

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 18-KGSG-560-RTS

**CROSS-ANSWERING TESTIMONY OF MICHAEL BROSCHE, ON BEHALF OF
INTERVENORS THE KANSAS FARM BUREAU AND KANSAS CORN GROWERS ASSOCIATION**

1 **Q. PLEASE STATE YOUR NAME.**

2 A. Michael L. Brosch.

3 **Q. ARE YOU THE SAME MICHAEL L. BROSCHE WHO PREVIOUSLY SUBMITTED DIRECT**
4 **TESTIMONY ON BEHALF OF THE KANSAS FARM BUREAU AND KANSAS CORN GROWERS**
5 **ASSOCIATION?**

6 A. Yes. My business address and professional qualifications were described in my Direct
7 Testimony and in Exhibit MLB-1, submitted on behalf of The Kansas Farm Bureau and
8 Kansas Corn Growers Association.

9 **I. INTRODUCTION**

10 **Q. WHAT IS THE PURPOSE OF YOUR CROSS-ANSWERING TESTIMONY?**

11 A. In this Cross-Answering Testimony, I am responding to the Class Cost of Service ("CCOS")
12 and revenue increase distribution testimony of Staff witnesses Ms. Lana Ellis and Mr.
13 Robert Glass, respectively.

14 **Q. PLEASE SUMMARIZE YOUR CONCERNS WITH THE CLASS COST OF SERVICE STUDY**
15 **TESTIMONY OF MS. ELLIS AND THE REVENUE DISTRIBUTION PROPOSED BY MR. GLASS.**

1 A. Staff's proposed CCOS study improperly classifies KGS distribution mains costs as entirely
2 demand-related, ignoring the reality that some portion of distributions mains costs are
3 caused by the need to connect and serve customers. Then, Staff's selection of NCP
4 demand levels to allocate mains costs improperly mixes the summer-peaking demands of
5 the irrigation customer classes with the winter peak demands of other customer classes.
6 Demand-related mains costs should be allocated using factors reflective of the winter
7 peak season demands that actually cause such costs to be incurred. When these concerns
8 are corrected, the irrigation sales and transportation classes served by KGS are earning
9 significantly above-average returns at current rate levels and should be assigned none of
10 the revenue increase that may be awarded by the Commission in this proceeding. The
11 revenue distribution proposed by Mr. Glass should be revised to attribute no revenue
12 increases to KGS' irrigation customers.

13 II. ANALYSIS

14 **Q. IN YOUR DIRECT TESTIMONY, YOU RECOMMENDED THAT SOME PORTION OF**
15 **DISTRIBUTION MAINS COSTS BE CLASSIFIED AS CUSTOMER-RELATED.¹ HOW DID MS.**
16 **ELLIS CLASSIFY DISTRIBUTIONS MAINS COSTS IN HER TESTIMONY?**

17 A. Staff classifies distribution mains plant as 100% demand-related and uses an NCP
18 allocator for such costs.² According to Ms. Ellis, "[m]ains supply the gas for the
19 distribution system and are sized for demand, not for the number of customers. The
20 number of customers affects mains cost indirectly through demand, which is captured by

¹ Direct Testimony of Michael L. Brosch, page 11, lines 5-17.

² Direct Testimony of Lana J. Ellis, page 12, line 3.

1 the NCP allocator. By classifying mains as demand-related, Staff classifies mains based on
2 the purpose they serve—meeting demand.”³

3 **Q. IS IT APPROPRIATE TO USE ONLY A “DEMAND” CLASSIFICATION AS THE BASIS TO**
4 **ALLOCATE DISTRIBUTION MAINS?**

5 A. No. The cost of mains is caused by both the length of the required mains and the sizes
6 (capacities) of the mains. The number of customers required to be connected and the
7 cumulative distance between customers determines the length of needed distribution
8 mains, while the level of demand to be served determines the relative size and pressure
9 or capacity of each foot of the needed mains investment. The installed cost of distribution
10 mains is a function of both length in feet or miles and capacity. Staff’s proposal to
11 consider only the capacity of mains, while completely ignoring how the quantity of
12 customers requiring connection affects the length of mains is inappropriate. The frailty
13 of Staff’s classification logic is revealed by Ms. Ellis conclusion that “the number of
14 customers affects mains cost indirectly through demand.”⁴ Mains costs are caused by
15 both length and capacity. It would be equally logical but also unreasonable to assume the
16 opposite of Staff’s position -- that the demand upon mains is indirectly indicated by the
17 number of customers, such that mains costs should be entirely allocated on a number of
18 customers basis. What is called for here is some weighted consideration of both factors
19 that influence the length, size and overall cost of KGS distribution mains, the number of
20 customers connected by mains and relative peak season demands of those customers.

³ Id. page 15, lines 3-9.

⁴ Id. page 15, line 5.

1 Q. ACCORDING TO MS. ELLIS, "AS MAINS INCREASE IN SIZE, THE MARGINAL COST OF
2 ADDITIONAL CAPACITY DECLINES."⁵ DOES THIS MARGINAL COST THEORY JUSTIFY
3 IGNORING THE COST CAUSATIVE IMPACT OF EXTENDING MAINS TO CONNECT NEW
4 CUSTOMERS WHENEVER NEW COMMERCIAL BUILDINGS AND RESIDENTIAL
5 SUBDIVISIONS ARE ADDED?

