

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

In the Matter of the Petition of Kansas Gas)
Service, a Division of ONE Gas, Inc. for)
Approval by the Commission to Change its) Docket No. 24-KGSG-215-TAR
Gas System Reliability Surcharge Per K.S.A.)
66-2201 through 66-2204.)

NOTICE OF FILING STAFF'S REPORT AND RECOMMENDATION

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and files its Report and Recommendation regarding Kansas Gas Service, a Division of ONEOK, Inc.'s ("KGS") Application for approval of its updated Gas System Reliability Surcharge ("GSRS").

Staff has reviewed all testimony, exhibits, and discovery responses from KGS in this Docket and has made further adjustments to reflect known and measurable updates to the GSRS Recoveries for 2023, as detailed in the Report and Recommendation. These adjustments result in a revised revenue requirement increase from KGS's previous GSRS filing of \$7,984,002 associated with \$84,567,102 in additional approved capital investment. Staff recommends the Commission approve the revised revenue requirement as filed in its Report and Recommendation. If approved, the GSRS will increase residential customer bills by \$0.80 monthly, or \$9.60 annually.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully Submitted,

/s/ Brett W. Berry

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REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Ashlyn Hefley, Utilities Engineer
Tim Rehagen, Senior Auditor
Leo Haynos, Pipeline Safety Chief Engineer
Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance
Jeff McClanahan, Director of Utilities

DATE: October 27, 2023

SUBJECT: Docket No. 24-KGSG-215-TAR – In the Matter of the Petition of Kansas Gas Service, a Division of ONE Gas, Inc. for Approval by the Commission to Change its Gas System Reliability Surcharge per K.S.A. 66-2201 through 66-2204.

EXECUTIVE SUMMARY:

On August 28, 2023, Kansas Gas Service (KGS or Company) filed an Application for approval of its updated Gas System Reliability Surcharge (GSRS), which was originally based on a proposed revenue requirement increase of \$7,952,669, associated with \$84,567,102 of additional capital costs for eligible infrastructure system replacements. Staff has reviewed all exhibits, testimony and discovery responses from KGS in this Docket and has made further adjustments to correct errors in the original GSRS calculation and reflect known and measurable updates to the GSRS revenue recoveries for the year 2023. These adjustments result in a revised revenue requirement increase from KGS's previous GSRS filing of \$7,984,002. Staff recommends the Commission approve the revised revenue requirement as filed in this Report and Recommendation. If approved, the GSRS will increase residential customer bills by \$0.80 monthly, or \$9.60 annually.¹

BACKGROUND:

On August 28, 2023, KGS filed its request for an updated GSRS tariff schedule. This tariff was designed to allow for the adjustment of KGS's rates and charges and provide for the recovery of \$34,998,156 of the total GSRS revenue requirement associated with \$349,075,342 of capital costs for eligible infrastructure system replacements.

¹ See Staff Exhibit 6 attached to this Report and Recommendation for the updated calculations of the monthly GSRS rates for each customer class.

K.S.A. 66-2204 requires Staff to examine information from the utility and confirm that the underlying costs are in accordance with the statutory provisions of the Gas Safety and Reliability Policy Act (GSR Policy Act). Staff is required to file a Report and Recommendation in this Docket by October 27, 2023 (within 60 days of filing). The Commission is required to issue a Final Order in this Docket within 120 days of the filing date which, in this Docket, is by December 26, 2023.

History

The GSR Policy Act, K.S.A. 66-2001 through 66-2004, was enacted by the Kansas Legislature in July 2006 and modified in 2018.² The statutory provisions allow natural gas public utilities to recover costs for certain infrastructure investments through a monthly customer surcharge as long as the infrastructure investments do not increase revenue by directly connecting the infrastructure system to new customers. In order to be eligible for GSRS recovery, the infrastructure investments must also meet at least one of the five criteria listed in the definition of Natural Gas Utility Plant Projects found in K.S.A. 66-2202(f). Primarily, these criteria include projects extending the useful life of pipeline system components, projects for system security, and facility relocations due to public works projects such as road improvement.

