docket among the Parties. The Parties represent that the terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the Parties shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement in the instant proceeding. If the Commission accepts this Agreement in its entirety and incorporates the same into a final order without material modification, the Parties shall be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein and in accordance with the terms hereof, and will not appeal the Commission's order on these issues.

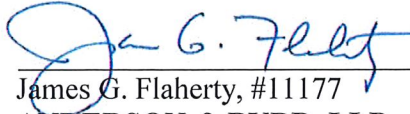
E. INTERDEPENDENT PROVISIONS

30. The provisions of this Agreement have resulted from negotiations among the Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, the Agreement shall be voidable and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof. Further, in such event, this Agreement shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding.

F. SUBMISSION OF DOCUMENTS TO THE COMMISSION OR STAFF

31. To the extent this Agreement provides for information, documents or other data to be furnished to the Commission or Staff, such information, documents or data shall be filed with the Commission and a copy served upon the Commission's Director of Utilities. Such information, documents, or data shall be marked and identified with the docket number of this proceeding.

IN WITNESS WHEREOF, the Parties have executed and approved this Stipulated Settlement Agreement, effective as of the 2nd day of August, 2024, by subscribing their signatures below.



James G. Flaherty, #11177
ANDERSON & BYRD, LLP
216 S. Hickory, P. O. Box 17
Ottawa, Kansas 66067
(785) 242-1234, telephone
(785) 242-1279, facsimile
jflaherty@andersonbyrd.com

Robert Elliott Vincent, #26028
KANSAS GAS SERVICE
7421 West 129th Street
Overland Park, Kansas 66213-2634
(913) 319-8615, telephone
(913) 319-8622, facsimile
robert.vincent@onegas.com

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

/s/ Kyler C. Wineinger

Kyler C. Wineinger, #28518
Carly R. Masenthin, #27944
Litigation Counsel
Kansas Corporation Commission
1500 S. W. Arrowhead Road
Topeka, Kansas 66604
kyler.wineinger@ks.gov
carly.Masenthin@ks.gov
For Commission Staff

/s/ Joseph R. Astrab

David W. Nickel, #11170
Todd E. Love, Attorney #13445
Joseph R. Astrab, Attorney #26414
Citizens' Utility Ratepayer Board
1500 SW Arrowhead Road
Topeka, KS 66604
(785) 271-3200
(785) 271-3116 Fax
david.nickel@ks.gov
todd.love@ks.gov
joseph.astrab@ks.gov
Attorneys for CURB

/s/ Jeffrey S. Austin

Jeffrey S. Austin, KS Sup Ct # 13575
Austin Law PA
7111 W 151st St Ste 315
Overland Park, KS 66223
(913) 963-4721
jeff@austinlawpa.com
Local Counsel to WoodRiver

Alex Goldberg
1196 S. Monroe St.
Denver, CO 80210
(918) 625-0047
alexgoldberg@eversheds-sutherland.com
Attorneys for WoodRiver Energy, LLC

