

**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 Approval by the Commission to ) Docket No. 23-KGSG-282-TAR  
Revise Section 7 of Kansas Gas Service’s )  
General Terms and Conditions. )

**CURB’S RESPONSE TO STAFF’S REPORT AND RECOMMENDATION**

The Citizens' Utility Ratepayer Board ("CURB") submits its response to the Report and Recommendation ("R&R") filed by the Staff of the Kansas Corporation Commission ("Staff" and "Commission," respectively) in the above-captioned docket on April 5, 2023.

1. On August 26, 2022, Kansas Gas Service ("KGS" or "Company") filed an Application with the Commission requesting approval of revisions to sections 7.04.03 and 7.09 of its General Terms and Conditions.<sup>1</sup>

2. In its Application, KGS referenced Section 7.04.03 of its Terms and Conditions, describing how customers are charged for service line and yard line installations and replacements. Further, referencing Section 7.09, KGS explained how customers are charged for requested upgrades and relocations to the Company’s facilities. KGS has proposed the use of an annually updated Average Embedded Cost per Service Line ("Average Embedded Cost") as a basis to calculate customers’ charges for service line work. The proposed Average Embedded Cost would be calculated by taking the sum of the Company’s gross plant balances in Federal Energy Regulatory Commission ("FERC") accounts 380, 381, 382, 383, 384 and 385 (which include

---

<sup>1</sup> Application to Revise Section 7 of Kansas Gas Service’s Terms and Conditions filed August 26, 2022.

services, meters, meter installations, etc.) as of December 31<sup>st</sup> of the previous calendar year, and dividing it by the average number of customers for the previous calendar year.<sup>2</sup>

3. On April 5, 2023, Staff filed its R&R.<sup>3</sup> Staff recommends the Commission approve KGS's proposal to modify Section 7 of its General Terms and Conditions for Gas Service, as proposed by KGS.

5. CURB opposes a portion of the Company's proposal. Specifically, CURB opposes charging, for projects of pipe diameters 1<sup>1</sup>/<sub>4</sub> inch or less, the Average Embedded Cost for customer-requested relocation, reconnection, or upgrades of Company equipment and <sup>1</sup>/<sub>3</sub> of the Average Embedded Cost for service line abandonment (also referred to as "Cut & Plug" projects). Under the proposed computations, the initial Average Embedded Cost would be \$1,464 and the initial cost for service line abandonment would be \$488. The current practice is to charge customers the actual cost for these types of projects.<sup>4,5</sup> CURB endeavors to protect residential and small commercial ratepayers from unnecessary or burdensome costs. CURB has concerns on how the revisions to Section 7 will play out over the course of time. In particular, CURB is concerned whether there will be a rise in the number of high-cost projects requested and completed (projects which may have previously been rejected by ratepayers due to high estimated costs) and whether low-cost projects will be drastically overcharged. Therefore, CURB urges the Commission to deny the above-described portions of the Company's proposal.

6. CURB concludes that very few customers will benefit from the proposal, with most customers being adversely impacted. CURB's conclusion is based upon the data the Company

---

<sup>2</sup> Kansas Corporation Commission Staff's Report and Recommendation (April 5, 2023).

<sup>3</sup> *Id.*

<sup>4</sup> Email from Janet Buchanan to Josh Frantz, "RE: 23-282 Outlier Costs" (April 12, 2023).

<sup>5</sup> Direct Testimony of Lorna Eaton, p. 2 lns. 19-20 (August 26, 2022).

provided in response to Data Request KCC-001.<sup>6</sup> In analyzing the cost of customer-requested projects from 2019-2021 for relocation, reconnection, or upgrade of service lines of pipe size 1 ¼ inch or less, the following was observed:

- There were 330 projects *in total*.
- The highest (pre-tax) billed cost was \$12,432.11.
- The lowest cost was \$222.30.
- The average cost was \$1,467.06.
- The median cost was \$1,080.64.
- There were 12 outlier projects on the high-end of the cost spectrum, beyond two standard deviations from the average.

Similarly, during 2019-2021, for service line abandonments:

- There were 229 projects *in total*.
- The highest (pre-tax) billed cost was \$3,193.41.
- The lowest cost was \$90.59.
- The average cost was \$448.23.
- The median cost was \$323.93.
- There were 9 outlier projects on the high-end of the cost spectrum, beyond two standard deviations from the average.

