

**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

Before Commissioners:                      Dwight D. Keen, Chair  
    Shari Feist Albrecht  
    Susan K. Duffy

In the Matter of the Application of Kansas Gas    )  
Service, a Division of ONE Gas, Inc., Seeking    ) Docket No. 20-KGSG-235-TAR  
Commission Approval for 2020 Ad Valorem        )  
Tax Surcharge Rider Tariff                            )

**ORDER APPROVING AD VALOREM TAX SURCHARGE**

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its pleadings and records and being duly advised in the premises, the Commission makes the following findings:

**I.       Background**

1.       On November 27, 2019, Kansas Gas Service, a Division of ONE Gas, Inc. (“KGS”) filed its 2020 Ad Valorem tax surcharge request.<sup>1</sup> The Tariff was filed in accordance with K.S.A. 66-117(f), which allows a utility to collect increases in its Ad Valorem taxes that exceed amounts embedded in base rates.

2.       KGS originally requested an increase of \$2,776,941, consisting of:
- a.       The difference between its 2019 total Ad Valorem tax assessments and the annual Ad Valorem tax expense included in base rates established by the Commission in Docket Nos. 16-KGSG-491-RTS (16-491 Docket) and 18-KGSG-560-RTS (18-560 Docket); and

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<sup>1</sup> Kansas Gas Service Ad Valorem Tax Surcharge (Nov. 27, 2019) (“Tariff”).

- b. A true-up provision comparing the amount of Ad Valorem Tax Surcharge revenue collected versus that intended to be collected during 2019.

3. On December 5, 2019, KGS submitted an amended Ad Valorem Tax Surcharge calculation that results in an annual increase of \$3,258,707 and a surcharge of \$0.0416/Mcf.<sup>2</sup> The revised schedules include actual amounts recovered from ratepayers in November 2019 that were originally estimated, as well as amended tax statements for six counties and updated tax statements that were originally estimated for thirteen counties.<sup>3</sup>

4. The annual impact of KGS's proposed Ad Valorem Tax Surcharge would be an incremental increase of approximately \$2.00 per residential customer.<sup>4</sup>

5. On December 10, 2019, Commission Staff submitted a Report and Recommendation ("R&R") in this docket, which recommended approval of the Ad Valorem Tax Surcharge Rider and is attached hereto and incorporated by reference.<sup>5</sup>

## **II. Legal Standard**

6. K.S.A. 66-117(f) grants the Commission the authority to review Ad Valorem tariffs.

7. Whenever a natural gas public utility files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the state corporation commission the changes in expense charged for ad valorem taxes.<sup>6</sup>

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<sup>2</sup> See generally Amended KGS 2020 Ad Valorem Tax Surcharge with Documents (Dec. 5, 2019) ("Amended Tariff").

<sup>3</sup> See generally *id.*

<sup>4</sup> Staff's Report and Recommendation (Dec. 9, 2019) ("R&R").

<sup>5</sup> See generally R&R.

<sup>6</sup> See K.S.A. 66-117(f).

8. Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to substantially collect the increase in ad valorem tax expense charged on the books and records of the utility, or reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the commission shall approve such tariffs within 30 days of the filing.<sup>7</sup>

9. Any over or under collection of the actual ad valorem tax increase charged to expense on the books of the utility shall be either credited or collected through the surcharge in subsequent periods.<sup>8</sup>

### **III. Analysis**

10. Staff reviewed the Ad Valorem tax statements and the records supporting KGS's recovery of revenue associated with the 2020 Ad Valorem Tax Surcharge. The information reviewed was found to be accurate.<sup>9</sup>

11. Staff concluded that KGS's 2020 Ad Valorem Tax Surcharge is properly calculated to charge the increase in Ad Valorem taxes when compared to the amount currently embedded in KGS's base rates.<sup>10</sup>

12. Staff recommends the Commission approve KGS's revised Ad Valorem increase of \$3,258,707 with the following conditions:

- a. KGS shall file an updated tariff with the Commission reflecting the revised surcharge before implementing the surcharge;

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<sup>7</sup> *Id.*

<sup>8</sup> K.S.A. 66-117(f).