**Kansas Gas Services Company
Summary of Depreciation Rates**

Account	Description	Current			Staff Recommendation			
		Investment	Net Salvage	Accrual	Investment	Net Salvage	Accrual	Difference
		Accrual	Accrual	Rate	Accrual	Accrual	Rate	from Current
A	C	D	E	J	K	L	M	
TRANSMISSION PLANT								
365.20	Rights of Way	1.42%	-0.01%	1.41%	1.36%	-0.01%	1.35%	-0.06%
366.10	Compressor Station Structures	2.20%	0.75%	2.95%	1.86%	0.62%	2.48%	-0.47%
366.20	Meas. and Reg. Station Structures	1.67%	0.51%	2.18%	1.39%	0.43%	1.82%	-0.36%
367.00	Mains	1.92%	0.46%	2.38%	1.67%	0.48%	2.15%	-0.23%
368.00	Compressor Station Equipment	2.71%	0.82%	3.53%	2.54%	0.76%	3.30%	-0.23%
369.00	Meas. and Reg. Station Equipment	2.48%	0.70%	3.18%	2.16%	0.64%	2.80%	-0.38%
	Total Transmission Plant	1.99%	0.49%	2.48%	1.75%	0.49%	2.24%	-0.24%
DISTRIBUTION PLANT								
374.20	Rights of Way	1.45%	0.00%	1.45%	1.48%	0.00%	1.48%	0.03%
375.00	Structures and Improvements	3.30%	0.54%	3.84%	2.95%	0.47%	3.42%	-0.42%
376.10	Mains - Metallic	1.56%	0.90%	2.46%	1.51%	1.32%	2.83%	0.37%
376.20	Mains - Plastic	2.08%	0.58%	2.66%	1.95%	0.54%	2.49%	-0.17%
376.90	Mains - Cathodic Protection	6.67%		6.67%	← 15 Year Amortization →		6.67%	0.00%
378.00	Meas. and Reg. Station Equip. - General	1.89%	0.55%	2.44%	1.64%	0.64%	2.28%	-0.16%
379.00	Meas. and Reg. Station Equip. - City Gate	1.60%	0.53%	2.13%	1.51%	0.96%	2.47%	0.34%
380.10	Services - Metallic	2.06%	2.57%	4.63%	3.96%	3.17%	7.13%	2.50%
380.20	Services - Plastic	2.32%	1.37%	3.69%	2.11%	1.80%	3.91%	0.22%
381.00	Meters	2.71%	0.13%	2.84%	2.78%	0.13%	2.91%	0.07%
381.50	AMR Communication Devices	6.67%		6.67%	← 15 Year Amortization →		6.67%	0.00%
382.00	Meter Installations	2.11%	1.09%	3.20%	2.06%	1.09%	3.15%	-0.05%
383.00	House Regulators and Installations	1.88%	0.09%	1.97%	1.78%	0.17%	1.95%	-0.02%
386.00	Other Property - Customer Premises	16.24%	0.00%	16.24%	10.92%	0.00%	10.92%	-5.32%
	Total Distribution Plant	2.30%	0.88%	3.18%	2.19%	1.10%	3.29%	0.11%
GENERAL PLANT								
Depreciable								
390.10	Structures and Improvements	1.53%	0.04%	1.57%	1.45%	0.04%	1.49%	-0.08%
392.00	Transportation Equipment	6.00%	-1.09%	4.91%	4.80%	-0.91%	3.89%	-1.02%
396.00	Power Operated Equipment	5.37%	-0.63%	4.74%	4.19%	-0.68%	3.51%	-1.23%
	Total Depreciable	4.00%	-0.54%	3.46%	3.28%	-0.47%	2.81%	-0.65%
Amortizable								
391.10	Office Furniture and Equipment	5.00%		5.00%	← 20 Year Amortization →		5.00%	0.00%
391.25	Computer Equipment	14.29%		14.29%	← 7 Year Amortization →		14.29%	0.00%
393.00	Stores Equipment	5.00%		5.00%	← 20 Year Amortization →		5.00%	0.00%
394.00	Tools, Shop and Garage Equipment	6.67%		6.67%	← 15 Year Amortization →		6.67%	0.00%
395.00	Laboratory Equipment	6.67%		6.67%	← 15 Year Amortization →		6.67%	0.00%
397.00	Communication Equipment	6.67%		6.67%	← 15 Year Amortization →		6.67%	0.00%
398.00	Miscellaneous Equipment	5.00%		5.00%	← 20 Year Amortization →		5.00%	0.00%
	Total Amortizable	7.26%	0.00%	7.26%	0.00%	0.00%	7.26%	0.00%
	Total General Plant	4.75%	-0.42%	4.33%	4.20%	-0.36%	3.84%	-0.50%
	TOTAL GAS UTILITY	2.43%	0.73%	3.16%	2.27%	0.92%	3.19%	0.02%

