

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 of an Accounting Order to Track                     )  
Expenses Associated with the Investigating,                     )                     Docket No. 17-KGSG-455-ACT  
Testing, Monitoring, Remediating and Other                     )  
Work Performed at the Manufactured Gas                     )  
Plant Sites Managed by Kansas Gas Service.                     )

**JOINT MOTION TO AMEND PROCEDURAL SCHEDULE**

Kansas Gas Service, a division of ONE Gas, Inc., ("Kansas Gas Service"), the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and the Citizens Utility Ratepayers Board ("CURB"), collectively Joint Movants, move the Commission for an Order amending the procedural schedule in the above-captioned docket. In support of their motion, Joint Movants state as follows:

1. Kansas Gas Service is a jurisdictional public utility as defined by K.S.A. 66-104 and is providing natural gas utility service in Kansas pursuant to grants of authority from the Commission.
2. On April 11, 2017, Kansas Gas Service filed an application seeking approval of an Authority Accounting Order ("AAO") to accumulate, defer and recover costs incurred after January 1, 2017, associated with Kansas Gas Service's obligation to perform environmental investigating, testing, monitoring, remediating and other work on specific natural gas facilities used in the past to manufacture gas and the real property where those facilities were located, as well as nearby properties ("MGP Sites"), which are being managed by Kansas Gas Service and performed under a Consent Order with the State of Kansas Department of Health and Environment ("KDHE") in KDHE Case No. 94-E-0172 on October 7, 1994 by Kansas Gas Service's predecessor, Western Resources, Inc.,

("WRI") and several amendments thereto (collectively, "Consent Order") and Section II. A, paragraph 8 (K) of the Stipulation and Agreement approved by the Commission in Docket No. 97-WSRG-486-MER ("486 Docket") by Order dated October 15, 1997.

3. Kansas Gas Service sought regulatory treatment consistent with the treatment approved by the Commission in Docket No. 185,507-U (Order dated June 14, 1993) for similar environmental costs incurred in the work performed at an MGP site managed by Kansas Public Service Company ("KPS Docket"). Under the KPS Docket, the gas utility obtained authority to accumulate in account 186, and recover in subsequent rate cases MGP costs to be amortized over a ten-year period. The regulatory asset would not accrue carrying charges, nor be included in rate base. The absence of accrued carrying charges and exclusion from rate base represents an economic cost absorbed by Kansas Gas Service and effectively results in a sharing of the costs between shareholders and customers. Kansas Gas Service also sought permission to retain proceeds from insurance companies to cover \$9.49 million in MGP costs paid by Kansas Gas Service between January 1, 1998, and December 31, 2016. Kansas Gas Service also sought permission to keep 40% of the insurance proceeds. The remaining 60% of the insurance proceeds would be credited to customers as allowed under the KPS Docket.

4. On September 8, 2017, Staff and CURB filed testimony. Staff recommended that both Kansas Gas Service's AAO and its requested ratemaking treatment for insurance proceeds be denied at this time. Staff also recommended the Commission endorse a framework in which all future ratepayer recovery of MGP costs over \$1 million per MGP site be accomplished by reducing the net MGP costs (net of insurance recoveries) amount by 40%, then amortizing the remaining balance over

10 years with carrying cost afforded to the unamortized balance at Kansas Gas Service's Commission-approved Weighted Average Cost of Capital ("WACC"). Staff indicated that its proposed treatment accomplished the same ratemaking/policy goal that the Commission intended in the KPS Docket. Finally, Staff recommended that the Commission require Kansas Gas Service to credit 100% of all insurance proceeds against MGP remediation expenses. CURB recommended that the Commission deny Kansas Gas Service's request and find that these costs should be recovered from Kansas Gas Service's shareholders. To the extent that the Commission would find that some recovery from ratepayers was appropriate, then CURB recommended the Commission should limit any deferral to 50% of remediation costs with ratemaking treatment for any deferral to be examined in a base rate case. CURB also recommended that internal labor costs not be included in any deferral.

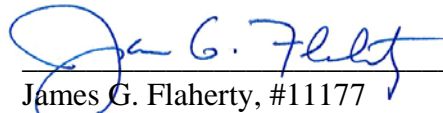
5. On September 25, 2017, Kansas Gas Service filed testimony rebutting the positions taken by Staff and CURB. Kansas Gas Service contended that Staff and CURB's positions were contrary to the ratemaking treatment/policy approved by the Commission in the KPS Docket with respect to recovery of MGP costs and treatment of insurance proceeds relating to those MGP costs.

6. Pursuant to the procedural schedule approved by the Commission in this matter, Kansas Gas Service, Staff and CURB held a settlement conference on September 28, 2017. Those settlement discussions continued on September 29, October 2 and October 3, 2017. As a result of those discussions, the Joint Movants have reached a unanimous agreement in principle on all issues in this docket.

7. Joint Movants request that the procedural schedule in this docket be modified to allow the Joint Movants to file the unanimous settlement agreement ("Agreement") and their respective

testimony in support of the Agreement on or before October 12, 2017, to retain the October 24, 2017, Prehearing Conference date that is currently included in the procedural schedule and to convert the evidentiary hearing set to begin on November 1, 2017, into a hearing on the Agreement.

WHEREFORE, for the reasons set forth herein, Joint Movants request that the procedural schedule in this docket be modified as set forth above.



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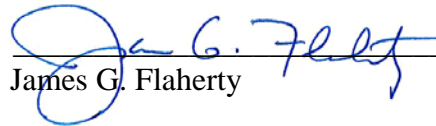
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**VERIFICATION**

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 Kansas Gas Service, A Division of ONE Gas, Inc.; that he has read the forgoing Joint Motion to Amend Procedural Schedule and the statements contained therein are true.

  
James G. Flaherty

SUBSCRIBED AND SWORN to before me this 4<sup>th</sup> day of October 2017.





Notary Public

Appointment/Commission Expires:

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Joint Motion to Amend Procedural Schedule was sent via U.S. Mail, postage prepaid, hand-delivery, or electronically, this 4<sup>th</sup> day of October, 2017, addressed to:

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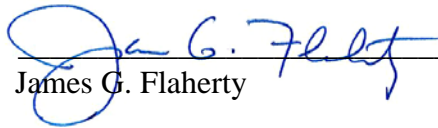
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