<sup>9</sup> R&R at 2.

<sup>10</sup> *Id.*

- b. Staff will insure that the annual true-up of amounts collected versus the actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem surcharge calculation; and
- c. KGS shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.<sup>11</sup>

**THEREFORE, THE COMMISSION ORDERS:**

- A. KGS's Ad Valorem Tax Surcharge filing is approved, subject to Staff's conditions.
- B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).<sup>12</sup>
- C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order or orders, as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 12/17/2019



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Lynn M. Retz  
Executive Director

CRM

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<sup>11</sup> R&R at 2—3.

<sup>12</sup> K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

**TO:** Chair Dwight D. Keen  
Commissioner Shari Feist Albrecht  
Commissioner Susan K. Duffy

**FROM:** Tim Rehagen, Senior Auditor  
Justin Grady, Chief of Accounting and Financial Analysis  
Jeff McClanahan, Director of Utilities

**DATE:** December 9, 2019

**SUBJECT:** Docket No. 20-KGSG-235-TAR – In the Matter of the Application of Kansas Gas Service, a Division of ONE Gas, Inc., Seeking Commission Approval for 2020 Ad Valorem Tax Surcharge Rider Tariff

**EXECUTIVE SUMMARY:**

Staff recommends approval of Kansas Gas Service's (KGS) 2020 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the calendar year 2020 and is in addition to the Ad Valorem tax that was included in base rates during the calendar year 2019. The annual impact of the surcharge would be an incremental increase of approximately \$2.00 per residential customer. Pursuant to K.S.A. 66-117(f), a Commission Order in this Docket is due by December 27, 2019.

**BACKGROUND:**

On November 27, 2019, KGS filed its 2020 Ad Valorem tax surcharge request with the Kansas Corporation Commission (Commission). The surcharge request was filed in accordance with K.S.A. 66-117(f), which provides for a utility to collect increases in its Ad Valorem taxes that exceed amounts currently embedded in base rates. The statute also requires a Commission Order within 30 days of the filing date which, in this Docket, is by December 27, 2019. KGS originally requested an increase of \$2,776,941, consisting of:

1. The difference between its 2019 total Ad Valorem tax assessments and the annual Ad Valorem tax expense included in base rates established by the Commission in Docket Nos. 16-KGSG-491-RTS (16-491 Docket) and 18-KGSG-560-RTS (18-560 Docket);<sup>1</sup> and

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<sup>1</sup> The final Order in the 18-560 Docket was approved on February 6, 2018, which included a new annual ad valorem expense total to be embedded in base rates (\$21,144,627). Therefore, the annual ad valorem tax expense approved

2. A true-up provision comparing the amount of Ad Valorem Tax Surcharge revenue collected versus that intended to be collected during the year 2019.

### **ANALYSIS:**

The Commission derives its authority to review Ad Valorem tariffs from K.S.A. 66-117(f), which states in part:

Whenever, after the effective date of this act, an electric public utility, a natural gas public utility or a combination thereof, files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the state corporation commission the changes in expense charged for ad valorem taxes... Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to substantially collect the increase in ad valorem tax expense charged on the books and records of the utility, or reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the [C]ommission shall approve such tariffs within 30 days of the filing.

On December 5, 2019, KGS submitted an amended Ad Valorem tax surcharge calculation that results in an annual increase of \$3,258,707 and a surcharge of \$0.0416/Mcf. The revised schedules include actual amounts recovered from ratepayers in November 2019 that were originally estimated, as well as amended tax statements for six counties and updated tax statements that were originally estimated for thirteen counties.<sup>2</sup>

Staff has reviewed the Ad Valorem tax statements and the records supporting KGS's recovery of revenue associated with the 2020 Ad Valorem tax surcharge. The information reviewed was found to be accurate. As a result of this review, Staff concludes that KGS's 2020 Ad Valorem tax surcharge is properly calculated to charge the increase in Ad Valorem taxes when compared to the amount currently embedded in KGS's base rates.