Kansas Gas Service
Rates/Proof of Revenue
CONFIDENTIAL

Class	Customer Count	Volumes	Current Service Charge	Current Delivery Charge	Revenues at Current Rates	Proposed Service Charge	Proposed Delivery Charge	Revenues at Proposed Rates	Revenue Increase	Percentage Increase
Residential	590,821	43,266,022	\$ 18.18	\$ 2,3485	\$ 230,503,866	\$ 21.75	\$ 2,9769	\$ 283,003,026	\$ 52,499,160	22.78%
General Service - Small	36,970	4,596,988	\$ 27.88	\$ 2,3472	\$ 23,157,049	\$ 32.20	\$ 2,8704	\$ 27,476,347	\$ 4,321,298	18.66%
General Service - Large	11,908	6,404,866	\$ 43.11	\$ 1,8145	\$ 17,782,088	\$ 54.00	\$ 2,1369	\$ 21,403,208	\$ 3,621,120	20.36%
General Service - TE	639	2,488,751	\$ 53.70	\$ 1,8177	\$ 4,935,859	\$ 59.00	\$ 1,8549	\$ 5,069,124	\$ 133,265	2.70%
Small Generator Service	745	22,208	\$ 51.36	\$ 0,6427	\$ 473,189	\$ 54.00	\$ 2,7388	\$ 543,329	\$ 70,140	14.82%
Irrigation Sales	178	90,370	\$ 33.95	\$ 1,6890	\$ 225,134	\$ 45.00	\$ 2,0809	\$ 284,147	\$ 59,013	26.21%
Irrigation Transport	504	888,804	\$ 33.61	\$ 1,7452	\$ 1,754,591	\$ 45.00	\$ 1,9753	\$ 2,026,052	\$ 273,461	15.59%
Sales for Resale (1)			\$ 68.14	\$ 1,2497	\$	\$ 80.00	\$ 1,5894	\$	\$	***
Sales for Resale - BH (1)			\$	\$ 1,2497	\$	\$	\$ 1,5894	\$	\$	***
Small Transport k-System	3,349	5,991,815	\$ 55.66	\$ 1,4598	\$ 10,983,520	\$ 59.00	\$ 1,8549	\$ 13,485,140	\$ 2,501,619	22.78%
Small Transport t-System	1,184	1,973,247	\$ 55.16	\$ 1,9170	\$ 4,566,524	\$ 59.00	\$ 2,3272	\$ 5,430,515	\$ 863,991	18.92%
CNG k-System	10	345,958	\$ 36.24	\$ 0,8199	\$ 288,000	\$ 50.00	\$ 0,9359	\$ 329,782	\$ 41,782	14.51%
CNG t-System	2	83,094	\$ 33.89	\$ 0,9674	\$ 81,198	\$ 50.00	\$ 1,1323	\$ 95,287	\$ 14,089	17.35%
Wholesale Transport	37	1,318,548	\$ 27.61	\$ 1,2497	\$ 1,660,118	\$ 50.00	\$ 1,3620	\$ 1,818,188	\$ 158,070	9.52%
Large Transport k - Tier 1	159	870,794	\$ 249.46	\$ 0,9023	\$ 1,262,830	\$ 280.00	\$ 1,1105	\$ 1,502,540	\$ 239,710	18.98%
Large Transport k - Tier 2	107	1,650,298	\$ 271.32	\$ 0,9023	\$ 1,836,218	\$ 300.00	\$ 1,1105	\$ 2,216,506	\$ 380,288	20.71%
Large Transport k - Tier 3	67	2,040,936	\$ 298.26	\$ 0,9023	\$ 2,081,098	\$ 320.00	\$ 1,1105	\$ 2,523,468	\$ 442,370	21.26%
Large Transport k - Tier 4	65	7,988,610	\$ 258.03	\$ 0,9023	\$ 7,409,145	\$ 300.00	\$ 1,1105	\$ 9,105,071	\$ 1,695,926	22.89%
Large Transport t - Tier 1	23	136,065	\$ 341.68	\$ 1,3521	\$ 277,337	\$ 430.00	\$ 1,8049	\$ 363,080	\$ 85,743	30.92%
Large Transport t - Tier 2	23	380,141	\$ 396.12	\$ 1,3521	\$ 622,525	\$ 480.00	\$ 1,8049	\$ 817,636	\$ 195,111	31.34%
Large Transport t - Tier 3	27	748,624	\$ 461.48	\$ 1,3521	\$ 1,163,811	\$ 500.00	\$ 1,8049	\$ 1,515,442	\$ 351,631	30.21%
Large Transport t - Tier 4	24	4,456,091	\$ 397.53	\$ 1,3521	\$ 6,138,051	\$ 470.00	\$ 1,8049	\$ 8,176,405	\$ 2,038,354	33.21%
Totals	646,850	85,775,027	\$	\$	\$ 317,250,449	\$	\$	\$ 387,248,783	\$ 69,998,335	22.06%