6 A. No. The CCOS under consideration in this case is an embedded allocation of KGS' existing
7 installed gas distribution system and its costs, rather than theoretical marginal costs to
8 serve. Staff's focus solely upon the "size" or "capacity" of distribution mains improperly
9 ignores the reality that much of the cost of the Company's installed network of
10 distribution mains was driven by the length of mains, the number of feet and miles of
11 required mains that have been constructed to connect and serve customers across broad
12 geographic areas. Notably, Ms. Ellis does not deny that KGS would require more mains
13 investment to connect and serve a growing population and geographic area, but appears
14 to resist the entirely logical classification of some reasonable portion of mains costs on a
15 customer basis, as proposed by KGS.⁶ This is apparently because the result of the
16 Company's analysis under such an approach is unacceptable to Staff with, "...the
17 residential class absorbing about 73.44% of the cost of mains as opposed to 57.40% under
18 the Staff's method."⁷

⁵ Id. page 15, line 12.

⁶ Staff witness Robert Glass, at page 4 of his Direct Testimony, argues that KGS' proposed new RNA mechanism should be rejected due to a concern over excess recovery of the Company's revenue requirement, stating, "The cause of the potential over recovery is that KGS has been consistently adding customers, especially to its Residential Class, even as the Residential Customer's average usage has been declining." New residential customers cannot be served by KGS without the extension of distribution mains into new subdivisions and other areas of new development.

⁷ Id. page 15, lines 1-2.

1 **Q. AFTER CLASSIFYING DISTRIBUTION MAINS AS ENTIRELY DEMAND-RELATED, DOES**
2 **STAFF’S CHOSEN ALLOCATION FACTOR RELY UPON ONLY WINTER PEAK DEMANDS TO**
3 **ALLOCATE COSTS?**

4 **A.** No. According to Ms. Ellis, “...the appropriate allocator is NCP demand—the peak demand
5 for each part of the distribution system independent of the rest of the system.”⁸ The
6 monthly NCP demand for the Company’s Residential class and General Service
7 commercial classes is highest in January, when winter demand for space heating is the
8 greatest. Because Residential and General Service NCP demands generally occur in
9 January, they represent a measure of demand that coincides with peak conditions on the
10 KGS system. It is entirely reasonable to conclude that KGS has designed and installed
11 distribution mains of sufficient capacity to connect and reliably serve peak winter
12 demands.

13 However, the NCP demand levels used by Staff to allocate mains costs to irrigation
14 customers are the highest in the summer, when crop irrigation is needed. Summer is the
15 season when peak demands upon the overall KGS distribution system are the lowest.
16 These demand patterns are reflected in Figures 1 and 2 in my Direct Testimony.⁹ Staff’s
17 use of NCP demand levels to allocate distribution mains costs is distinctly unfair to
18 summer-peaking irrigation customers, by allocating significant mains cost to off-peak
19 irrigation demands occurring in the summer, with no showing that KGS has installed any
20 additional distribution mains investment to serve these off-peak demands. Irrigation

⁸ Id. page 12, line 6.

⁹ Direct Testimony of Michael L. Brosch, pages 13 and 14.

1 customer classes should be allocated demand-related mains costs based upon their loads
2 during the Company's winter peak month, in order to properly reflect cost-causation, as
3 more fully explained in my Direct Testimony.¹⁰

4 **Q. WHAT DISTRIBUTION OF THE KGS REVENUE INCREASE AMONG CUSTOMER CLASSES IS**
5 **RECOMMENDED BY STAFF?**

6 A. Ms. Ellis states, "I recommend the Commission find Staff's CCOS study provides a
7 reasonable basis for the allocation of KGS's revenue and costs. Accordingly, I recommend
8 the Commission accept Staff's CCOS study as a reasonable basis for determining existing
9 class rates of return and as a starting point for Staff's rate design."¹¹ Staff's proposed
10 revenue increase distribution is then sponsored by Mr. Robert Glass, who relies upon Ms.
11 Ellis' results and recommends a revenue increase of approximately four percent to
12 irrigation sales and transportation customers at Staff's overall revenue requirement of
13 \$19.8 million.¹²

14 **Q. DO YOU AGREE WITH STAFF'S PROPOSED REVENUE INCREASES TO IRRIGATION**
15 **CUSTOMERS?**

16 A. No. Staff's CCOS study should be rejected by the Commission for the reasons stated
17 herein. Irrigation customers should be assigned no rate increases based upon the
18 corrected and revised CCOS study methods described in my Direct Testimony.

¹⁰ Id. pages 12, line 19 and Exhibits MLB-3 and MLB-4.

¹¹ Direct Testimony of Lana Ellis, page 17, lines 22-24 and page 18, lines 1-2.

¹² Direct Testimony of Robert Glass, page 16, Table 2. Irrigation Sales and Transportation classes are assigned \$14,787 and \$69,744 revenue increases, respectively, which represent 4.2% and 4.4% of class revenues at Current Rates.