### **RECOMMENDATION:**

Staff recommends the Commission approve KGS's revised Ad Valorem increase of \$3,258,707 with the following conditions:

1. KGS shall file an updated tariff with the Commission reflecting the revised surcharge before implementing the surcharge.
2. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem surcharge calculation.

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in the 16-491 Docket (\$20,954,008) was in effect for the first month and five days of 2018 while the new total approved in the 18-560 Docket was in effect for the remainder of the year. The amount of ad valorem tax expense in base rates used in the calculation of the 2019 ad valorem surcharge is a proration of both annual ad valorem tax expense totals from the 16-491 and 18-560 Dockets based on the duration in which they were in effect during the calendar year 2018. *See* Tariff for Kansas Gas Service 2020 Ad Valorem Tax Surcharge Rider filed on November 27, 2019, in the current Docket for the prorated amount of \$21,125,905.

<sup>2</sup> *See* Staff Exhibit 1 for the revised Ad Valorem tax surcharge calculation which incorporates these updates. Staff Exhibit 2 contains the Ad Valorem tax assessments by county including the updated totals.

3. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, KGS shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.

**KANSAS GAS SERVICE  
AD VALOREM TAX SURCHARGE  
For the Year Ending December 31, 2019  
Calculation for the 2020 Billing Year**

**Adjustment to Prior Year Surcharge**

Prior Year Surcharge Total	\$1,076,886.92	
Late Assessments	4,670.64	
True-up of Estimated Recoveries:		
Dec-18 Estimated	\$16,929.06	
Actual	(18,787.86)	
Total Adjustments to Estimate	(\$1,858.80)	
Total Prior Year Surcharge Adjustments		\$1,079,698.76

**Current Year Recoveries - 2019**

January	\$145,873.62	
February	207,625.54	
March	196,291.26	
April	101,053.31	
May	53,224.41	
June	38,517.55	
July	29,729.72	
August	31,307.95	
September	33,377.05	
October	37,568.78	
November	96,026.00	
December	Estimated 147,688.23	
Total Recoveries		\$1,118,283.42
Under/(Over) Recovery to Carry Forward		(\$38,584.66)

**Current Year Assessments**

Ad Valorem Tax Assessments	\$24,423,196.73	
Less: Amount included in Base Rates	*1 (21,125,905.49)	
Recoverable Current Year Taxes		\$3,297,291.24
<b>Total Recoverable Amount</b>		<b>\$3,258,706.58</b>

**Annual Billing Determinants**

Billing Determinants	*2 78,382,787 Mcf	78,382,787 Mcf
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**Ad Valorem Tax Surcharge Rate:** Surcharge of \$0.0416 /Mcf

\*1 Docket 18-KGSG-560-RTS: Unanimous Settlement Agreement, Section 15 (page 5)  
- prorated for 1 month and 5 days of 16-KGSG-491-RTS