(1) Sales for Resale and Sales for Resale - BH are combined for purposes of calculating the Gas System Reliability Surcharge.

Kansas Gas Service
Rates/Proof of Revenue
CONFIDENTIAL

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General Service - TE	639	2,488,751	\$ 53.70	\$ 1,817.7	\$ 4,935,859	\$ 59.00	\$ 1,854.9	\$ 5,069,124	\$ 133,265	2.70%
Small Generator Service	745	22,208	\$ 51.36	\$ 0.647	\$ 473,189	\$ 54.00	\$ 2,738.8	\$ 543,329	\$ 70,140	14.82%
Irrigation Sales	178	90,370	\$ 33.95	\$ 1.6890	\$ 225,134	\$ 45.00	\$ 2,080.9	\$ 284,147	\$ 59,013	26.31%
Irrigation Transport	504	888,804	\$ 33.61	\$ 0.8547	\$ 1,754,531	\$ 45.00	\$ 1,975.3	\$ 2,028,051	\$ 273,461	15.59%
Sales for Resale (1)			\$ 63.14	\$ 1,245.7		\$ 80.00				
Sales for Resale - BH (1)			\$ 55.66	\$ 1,458.8		\$ 59.00				
Small Transport k-System	3,349	5,991,815	\$ 55.66	\$ 1,458.8	\$ 10,983,520	\$ 59.00	\$ 1,854.9	\$ 13,485,140	\$ 2,501,619	22.78%
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Totals	646,850	85,775,027			\$ 317,250,449			\$ 387,248,783	\$ 69,998,335	22.06%

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CERTIFICATE OF SERVICE

24-KGSG-610-RTS

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 10/03/2024.

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
jflaherty@andersonbyrd.com

JEFF AUSTIN
AUSTIN LAW P.A.
7111 W. 15th ST.
SUITE 315
OVERLAND PARK, KS 66223
jeff@austinlawpa.com

JOSEPH R. ASTRAB, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
joseph.astrab@ks.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
todd.love@ks.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
david.nickel@ks.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
shonda.rabb@ks.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
della.smith@ks.gov

ALEX GOLDBERG, ATTORNEY
EVERSHEDS SUTHERLAND (US) LLP
1196 S MONROE STREET
DENVER, CO 80210
alexgoldberg@eversheds-sutherland.us

ABIGAIL EMERY, PARALEGAL & GRANT SPECIALIST
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
abigail.emery@ks.gov

BRIAN G. FEDOTIN, GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
brian.fedotin@ks.gov

CERTIFICATE OF SERVICE

24-KGSG-610-RTS

CARLY MASENTHIN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
carly.masenthin@ks.gov

JANET BUCHANAN, DIRECTOR OF RATES &
REGULATORY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH STREET
OVERLAND PARK, KS 66213
janet.buchanan@onegas.com

LORNA EATON, MANAGER OF RATES AND REGULATORY
AFFAIRS
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH STREET
OVERLAND PARK, KS 66213
lorna.eaton@onegas.com

ROBERT E. VINCENT, MANAGING ATTORNEY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W. 129TH STREET
OVERLAND PARK, KS 66213
robert.vincent@onegas.com

DON KRATTENMAKER, VICE PRESIDENT
WOODRIVER ENERGY, LLC
633 17th STREET, STE. 1410
DENVER, CO 80202
don.krattenmaker@woodriverenergy.com

/S/ KCC Docket Room
KCC Docket Room