7. While the Company and Staff are correct that the average actual cost is nearly identical to the Average Embedded Cost for upgrade, reconnection, and relocation projects and relatively close for service line abandonments, the median costs for these types of projects indicate that the majority of projects are below the average cost and the high-cost outliers skew the average. Focusing on upgrades, reconnection, and relocation projects, the data furnished in the Company's response to Data Request KCC-001 shows that 65 projects (or nearly 20%) had final cost (pre-tax) billings less than \$732.00. Under the Company's proposal, these customers would have had to pay *at least* double the true cost they actually incurred to complete the requested project. On the other hand, the data also shows that 28 projects (approximately 9%) had final cost (pre-tax) billings greater than \$2,928. Under the Company's proposal, these privileged customers would have

---

<sup>6</sup> See Excel file "23-282 KCC 001 Attachment A."

enjoyed savings paid by other KGS customers exceeding 100 percent of the true cost they actually incurred. Therefore, the data unequivocally shows that the Company's proposal is significantly adverse to the "cost-causer, cost-payer" concept inherent in utility regulation and would unduly harm the vast majority of affected customers.

8. Further, the high cost projects, those in excess of \$1,464, when added to the following year gross plant balances, may contribute to an escalating Average Embedded Cost with each passing year. While this may be favorable for customers whose projects cost more than the Average Embedded Cost, such additional costs would be borne by other ratepayers when the next annual recalculation is made.

9. It should also be noted that the high-cost outliers were projects the customer agreed to *after* receiving an estimate. CURB is concerned that the number of high-cost outlier projects will increase if customers are told all projects will cost a flat amount. When CURB raised its concerns regarding high-cost outliers to KGS, the Company replied, "customers with outlier costs will be billed for the additional costs that are associated with the unusual construction conditions that are what typically lead to the outlier status,"<sup>7</sup> in reference to KGS's tariff General Terms & Conditions at Section 7.04.03(2)(a) which states:

Customer shall also be billed for any construction costs, including labor, overheads, and material used in unusual construction conditions, including but not limited to piping that is to be installed on a frozen ground, rock, under paved areas or other obstructions, regardless of Service Line / Yard Line length.

10. While reliance upon this clause would alleviate some concern over high-cost outliers, it negates one of the primary benefits of the proposed change. As stated by Company witness Lorna Eaton, in her Direct Testimony attached to the Application, "By moving to the

---

<sup>7</sup> Email from Janet Buchanan to Josh Frantz, "RE: 23-282 Outlier Costs" (April 6, 2023).

Average Embedded Cost, customers would have certainty on what a project would cost....”<sup>8</sup> Ultimately, there is no certainty of the final billed cost if these projects fall under the ambiguous “unusual conditions” clause of Section 7.04.03(2)(a). This would provide little clarity to the customer who may still be required to pay in excess of the Average Embedded Cost. Rather, the proposal adds confusion to the policy.

11. As noted earlier, customers with low-cost projects would be substantially overcharged when paying the proposed Average Embedded Cost instead of the actual cost. It is important to note that these customers are captive since KGS is a monopoly and customers are not allowed other options to perform the projects — Section 7.09 specifically states, “Company’s equipment will be removed or relocated only by Company authorized personnel.” Charging \$1,464 for projects (or \$488 for service line abandonments) that may have only been a few hundred dollars if reviewed on an individual basis is unfair. The Company’s rationale for this unfair result is that the customer will have more certainty regarding the amount they could be billed (provided that KGS does not claim that there were unusual circumstances which escalated the costs). This rationale provides little solace to the customers who have certainty that they are going to be overcharged for their projects and have no alternative source of provider. Moreover, the tariff’s provision that the stated charge is certain (unless it is not due to unusual circumstances) could result in many smaller projects being abandoned while larger projects continue, skewing average costs upwards over time.

