

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) Docket No. 18-KGSG-____ - RTS
State of Kansas.)

DIRECT TESTIMONY
OF
MAXX J. GOAD
ON BEHALF OF KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.

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1 **I. Position and Qualifications**

2 **Q. Please state your name and business address.**

3 A. My name is Maxx J. Goad. My business address is 15 East Fifth Street in Tulsa, Oklahoma.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by ONE Gas, Inc., (“ONE Gas” and/or “OGS”) as a Rates Analyst II.

6 **Q. Please describe your educational background and professional experience.**

7 A. I received a Bachelor’s degree in Applied Economics & Management with a concentration in
8 finance from Cornell University in 2013. I began my employment with ONE Gas on October
9 14, 2015, as a Rates Analyst I in the Rates & Regulatory Department. I was promoted to Rates
10 Analyst II in December of 2017. Prior to my employment at ONE Gas, I worked as a Credit
11 Evaluations Analyst at Phillips 66 from September 2013 to October 2015.

12 **Q. Have you testified before the Kansas Corporation Commission (“KCC” or “Commission”)?**

13 A. No, I have not.

14 **II. Executive Summary**

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to identify and quantify ONE Gas corporate capital
17 investment, prepayments, depreciation and amortization expense allocated to Kansas Gas
18 Service (“KGS” or the “Company”).

- 1 **III. Adjustments**
- 2 **Q. What are the adjustments you are sponsoring related to ONE Gas corporate capital**
- 3 **investment, prepayments, depreciation and amortization expenses allocated to KGS?**
- 4 **A. The adjustments I am sponsoring are summarized below in Table 1:**

Table 1						
Adjustment Number	Description	KGS Direct	Corporate Costs allocated on a causal basis	Distrigas Adjustment Amount	Total Increase (Decrease) to Rate Base	Page
PLT 3	Corporate Assets		\$29,380,474	\$36,929,784	\$66,310,258	3
ADA 2	Accumulated Depreciation on Corporate Assets		(\$8,882,745)	(\$7,411,473)	(\$16,294,218)	4
WC 1	Corporate Prepayments (165)			\$4,595,306	\$4,595,306	5
WC 2	Corporate Long-Term Prepayments (186)			\$522,245	\$522,245	5
					Total Increase (Decrease) to Operating Income	
IS 29	Annualized Corporate Depreciation and Amortization				\$11,595	5

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1 **Q. Please begin with an explanation for rate base adjustment PLT 3.**

2 A. PLT 3 increases the Company's Plant in Service to include Corporate Assets allocated to KGS in the
3 amount of \$66,310,258. The adjusted plant in service amount allocated to KGS on a causal basis
4 is \$29,380,474. The adjusted plant in service amount allocated to KGS using OGS Distrigas is
5 \$36,929,784. These assets are necessary in the provision of utility service to KGS, but are not
6 reflected on the division books of KGS, thus this adjustment is necessary to include them in Rate
7 Base for purposes of determining the KGS revenue requirement. The adjustment allocates the
8 plant in service using the allocation percentages for the first quarter of 2018.

9 **Q. What is the amount ONE Gas has invested at the corporate level in Plant in Service?**

10 A. ONE Gas has \$166.5 million in plant in service and construction completed not classified (CCNC)
11 (\$182 million total investment less \$15.5 million in reductions).

12 **Q. What does the \$15.5 million reduction to investment represent?**

13 A. The \$15.5 million reduction to investment represents assets that OGS's management has decided
14 not to seek recovery of in this rate case. The adjustment includes removal of aviation related
15 assets, software used for contributions and donations, artwork, and retirement of an end of life
16 assets.

17 **Q. Did you make an adjustment to the Plant in Service allocated to KGS?**

18 A. Yes. I included the KGS allocated portion of the corporate balance of Construction Work in
19 Progress ("CWIP") at the end of the test period. The total CWIP allocated to KGS is \$11.9 million.

20 **Q. Please provide an explanation for rate base adjustment ADA 2?**

21 A. ADA 2 is the Accumulated Provision for Depreciation and Amortization adjustment for Corporate
22 Assets allocated to KGS in the amount of (\$16,294,218). The adjusted accumulated provision for
23 depreciation and amortization adjustment amount allocated to KGS on a causal basis amounts to
24 (\$8,882,745). The adjusted accumulated provision for depreciation and amortization amount

1 allocated to KGS using ONE Gas Distrigas is (\$7,411,473), making the ADA 2 total adjustment
2 (\$16,294,218). This adjustment recognizes the portion of the Accumulated Depreciation and
3 Amortization Reserve associated with ONE Gas' Plant in Service allocated to KGS in PLT 3. Within
4 ADA 2, adjustments were made that correspond with the adjustments discussed in PLT 3. PLT 3
5 and ADA 2 have a net increase to rate base of \$50,016,040.

6 **Q. Please provide an explanation for working capital adjustment WC 1 and WC 2.**

7 A. WC 1 and WC 2 increases rate base \$4,595,306 and \$522,245, respectively, by calculating the
8 average 13-month balance for corporate prepayments and long-term prepayments allocated to
9 KGS. Prepayments are included in Rate Base as they represent an investment the Company has
10 made in the provision of utility service, similar to the plant in service assets. Corporate allocated
11 prepayments are included to recognize advances for such items as insurance policy premiums
12 allocated to KGS. The Company maintains a prepayment balance to cover annual insurance
13 premiums for policies such as general liability, automobile, workers' compensation, property
14 insurance, as well as annual equipment and software maintenance agreements, software license
15 fees and other miscellaneous prepaid items. By taking the average balance over 13 months,
16 fluctuations in prepayment accounts during the test year are normalized. The average 13-month
17 balance has been adjusted to remove activity for which management has decided not to seek
18 recovery, such as aviation insurance, maintenance fees for the software used for contributions
19 and donation and lobbying related to American Gas Association membership fees. The
20 adjustment allocates the prepayment 13-month average using the OGS Distrigas allocation
21 percentage for the first quarter of 2018.

- 1 **Q. Please provide an explanation for the income statement adjustment IS 29.**
- 2 A. IS 29 decreases Depreciation and Amortization expense by \$11,595 to reflect the depreciation
- 3 and amortization rates approved in Docket No. 16-KGSG-491-RTS¹ proposed by Company and the
- 4 change in allocation of costs assigned to KGS based on first quarter 2018 allocation ratios
- 5 corresponding to the adjusted plant amount in PLT 3.
- 6 **Q. Does this conclude your testimony?**
- 7 A. Yes, it does.

¹ *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. 16-KGSG-491-RTS, Order Approving Unanimous Settlement Agreement at FoF 14 (Nov. 29, 2016).*

VERIFICATION

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

Maxx J. Goad, being duly sworn upon his oath, deposes and states that he is a Rates Analyst II for ONE Gas, Inc.; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.



Maxx J. Goad

Subscribed and sworn to before me this 19th day of June 2018.





NOTARY PUBLIC

My appointment Expires:
2.5.20