



Kansas Gas Service®

A Division of ONE Gas

Winter Prep 2023-2024



Kansas Gas Service Winter Preparation

This updated presentation includes frequently asked questions about transportation services, account eligibility, rates, billing and situations that might occur during winter. The presentation also provides information about the Kansas Gas Service tariff filing on Electronic Flow Measurement (EMF) requirements, cash-out calculations, penalties and additional resourceful information.

Safety

Safety is our top priority



Natural Gas Pipeline Safety

Pipelines are one of the safest, most reliable methods of transporting natural gas. At times something may happen that allows gas to escape from your piping.

- **Here's how you can use your senses to detect a natural gas leak**



Smell

A rotten egg or sulfur-like odor



Look

Discolored or dead vegetation, persistent bubbling in puddles or standing water



Listen

An unusual noise like a hissing or roaring sound can indicate a leak on a pipeline.

Natural Gas Pipeline Safety

Pipeline Safety – Recognition – Action

- **Action**

- Should you detect one or more of the warning signs, leave the area immediately, going upwind if possible
- Do not operate any electrical equipment, including lights
- Warn others to leave the area with you
- When in a safe area, call 911 and Kansas Gas Service at 888-482-4950 to notify emergency personnel

- **Excavation**

- If you intend to excavate, you must request underground utilities be located
- Call 811 or visit [kansas811.com](https://www.kansas811.com) to have your underground natural gas facilities located. After requesting locates, you must wait two full working days for underground utilities to be located

Kansas Gas Service

About us



About Kansas Gas Service

Did you know?

- Kansas Gas Service, a division of ONE Gas, Inc., delivers safe, reliable, environmentally friendly natural gas to more than **648,000** customers in **360** communities in Kansas
- Largest natural gas distributor in Kansas
- Total workforce of about 1,000 employees



About ONE Gas

100% Regulated Natural Gas Utility

2.3 million customers in Kansas, Oklahoma and Texas

3,800 employees

44,500 miles of pipeline

One of the **largest** publicly traded natural gas distribution companies

Our Divisions



Kansas Gas Service.

A Division of ONE Gas

*72% market share,
the largest in Kansas*



Oklahoma Natural Gas.

A Division of ONE Gas

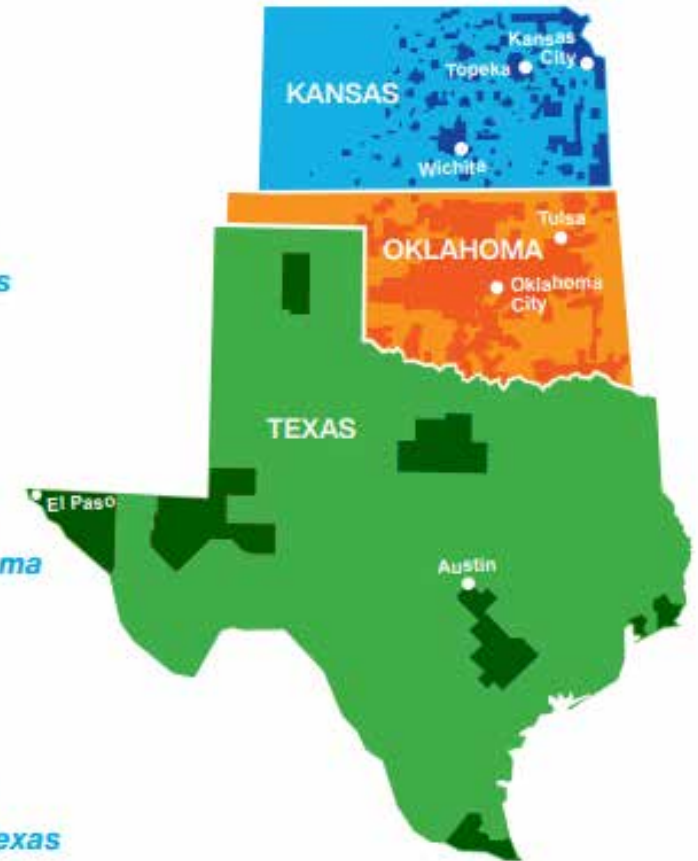
*88% market share,
the largest in Oklahoma*



Texas Gas Service.