12. CURB encourages the Commission to reject this portion of KGS’s proposal, thus requiring KGS to continue addressing customer-requested projects and service line abandonments on an individual basis. If, however, the Commission grants the Application in full, CURB would

---

<sup>8</sup> Direct Testimony of Lorna Eaton, p. 2 lns. 22-24 (August 26, 2022)

ask the Commission to stipulate KGS is to provide additional reporting on the number of projects completed along with reporting data for customer-requested project and service line abandonment costs when KGS updates the Average Embedded Cost each year. This would give the parties an opportunity to review these types of projects and see if using the Average Embedded Cost approach is working as intended. These additional reporting requirements need not be burdensome, but should provide sufficient specific information to allow the parties to review the costs prior to implementing the amount for the next year. CURB believes additional reporting would give transparency to the annual update that otherwise would appear to be a mere mathematical calculation.

13. WHEREFORE, CURB prays that the Commission reject KGS's proposal to charge the Average Embedded Cost for customer-requested relocation or upgrades of Company equipment. However, if the Commission adopts said proposal, CURB asks that the Commission also adopt CURB's request for additional reporting.

Respectfully submitted,



David Nickel, Consumer Counsel #11170

Todd E. Love, Attorney #13445

Joseph Astrab, Attorney #26414

Citizens' Utility Ratepayer Board

1500 SW Arrowhead Road

Topeka, KS 66604

(785) 271-3200

[d.nickel@curb.kansas.gov](mailto:d.nickel@curb.kansas.gov)

[t.love@curb.kansas.gov](mailto:t.love@curb.kansas.gov)

[j.astrab@curb.kansas.gov](mailto:j.astrab@curb.kansas.gov)

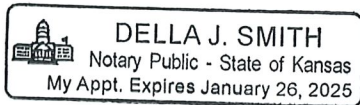
**VERIFICATION**


STATE OF KANSAS )  
  )     ss:  
COUNTY OF SHAWNEE )

I, Todd E. Love, of lawful age and being first duly sworn upon my oath, state that I am an attorney for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Todd E. Love

SUBSCRIBED AND SWORN to before me this 13<sup>th</sup> day of April 2023.



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

My Commission expires: 01-26-2025.

## **REFERENCED EMAILS**






Thu 4/6/2023 11:51 AM

Buchanan, Janet L. <Janet.Buchanan@onegas.com>

RE: 23-282 Outlier Costs

To Josh P. Frantz

Cc Todd Love; Vincent, Robert E.; Eaton, Lorna M

 You replied to this message on 4/6/2023 12:04 PM.

---

**This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.**

Josh –

The KGS General Terms & Conditions at 7.04.03(2)(a) states:

Customer shall also be billed for any construction costs, including labor, overheads, and material used in unusual construction conditions, including but not limited to piping that is to be installed on a frozen ground, rock, under paved areas or other obstructions, regardless of Service Line / Yard Line length.

So, customers with outlier costs will be billed for the addition costs that are associated with the unusual construction conditions that are what typically lead to the outlier status.

Thanks-  
Janet



Wed 4/12/2023 9:47 PM

Buchanan, Janet L. <Janet.Buchanan@onegas.com>

RE: 23-282 Outlier Costs

To Josh P. Frantz; Eaton, Lorna M

---

**This is an EXTERNAL EMAIL. Think before clicking a link or opening attachments.**

---

Josh –

Currently, KGS charges the actual cost of the customer requested abandonment of a service line (cut and plug).

We provided the following in response to Data Request 23-282 KCC-002:

*Please see 23-282 KCC 001 Attachment A. The average of the cut and plug (service line abandonment) costs from 2019-2021 is provided on tab "Cut & Plug". The supporting data is on the "Data" tab. The average cost during the 3 years was \$448 which is approximately 1/3 of the average service line replacement cost.*

I hope that helps you.

-Janet

**CERTIFICATE OF SERVICE**

23-KGSG-282-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 13<sup>th</sup> day of April, 2023, to the following:

JANET BUCHANAN, DIRECTOR- REGULATORY AFFAIRS  
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.  
7421 W 129TH ST  
OVERLAND PARK, KS 66213-2713  
[janet.buchanan@onegas.com](mailto:janet.buchanan@onegas.com)

ROBERT E. VINCENT, MANAGING ATTORNEY  
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.  
7421 WEST 129th STREET  
OVERLAND PARK, KS 66213-2634  
[robert.vincent@onegas.com](mailto:robert.vincent@onegas.com)

WALKER HENDRIX, ACTING CHIEF LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
[w.hendrix@kcc.ks.gov](mailto:w.hendrix@kcc.ks.gov)

  
Della Smith  
Senior Administrative Specialist