\*2 Docket 18-KGSG-560-RTS: Unanimous Settlement Agreement, Appendix B

NOTE: The calculation of this rider is detailed in the KGS Tariff, section 48.1



**KANSAS GAS SERVICE  
AD VALOREM TAX SURCHARGE  
2018 AND 2019 TAXES**

County	Total Tax Payments		Increase(Decrease)	
	2018 Taxes	2019 Taxes	\$	%
<b>KANSAS</b>				
Allen	\$188,523.76	228,225.26	\$39,701.50	21.06%
Anderson	129,977.36	133,527.70	\$3,550.34	2.73%
Atchinson	285,406.64	308,779.96	\$23,373.32	8.19%
Barber	101,153.32	111,312.04	\$10,158.72	10.04%
Barton	495,563.90	549,510.12	\$53,946.22	10.89%
Bourbon	245,664.60	272,249.78	\$26,585.18	10.82%
Brown	156,796.58	165,026.20	\$8,229.62	5.25%
Butler	769,042.18	858,613.74	\$89,571.56	11.65%
Chautauqua	335.42	1,046.62	\$711.20	212.03%
Cherokee	318,173.26	357,499.94	\$39,326.68	12.36%
Clark	84,057.22	90,286.43	\$6,229.21	7.41%
Clay	132,580.22	146,081.48	\$13,501.26	10.18%
Cloud	187,778.32	206,165.38	\$18,387.06	9.79%
Coffey	13,947.32	15,321.04	\$1,373.72	9.85%
Comanche	60,518.00	69,371.66	\$8,853.66	14.63%
Cowley	354,620.06	394,734.10	\$40,114.04	11.31%
Crawford	530,230.30	586,585.66	\$56,355.36	10.63%
Dickinson	237,252.04	269,778.84	\$32,526.80	13.71%
Doniphan	89,068.10	98,032.34	\$8,964.24	10.06%
Douglas	76,569.88	83,603.24	\$7,033.36	9.19%
Edwards	160,318.32	174,482.98	\$14,164.66	8.84%
Elk	42,135.26	41,362.32	(\$772.94)	-1.83%
Ellis	23,861.74	23,664.28	(\$197.46)	-0.83%
Ellsworth	84,914.02	92,734.14	\$7,820.12	9.21%
Ford	52,699.71	58,536.87	\$5,837.16	11.08%
Franklin	292,475.91	322,356.21	\$29,880.30	10.22%
Geary	328,898.04	365,186.02	\$36,287.98	11.03%
Grant	737.43	954.27	\$216.84	29.40%
Gray	13,776.68	14,997.10	\$1,220.42	8.86%
Greenwood	21,884.44	23,876.56	\$1,992.12	9.10%
Harper	60,550.28	66,160.12	\$5,609.84	9.26%
Harvey	298,548.30	325,704.20	\$27,155.90	9.10%
Haskell	33,680.77	38,210.67	\$4,529.90	13.45%
Jackson	97,622.50	106,549.14	\$8,926.64	9.14%
Jefferson	147,289.10	163,265.38	\$15,976.28	10.85%
Jewell	64,993.36	71,096.98	\$6,103.62	9.39%
Johnson	2,837,374.25	3,097,409.54	\$260,035.29	9.16%
Kingman	196,199.50	207,592.26	\$11,392.76	5.81%