A Division of ONE Gas

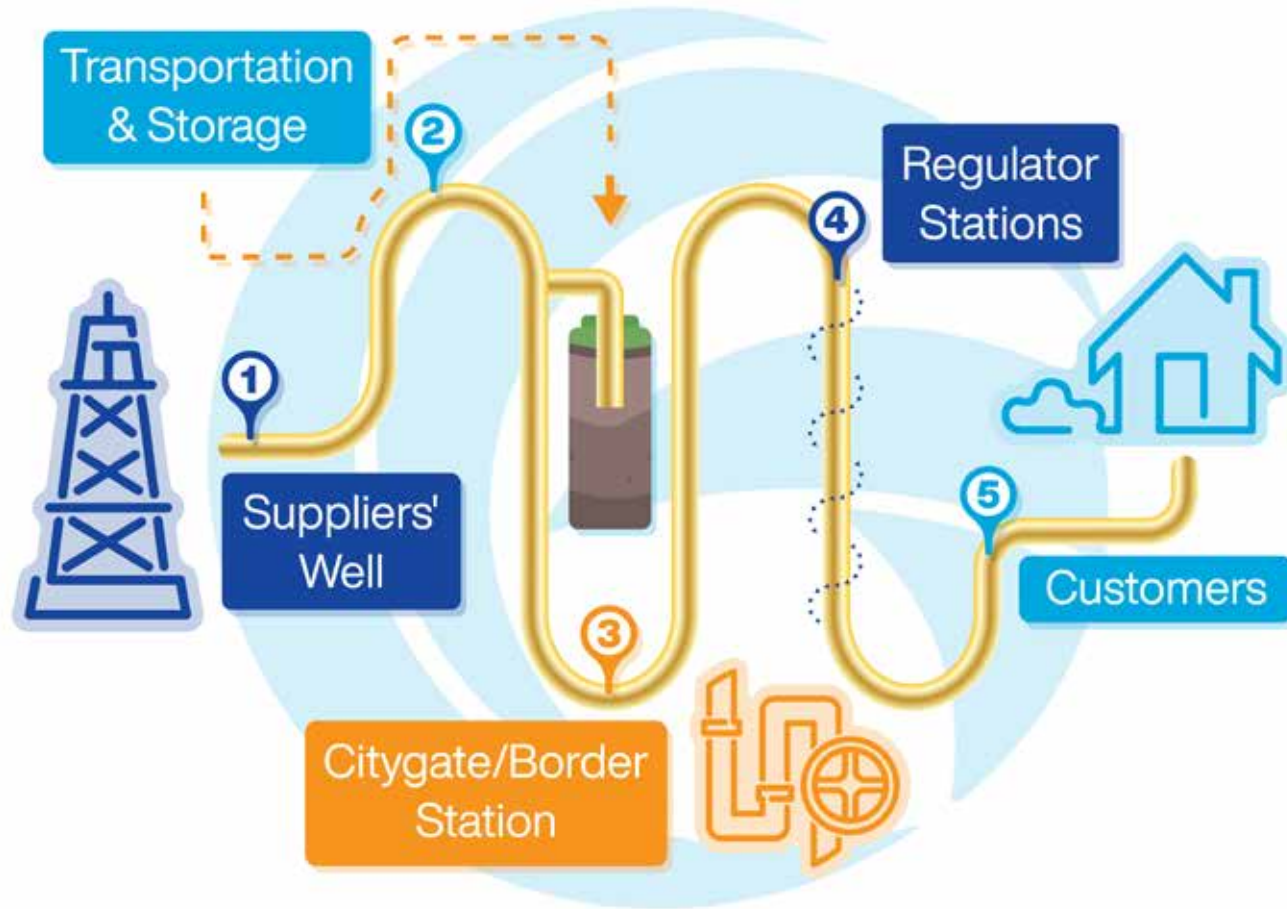
*13% market share,
the third largest in Texas*



Natural Gas: Where Does it Come From?



Wellhead to Burner Tip



How Does Natural Gas Get to My Business?

