

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

Before Commissioners:                    Andrew J. French, Chairperson  
   Dwight D. Keen  
   Susan K. Duffy

In the Matter of Record Natural Gas Prices and    )  
Potential System Reliability Issues from        ) Docket No. 21-GIMX-303-MIS  
Unprecedented and sustained Cold Weather.       )

**ORDER GRANTING JOINT MOTION TO APPROVE CITY OF ESKRIDGE’S PLAN  
FOR THE RECOVERY OF EXTRAORDINARY GAS COSTS INCURRED DURING  
FEBRUARY 2021**

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings:

1.        On February 14, 2021, Governor Kelly issued a State of Disaster Emergency due to wind chill warnings and stress on utility and natural gas providers, noting that the current sub-zero temperatures were causing increased energy demand and natural gas supply constraints throughout Kansas, and utilities were currently experiencing wholesale natural gas price increase from 10 to 100 times higher than normal (the 2021 Winter Weather Event or Winter Storm Uri). Those costs may eventually flow through to consumers through increases in monthly natural gas and electric bills. Additionally, Kansas utilities are facing potential reliability issues related to the prolonged arctic temperatures.

2.        K.S.A. 77-536(a) provides State agencies with the authority to act when there is “an immediate danger to the public health, safety or welfare requiring immediate state agency action.” On February 15, 2021, pursuant to K.S.A. 77-536(a), the Commission issued an Emergency Order directing all jurisdictional natural gas and electric utilities to coordinate efforts

and take all reasonably feasible, lawful, and appropriate actions to ensure adequate transportation of natural gas and electricity to interconnected, non-jurisdictional Kansas utilities.<sup>1</sup> Jurisdictional natural gas and electric utilities were ordered to do everything necessary to ensure natural gas and electricity service continued to be provided to their customers in Kansas.<sup>2</sup>

3. The Commission's Emergency Order also authorized every jurisdictional electric and natural gas distribution utility that incurred extraordinary costs associated with ensuring that their customers or the customers of interconnected Kansas utilities that are non-jurisdictional to the Commission continued to receive utility service during this unprecedented cold weather event to defer those costs to a regulatory asset account.<sup>3</sup> All deferred costs shall be segregated by detailed cost category and shall contain enough detail for the Commission to perform a subsequent review for prudence and reasonableness.<sup>4</sup> This deferral is for accounting purposes only.<sup>5</sup>

4. The Commission's Emergency Order also directed each jurisdictional utility to file a compliance report in this Docket detailing the extent of such costs incurred, and present a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame, once Winter Storm Uri ends.<sup>6</sup>

5. On June 29, 2021, Commission Staff (Staff) and the City of Eskridge (Eskridge) filed a Joint Motion to Approve Natural Gas Customer Rate Plan for the Recovery of Extraordinary Gas Costs Incurred during February 2021. Eskridge is a municipal natural gas

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<sup>1</sup> Emergency Order, Feb. 15, 2021, ¶ 3.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*, ¶ 4.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, ¶ 5.

public utility.<sup>7</sup> In 2019, Eskridge had 560 customers, 354 of those fall under the Commission's jurisdiction.<sup>8</sup> Eskridge purchases gas from Kansas Municipal Gas Agency (KMGA) and provides wholesale natural gas service to the City of Harveyville.<sup>9</sup>

6. Eskridge's February 2021 gas bill was \$1,124,331, compared to its approximately \$175,000 gas bill for all of 2020.<sup>10</sup>

7. On March 24, 2021, Eskridge received approval for a low-interest loan of \$1,158,730.09 from the State Treasurer.<sup>11</sup> The first loan payment of \$61,792.52 is due January 1, 2022, followed by a series of biennial payments concluding in January 1, 2031.<sup>12</sup>

8. Staff and Eskridge propose to recover the extraordinary gas costs from customers over the ten-year loan repayment period to protect ratepayers from extremely high bills.<sup>13</sup> Under the proposed rate plan, Harveyville's share of these extraordinary gas costs will also be passed through monthly, based on their actual gas consumption.<sup>14</sup>

9. Under the proposed rate plan, on an annual basis, the gas rates associated with the extraordinary gas costs will be reviewed and trueed up to ensure that: (1) Eskridge is able to continue to timely make its loan payments, and (2) only the actual amount of extraordinary gas costs Eskridge has incurred will be recovered from customers during the 10-year period.<sup>15</sup> The annual review and true-up process allow any relief afforded to Eskridge from any Federal or State investigation into price gouging or market manipulation to be passed on to its customers.<sup>16</sup>

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<sup>7</sup> Joint Motion to Approve Natural Gas Customer Rate Plan for the Recovery of Extraordinary Gas Costs Incurred during February 2021, June 29, 2021, ¶ 5.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*, ¶ 7.

<sup>11</sup> *Id.*, ¶ 8.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*, ¶ 9.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

10. Staff and Eskridge propose allowing Eskridge to recover the annual loan payment obligation of \$123,585.04 by a separate, additional \$2.54/Mcf for customer gas usage from August 2021 to July 2022.<sup>17</sup> The recovered amount would be trued-up annually to ensure that Eskridge was recovering only the amount necessary to service its semi-annual loan payment obligations, and to recover the reasonable and necessary costs of the extraordinary natural gas purchases.