**KANSAS GAS SERVICE  
AD VALOREM TAX SURCHARGE  
2018 AND 2019 TAXES**

County	Total Tax Payments		Increase(Decrease)	
	2018 Taxes	2019 Taxes	\$	%
Kiowa	83,922.96	91,934.08	\$8,011.12	9.55%
Labette	379,252.90	408,352.66	\$29,099.76	7.67%
Leavenworth	440,548.70	496,574.07	\$56,025.37	12.72%
Lincoln	64,476.48	70,453.54	\$5,977.06	9.27%
Linn	15,430.20	16,971.70	\$1,541.50	9.99%
Lyon	328,149.24	360,856.42	\$32,707.18	9.97%
Marion	36,958.61	40,741.93	\$3,783.32	10.24%
Marshall	187,190.70	206,542.24	\$19,351.54	10.34%
McPherson	392,172.86	429,350.36	\$37,177.50	9.48%
Meade	34,182.76	36,000.50	\$1,817.74	5.32%
Miami	151,632.90	163,548.32	\$11,915.42	7.86%
Mitchell	146,850.10	163,138.76	\$16,288.66	11.09%
Montgomery	127,967.26	133,993.40	\$6,026.14	4.71%
Morris	13,896.86	15,696.00	\$1,799.14	12.95%
Morton	1,321.89	1,143.50	(\$178.39)	-13.50%
Nemaha	91,086.42	99,683.02	\$8,596.60	9.44%
Neosho	181,976.48	204,251.42	\$22,274.94	12.24%
Osage	140,182.32	157,437.10	\$17,254.78	12.31%
Osborne	73,867.76	80,678.68	\$6,810.92	9.22%
Ottawa	68,809.46	76,241.42	\$7,431.96	10.80%
Pawnee	129,019.82	144,794.74	\$15,774.92	12.23%
Pottawatomie	197,311.20	217,104.24	\$19,793.04	10.03%
Pratt	336,205.66	349,772.02	\$13,566.36	4.04%
Reno	904,390.14	989,900.60	\$85,510.46	9.46%
Republic	43,756.37	46,853.14	\$3,096.77	7.08%
Rice	96,297.80	98,294.20	\$1,996.40	2.07%
Riley	503,633.16	639,154.80	\$135,521.64	26.91%
Rooks	-	-	\$0.00	0.00%
Rush	70,240.01	78,295.61	\$8,055.60	11.47%
Russell	151,347.42	163,795.82	\$12,448.40	8.23%
Saline	602,277.54	678,032.42	\$75,754.88	12.58%
Sedgwick	3,432,391.90	3,816,197.64	\$383,805.74	11.18%
Seward	6,150.38	6,776.90	\$626.52	10.19%
Shawnee	2,119,427.94	2,351,638.82	\$232,210.88	10.96%
Smith	74,056.14	80,219.48	\$6,163.34	8.32%
Stafford	129,652.10	145,388.00	\$15,735.90	12.14%
Stanton	982.44	1,051.34	\$68.90	7.01%
Stevens	-	-	\$0.00	0.00%
Sumner	255,662.20	293,773.70	\$38,111.50	14.91%



KANSAS GAS SERVICE AD VALOREM TAX SURCHARGE 2018 AND 2019 TAXES				
County	Total Tax Payments		Increase(Decrease)	
	2018 Taxes	2019 Taxes	\$	%
Wabaunsee	13,620.06	15,241.60	\$1,621.54	11.91%
Washington	111,364.87	118,529.36	\$7,164.49	6.43%
Wilson	-	-	\$0.00	0.00%
Woodson	8,793.68	9,414.58	\$620.90	7.06%
Wyandotte	1,247,131.86	1,355,829.94	\$108,698.08	8.72%
Total Kansas	<u>\$22,608,807.64</u>	<u>\$24,993,538.64</u>	<u>\$2,384,731.00</u>	
<b>OKLAHOMA</b>				
30176 Grant (Medford, OK)	37,672.00	42,776.00	\$5,104.00	13.55%
18387 Woods (Alva, OK)	489.00	486.00	(\$3.00)	-0.61%
Total Oklahoma	<u>\$38,161.00</u>	<u>\$43,262.00</u>	<u>\$5,101.00</u>	
Total Taxes	<u><b>\$22,646,968.64</b></u>	<u><b>\$25,036,800.64</b></u>	<u><b>\$2,389,832.00</b></u>	
<b><u>Less Taxes Charged to Other Balance Sheet Accounts:</u></b>				
Acct 163: Inventory		\$ 142,537.01		Key
Acct 184: Fleet Clearing		471,066.90		No assets
Total Current Year Ad Valorem Expense		<u><b>\$24,423,196.73</b></u>		Estimate
				Revised

Acct 163: Inventory Rate

0.00569310

Ratios were calculated by accounting:

Acct 184: Fleet Clearing Rate

0.01881498

and filed in the 10R KS Dept of Rev filing

## **CERTIFICATE OF SERVICE**

20-KGSG-235-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of  
electronic service on 12/17/2019.

CARLY MASENTHIN, LITIGATION COUNSEL  
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/S/ DeeAnn Shupe  
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