Process

- Producers drill and operate gas wells
- Gathering systems are used to bring raw natural gas to a processing plant
- Processed natural gas is delivered to a transmission pipeline
- Pipelines provide high pressure transmission – federal or state regulation
- 3rd party gas marketer (choice of many) buys and delivers natural gas to the appropriate town border station – unregulated
- Local Distribution Company (Kansas Gas Service) moves the natural gas from the town border to your location – state regulation

Transportation Tariffs

About Transport Service, Statistics, Qualifications, Requirements



What is Transportation Service?

- Provides the flexibility to make critical business decisions related to your natural gas supply requirements



- More information on our Transportation tariffs may be found by visiting kansasgasservice.com and clicking on Choose Gas > Transportation Services

Kansas Gas Service Transportation

Statistics

- Transportation service makes up more than half of the total natural gas that flows through the Kansas Gas Service distribution system
- 3,636 accounts
- 5,763 gas meters
- 20 Active Third-Party Natural Gas Suppliers
 - Contact information for most of the approved third-party suppliers is available on our website at this link: [Kansas Gas Service – Natural Gas Transportation Services Third-Party Suppliers](#)

Can Any Customer Qualify for Transportation Service?

Qualifications

- Annual total usage of more than 800 Mcf (Mcf = 1,000 cubic ft)
- Meters on contiguous property can be consolidated/aggregated for qualification
- All K-12 schools and irrigators regardless of usage

Do I Have to Stay on Transportation Service?

Tariff Requirements

- There is a 12-month minimum term on transport service or general sales service
- **Do I have to qualify each year?**
 - No, there is no annual re-qualification to remain on transportation

Third Party Natural Gas Suppliers



What is a Natural Gas Supplier

- A third-party natural gas supplier purchases the natural gas commodity on your behalf from independent producers or major energy companies
- Your contracted third-party natural gas supplier arranges delivery of your gas to your assigned town border station
- Kansas Gas Service is not privy to the contracts between you, the customers and the third-party natural gas suppliers

How Does the Natural Gas Supplier Notify Kansas Gas Service?

Nominations on your behalf

- Your natural gas supplier notifies Kansas Gas Service and the pipeline of how much natural gas they will deliver for the aggregated pool of customers that includes your account (your nomination)
- Non-aggregated customers' natural gas suppliers make the notifications individually

Electronic Flow Measurement (EFM)

Requirements for transportation service



Do I Need a Special Meter?

- EFM is currently required only for meters using more than 1,500 Mcf in their highest month to accurately bill for monthly or daily reads
- For EFM meters, daily volume reports are available to customers and marketers via email
- In Docket 23-KGSG-719-TAR, a unanimous settlement agreement has been filed that would require EFM equipment on **all** transportation customers except for school and irrigators that use less than 3,000 Mcf annually. The deployment of EFM for customers who do not currently have EFM will be over 3 years. [Docket Details \(ks.gov\)](https://ks.gov/energy/23-KGSG-719-TAR)

Transportation Rates



Transportation Tariff Rates

K- System & T- System

- Small Transportation Service (ST) rates effective January 1, 2021
 - \$55.66/mo./meter plus \$1.4598/Mcf/delivery (k-system)
 - \$55.16/mo./meter plus \$1.9170/Mcf/delivery (t-system)
- Large Volume Transportation (LV) rates effective January 1, 2021
 - \$249.46/mo./meter plus \$0.9023/Mcf/delivery (k-system) for Tier 1 volumes
 - \$341.68/mo./meter plus \$1.3521/Mcf/delivery (t-system) for Tier 1 volume
- T-System rates are higher because they include Kansas Gas Service-owned transmission line costs

Additional Bill Charges & Riders

May also be found on a transport customer's bill

- Monthly EFM fee (if required)
- Franchise fees (if applicable)
- Ad Valorem Tax Surcharge
- Gas System Reliability Surcharge (GSRS)
- Weather Normalization (Small Transport tariff only)
- Lost & Unaccounted (L&U) fuel – marketer billing
- For complete listing of rates and riders, utilize the link on our website, kansasgasservice.com/rate-information/tariffs

What is a General Sales Service Account?