11. The Commission finds it is in the public interest to approve Eskridge's Natural Gas Customer Rate Plan for the Recovery of Extraordinary Gas Costs Incurred during February 2021. Absent such a rate plan, Eskridge's customers would face excessive bills and Eskridge may be unable to make its loan payments. The Commission believes the proposed plan affords sufficient customer protections by using an annual review and true-up process to ensure any relief afforded to Eskridge from any Federal or State investigation into price gouging or market manipulation is passed on to its customers. Accordingly, the Commission grants the Joint Motion to Approve Natural Gas Customer Rate Plan for the Recovery of Extraordinary Gas Costs Incurred during February 2021, and approves Eskridge's Extraordinary Gas Cost Recovery Tariff, attached as Attachment A. Eskridge is authorized to collect an additional \$2.54/Mcf for the period of August 2021 through July 2022 to recover the extraordinary costs caused by Winter Storm Uri.

12. While the Commission approves Eskridge's rate plan and its Extraordinary Gas Cost Recovery Tariff, the Commission's investigation into record natural gas prices and potential system reliability issues is ongoing.

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<sup>17</sup>*Id.*, ¶ 10.



**THEREFORE, THE COMMISSION ORDERS:**

A. The Joint Motion to Approve Natural Gas Customer Rate Plan for the Recovery of Extraordinary Gas Costs Incurred during February 2021 is granted.

B. Eskridge's Extraordinary Gas Cost Recovery Tariff, attached as Attachment A is approved.

C. Eskridge is authorized to collect an additional \$2.54/Mcf for the period of August 2021 through July 2022 to recover the extraordinary costs caused by Winter Storm Uri.

D. 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>18</sup>

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

French, Chairperson; Keen, Commissioner; Duffy, Commissioner

Dated: 07/013/2021



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Lynn M. Retz  
Executive Director

BGF

<sup>18</sup> K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

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THE STATE CORPORATION COMMISSION OF KANSAS  
CITY OF ESKRIDGE

SCHEDULE WWGC

(Name of Issuing Utility)

ENTIRE TERRITORY

Replacing Schedule \_\_\_\_\_ Sheet \_\_\_\_\_

(Territory to which schedule is applicable)

which was filed \_\_\_\_\_

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 1 Sheets

**EXTRAORDINARY GAS COST RECOVERY TARIFF**

**APPLICABILITY**

This rider is applicable to every bill for natural gas service provided under each of the company's rate schedules that are billed the PGA rate as defined in the Purchased Gas Adjustment Tariff.

**PURPOSE**

The purpose of this tariff is to collect, over a period of at least ten years, the extraordinary gas costs associated with the extraordinary winter weather event that occurred in February of 2021. Additionally, this tariff will provide for recovery of reasonable carrying charges incurred as a result of the City of Eskridge's utilization of the City Utility Low-Interest Loan Program (Loan) to finance the extraordinary gas purchase costs (as authorized in SB 88—2021 Session).

**RATE AND CALCULATION METHODOLOGY**

The initial period of this tariff rate shall be from August 2021 through July 2022. During this period, the Commission-approved rate per MCF shall be \$2.54/Mcf. This rate was calculated as follows:

\$105,977 (Estimated Loan Payments for the Next 12-Months)

Divided by:

41,699 Mcf (Estimated Volume of Gas to be Delivered to Applicable Customers)\*

\*(Historical Usage for Equivalent Time Periods can be Substituted for Estimated Volumes)

Each July, beginning in July of 2022, the City of Eskridge should file a compliance filing with the Commission and Staff providing the following information:

1. The amount of revenue collected from customers, by rate schedule, over the previous year as a result of the Extraordinary Gas Cost Recovery Tariff rate.
2. The amount of the Loan payments made by the City of Eskridge over the previous year.
3. A running total of over/under recovery based on Item No. 1 and Item No. 2 above and any accumulated over/under recovery from previous years.
4. A proposed true-up amount to increase or decrease the amount of the Extraordinary Gas Cost Recovery Tariff rate to reflect the accumulated under or over recovery amount identified in Item No. 3 above. This true-up rate should be calculated using the same estimated volume of gas used to calculate the Extraordinary Gas Cost Recovery Tariff rate discussed in item 5.
5. A proposed Extraordinary Gas Cost Recovery Tariff rate for the upcoming 12-months from June of the current year to May of the following year. If there have been no (or immaterial) changes in the estimated Loan payment amounts or the anticipated gas usage for the upcoming year, it is not necessary to change the rate used during the previous 12-months.

Issued \_\_\_\_\_  
Month Day Year

Effective \_\_\_\_\_  
Month Day Year

By \_\_\_\_\_  
Signature of Officer Title

## CERTIFICATE OF SERVICE

21-GIMX-303-MIS

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 07/13/2021.

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