1 **Q. ARE YOU SUBMITTING ANY CROSS-ANSWERING TESTIMONY TO CURB'S WITNESS**
2 **REGARDING CCOS AND REVENUE INCREASE DISTRIBUTION ISSUES?**

3 A. No. CURB's witness, Mr. Glenn Watkins, initially filed Direct Testimony addressing CCOS
4 and rate design matters and then later filed "Errata Direct Testimony and Schedules" in
5 which he allocated mains using coincident peaks rather than non-coincident peak
6 demands and also incorporated the needed corrections to Mr. Raab's Irrigation
7 coincident peak demands that are described in my Direct Testimony. After his
8 corrections, Mr. Watkins concludes that Irrigation Sales and Irrigation Transport class
9 returns are among the highest of all customer classes and he states, "As a result of this
10 significant change, I am revising my class revenue distribution recommendation such that
11 using the same methodology as in my initial direct testimony, no increase is warranted
12 for either of the two Irrigation rate schedules (GIS and GIT)."¹³

13 **III. CONCLUSION**

14 **Q. SHOULD THE COMMISSION RELY UPON STAFF'S CCOS TO ALLOCATE DISTRIBUTION**
15 **MAINS COSTS AMONG CUSTOMER CLASSES?**

16 A. No. Staff witness Ellis improperly classifies distribution mains costs as entirely demand
17 related and then allocates such costs based upon NCP demands that excessively allocate
18 costs to summer-peaking irrigation customer classes.

¹³ Errata Direct Testimony and Schedules of Glenn A. Watkins, pages 1-3 and the "Corrected" column of his "Results at Current Rates" table on page 2.

1 **Q. AFTER REVIEW OF STAFF AND CURB DIRECT TESTIMONIES, DO YOU CONTINUE TO**
2 **RECOMMEND THAT THE IRRIGATION SALES AND TRANSPORTATION CUSTOMERS**
3 **SERVED BY KGS SHOULD RECEIVE NO REVENUE INCREASES IN THE PENDING RATE CASE?**

4 **A.** Yes. This result is supported by the CCOS results described in my Direct Testimony and in
5 the Errata Direct Testimony sponsored by CURB witness Watkins.

6 **Q. DOES THAT COMPLETE YOUR CROSS-ANSWERING TESTIMONY?**

7 **A.** Yes, it does.

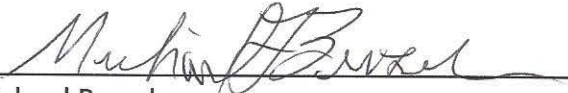
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF Johnson)

ss:

THERESA C CURRY
Notary Public - State of Kansas
My Commission Expires 8 02, 2022

Michael Brosch, being duly sworn upon his oath, deposes and states that he is an independent consultant for The Kansas Farm Bureau and Kansas Corn Growers Association; that he has read and is familiar with the foregoing Testimony filed herewith; and that the statements therein are true and correct to the best of his knowledge, information, and belief.


Michael Brosch

SUBSCRIBED AND SWORN to before me this 13th day of November, 2018.


Notary Public

My Commission expires: 08/02/2022

CERTIFICATE OF SERVICE

On this 14th day of November, 2018, I hereby certify that a true and correct copy of the foregoing Cross-Answering Testimony of Michael L. Brosch was furnished, by means of electronic service, to the following parties:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17, OTTAWA, KS 66067
Fax: 785-242-1279
jflaherty@andersonbyrd.com

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
t.love@curb.kansas.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
s.rabb@curb.kansas.gov

PHOENIX ANSHUTZ, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
p.anshutz@kcc.ks.gov

MICHAEL DUENES, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
m.duenes@kcc.ks.gov

JANET BUCHANAN, DIRECTOR- REGULATORY AFFAIRS
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH ST
OVERLAND PARK, KS 66213-2713
Fax: 913-319-8622
janet.buchanan@onegas.com

BRANDON M. DITTMAN
KISSINGER & FELLMAN, P.C.
3773 CHERRY CREEK N. DRIVE
PTARMIGAN PLACE, SUITE 900
DENVER, CO 80209
brandon@kandf.com

THOMAS J. CONNORS, ATTORNEY AT LAW
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
tj.connors@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.nickel@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.smith@curb.kansas.gov

MICHAEL NEELEY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3167
m.neeley@kcc.ks.gov

JUDY JENKINS HITCHYE, MANAGING ATTORNEY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH ST
OVERLAND PARK, KS 66213-2713
Fax: 913-319-8622
judy.jenkinshitchye@onegas.com

JOHN F. WILCOX, ATTORNEY
DYSART TAYLOR COTTER MCMONIGLE & MONTEMORE, P.C.
4420 MADISON AVENUE
KANSAS CITY, MO 64111
jwilcox@dysarttaylor.com

DON KRATTENMAKER, VP
WOODRIVER ENERGY, LLC
3300 E. 1ST AVE., SUITE 600
DENVER, CO 80206
don.krattenmaker@woodriverenergy.com

/s/ Wendee D. Grady

Wendee D. Grady