- Kansas Gas Service provides the natural gas commodity, storage, pipeline transportation, local delivery, metering, and billing
- Everything necessary to provide service is provided by one company with one monthly bill

Transportation Services Billing



What is Aggregation

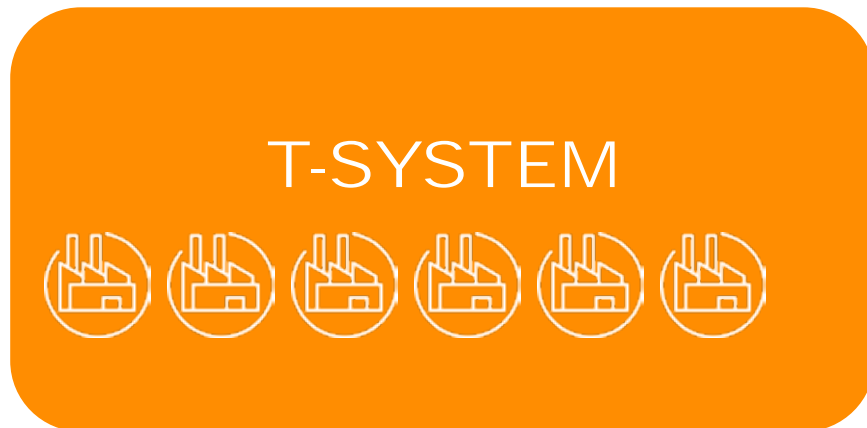
- Marketers and Suppliers enter into agreements with Kansas Gas Service to establish aggregation groups
- Third-party suppliers are allowed to aggregate customer imbalances during Operational Flow Orders (OFOs) or Periods of Curtailment (POCs) within aggregation areas established by Kansas Gas Service
- Kansas Gas Service will notify marketer of OFO or POC
- Aggregation also applies to monthly cash-out

How is Cash-Out Price Determined?

- Cash-out price will be the average of the daily midpoints of four designated pipelines as published in “Gas Daily”
- Imbalances up to the greater of 5% of actual use or 25 MMBtu per customer are always carried into the next month
- Imbalances within supplier groups can be aggregated
- In Docket 23-KGSG-719-TAR, a unanimous settlement agreement has been filed that revises the Cash-Out calculation, [Docket Details \(ks.gov\)](#)

Will I Always See a Cash-out on My Bill?

Monthly Cash- Out Aggregation Areas



* There are a few other smaller aggregation areas

Operational Flow Orders (OFO)



What Operation Orders Can be Called?

- Standard Operational Flow Order
- Emergency Operational Flow Order
- Period of Curtailment (POC)

Why are Operational Orders Necessary?

- Conditions require transport receipts and deliveries to be in balance to protect the integrity of the company's system or to ensure compliance with upstream pipeline requirements
 - Over-Delivery (cold weather)
 - Customer uses more than third-party natural gas supplier supplied
 - Under-Delivery (warm weather)
 - Third-party natural gas supplier provides more than customer uses

Notification of an OFO

- Kansas Gas Service notifies all natural gas suppliers
- Aggregated transport customers should be notified by their natural gas supplier
- Non-aggregated customers will be notified by Kansas Gas Service
- Kansas Gas Service annually conducts “mock” or practice notification drills in late summer or early fall

Required Daily Quantity (RDQ) & Electronic Flow Measurement (EFM)



What is an RDQ?

- RDQ = Required Daily Quantity.
- RDQ balancing is available to meters using less than 1,500 Mcf in the peak month for 12 months ending April 30
- The predetermined RDQ amount is assigned by Kansas Gas Service and is to be delivered each day of an OFO or POC (Over-Delivery)
- In Docket 23-KGSG-719-TAR, a unanimous settlement agreement has been filed that eliminates RDQ balancing for transportation customers except for schools and irrigators that use less than 3,000 Mcf annually. This elimination of RDQ balancing occurs when EFM is installed on the customer's meter. The deployment of EFM will be over 3 years. [Docket Details \(ks.gov\)](#)

When Do I Receive My Annual RDQ?

- Notifications are mailed by August 1, effective November 1
- RDQ balanced meters are not read during an OFO or POC
- Zero tolerance for delivering less than the assigned RDQ
- Nomination applied to RDQ first and balance to any applicable EFM meter
- **If you are unsure of your RDQ obligation, please contact your representative at Kansas Gas Service**

What if I Can't Possibly Use My RDQ?

- You can receive a temporary RDQ assignment upon written request and approval by Kansas Gas Service
 - Must be a significant event
 - Notify Kansas Gas Service within 72 hours of event
 - Effective for period of event, must renew if more than 30 days

With EFM Meters, Do I Have to Be Perfect?

- Over-Delivery Penalties:

- **May** be assessed during an OFO (Operational Flow Order) or POC (Period of Curtailment)
- **May** be assessed to any customer or aggregation group using natural gas in excess of authorized volumes
- Apply to unauthorized Over-Deliveries to EFM meters which are not **within 5%** of authorized daily delivery levels or to RDQ balanced meters with nominations less than the assigned RDQ
- Company may also distribute upstream penalties for unauthorized Over-Deliveries resulting from transport customer deliveries

Penalties



Penalties Explained

- Standard OFO (Over-Delivery or Under-Delivery)
 - Excess MMBtus not within 5% of Authorized “Daily” Delivery are billed at the greater of **\$5/MMBtu or two and one half times** the average Gas Daily Index on Southern Star Central Gas Pipeline (Southern Star)
- Emergency OFO (Over-Delivery or Under-Delivery)
 - Excess MMBtus not within 5% of Authorized “Daily” Delivery are billed at the greater of **\$10/MMBtu or five times** the average Gas Daily Index on Southern Star
- Period of Curtailment (POC)
 - Excess MMBtus not within 5% of Authorized “Daily” Delivery are billed at the greater of **\$20/MMBtu or ten times** the average Gas Daily Index on Southern Star
- In Docket 23-KGSG-719-TAR, a unanimous settlement agreement has been filed that revises the penalty tariff language. [Docket Details \(ks.gov\)](#)

Avoiding a Cold Weather Penalty

- Make sure your third-party natural gas supplier delivers your RDQ amount
- Limit your usage for your EFM meter to stay within tolerance of your nomination (**plus or minus 5%**)
- Have your third-party natural gas supplier adjust/increase your delivery so that you remain in compliance

Penalties Collected

- Penalty money is used to pay pipeline penalties and/or lower the cost of gas (COGR) for Kansas Gas Service's sales customers
- Kansas Gas Service has no financial incentive to issue an Operational Flow Order or Period of Curtailment

Curtailment



Possible Conditions

- A supply curtailment could be issued after an OFO has been implemented and in situations where supplies may not be sufficient to maintain service to priority customers (e.g., loss of service would endanger human life)
- Under a system emergency, natural gas diverted from transport customers to higher priority customers would be reimbursed at verifiable replacement cost

Types of Curtailment

- **Local system curtailment** - Issued on short notice when demand on a portion of the Kansas Gas Service system exceeds the delivery capability of the system
- **System wide curtailment** - Issued on short notice when demand on **all** of the Kansas Gas Service system exceeds the delivery capability of the system
 - Customer notified by third-party natural gas supplier that transportation and sales service is curtailed based on end-use categories stated in the Company's Priority of Service tariff provisions
 - Any natural gas used above that authorized in the categories curtailed is unauthorized Over-Delivery and subject to penalty

Curtailment Sequence

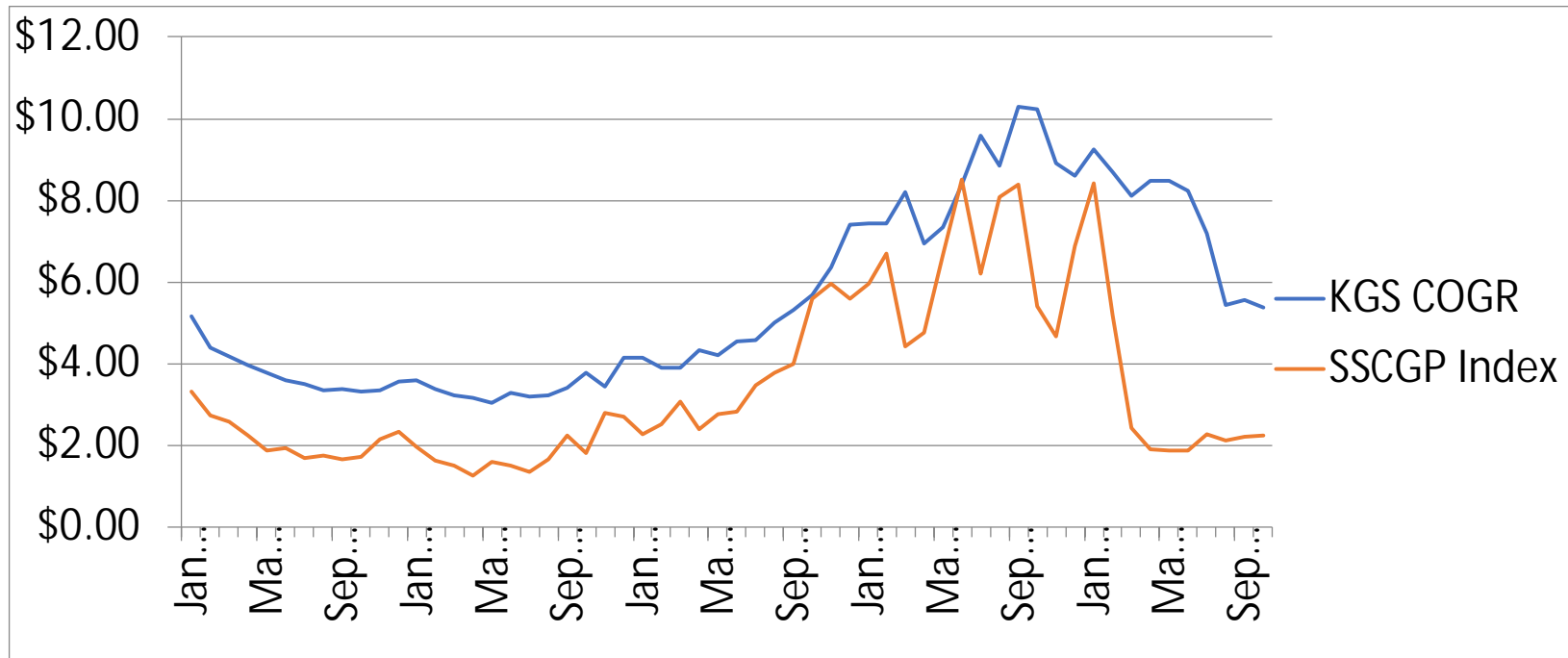
- Large Volume Transport
- Small Transport, General Sales and customers with endangered property
- Residential and customers with endangered human life

Market Outlook



Index Pricing, Kansas Gas Service COGR

Historical index pricing, KGS cost of gas



Avg COGR = \$ 5.56
Avg Index = \$ 3.43
Difference = \$ 2.13

Jan 2019 - Oct 2023:
Max Diff \$ 6.62
Min Diff \$ (0.12)

Forecasting: 2023-2024

Market Volatility

- Neither ONE Gas nor Kansas Gas Service can predict future natural gas commodity prices due to domestic and geopolitical factors.
 - War in Ukraine
 - The prediction of an El Nino winter with a stronger, southern storm track may lead to Kansas having normal ranges of snowfall, with the southwest portion of the state slightly higher than normal.
 - Liquefied Natural Gas (LNG) plants
 - Natural gas-fueled power plants experienced increased demand from record-high summer temperatures
 - Production lags demand
 - Other helpful links:
 - [EIA Outlook](#)
 - [EIA U.S. Energy Information Administration](#)

Securitization



Securitization

- Kansas Gas Service was allowed to issue securitized utility tariff bonds to recover qualified extraordinary costs from Winter Storm Uri.
- 10 years for recovery of costs using a fixed monthly charge and is a separate line item on General Sales customers' bills. (began Dec. 1, 2022)
- Transportation customers will not be assessed this fee.
- Sales customers who become Transportation customers while securitization charges are being recovered must pay a Settlement Fee.
- If you have a new meter that you intend to add to the Transportation tariff, please notify your account rep and inform the Customer Service Representative when you call in to activate the meter.

Transportation Services Staff



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Area Key Account Representatives

Primary Contact For Transport Accounts Within Their Areas

- Debbie Ferguson – North Kansas City Metro & Northeast Kansas
- Ryan Browning – South Kansas City Metro, Southeast Kansas and Northwest Central Kansas (Salina)
- Ron Ediger – Northeast Central Kansas (Topeka)
- Tonya Kohr – Western Kansas (Hutchinson)
- Carrie Shankar – South Central Kansas (Wichita)

Thank you!

For additional questions, please contact your local Key Account Representative.