In its review of the Application, the Commission is required to confirm that the included replacement projects meet the provisions of the GSR Policy Act. The Commission is also obligated to confirm that the proposed surcharge has been properly calculated and is based solely on the projects that qualify as eligible infrastructure investments. To make the determination of recommending a given project for inclusion in the GSRS, Staff reviews the project descriptions to ensure that the replaced facilities do not support increased revenues by connecting to new customers. That is to say, the investments allowed for GSRS recovery must only support gas delivery to existing customers. Additionally, the projects considered for GSRS recovery must satisfy at least one of the five criteria included in the definition of a Natural Gas Utility Plant Project as defined in K.S.A. 66-2202(f). Projects satisfying the conditions are then considered eligible for the recovery of costs. The five eligibility criteria are listed as follows:

- 1) Pipeline system components installed to replace, upgrade or modernize obsolete facilities;³
- 2) Projects extending the useful life or enhancing the integrity of pipeline system components, such as projects undertaken to comply with state or federal safety requirements;
- 3) Facility relocations required due to public works projects;
- 4) System security costs including allocated corporate costs incurred by a natural gas public utility; and
- 5) Investments made in accordance with the utility's safety and risk management programs.

² In 2018, the legislature reviewed the GSRS statutes and expanded the scope of projects allowed to be included in the GSRS and increased the cap from a \$0.40 to \$0.80 monthly increase for residential customers.

³ "Obsolete facility" refers to a facility (1) that is comprised of materials that are no longer produced or supported by the manufacturer; (2) that shows signs of physical deterioration; or (3) does not comply with the current safety codes or industry standards.

In addition to the GSRS projects meeting the eligibility criteria, Staff evaluates the GSRS Application to ensure that it complies with the financial criteria prescribed in K.S.A. 66-2203. In this case, Staff evaluates each GSRS Application to confirm that the following financial conditions are met:

- The annualized GSRS revenues requested are below the lesser of \$1,000,000 or 0.5% of the natural gas public utility's base revenue level approved by the Commission in the natural gas public utility's most recent general rate proceeding;⁴
- The total annualized GSRS revenues do not exceed 20% of the utility's base revenue level approved by the Commission in the natural gas public utility's most recent general rate proceeding;⁵
- The utility has had a general rate proceeding decided or dismissed by issuance of a Commission Order within the past 60 months.⁶

If the GSRS Application satisfies at least one of the five project criteria and all of the financial criteria, the Commission is required to approve the Application.

ANALYSIS:

Pipeline Safety

KGS requests the proposed rate base of \$84,567,102 be included in the proposed surcharge. There are two groups of projects being submitted in this filing, safety related system replacements and government mandated relocation projects. Exhibits JRR-1, JRR-2, JRR-3, JRR-4 and ASC-1 are attached to the Direct Testimony of KGS witnesses Jordan Robl and Andrew Copeland, in support of the proposed capital costs. Exhibit JRR-1 includes 688 projects comprised of safety related system improvements. Exhibit JRR-2 consists of 158 public improvement projects (government mandated relocation projects) that have not been fully reimbursed to the natural gas utility. Exhibit JRR-3 summarizes blanket work orders related to service line replacements and projects completed to address safety concerns and/or in conjunction with government projects. Exhibit ASC-1 includes 11 projects related to cyber security.

Safety Related System Replacements

There are eight categories of safety related projects included in JRR-1. Each category is based upon a similar code citation(s).⁷ For the Safety Related System Replacement Projects, Staff reviewed the synopsis of work and pipeline code compliance citation provided by KGS for each identified project. Based on our review, Staff recommends the Commission find the total capital expenditure amount of \$30,750,653 associated with all 688 safety related projects be considered eligible for GSRS recovery.

⁴ K.S.A. 66-2203(a).

⁵ K.S.A. 66-2203(a).

⁶ K.S.A. 66-2203(b).

⁷ These categories include: (1) 3-5-3 Program Replacement, (2) Bare Steel Main Replacement, (3) Bare Steel Service Line Replacement (4) Cathodic Protection, (5) Continuing Surveillance, (6) Physical Security, (7) Pipeline System Components, and (8) Pressure and Measurement (Obsolescence).

Government Mandated Relocation Projects

There are 158 government mandated relocation projects in Exhibit JRR-2. Staff reviewed the synopsis of work and the cost associated with each project as provided by KGS. Based upon the information provided, Staff accepts the relocation projects as eligible for GSRS recovery. Staff recommends the Commission find the total capital expenditure amount of \$10,750,330 associated with relocation projects eligible for GSRS recovery.

Blanket Work Orders

Exhibit JRR-3 identifies projects that have been identified as blanket service line projects and non-service line related blanket projects. KGS describes blanket work orders as work orders used to account for costs of projects that are of relatively small dollar amounts and are homogenous. There is one blanket service line work order for 8,561 lines and one non-service line related blanket summary. Staff recommends the Commission find the total capital expenditure amount of \$42,908,959 in the blanket work orders and \$157,160 in cyber security as eligible for GSRS recovery.

Based on Staff's analysis detailed above, Staff recommends the Commission find the total original cost of \$84,567,102 to be eligible for capital cost recovery through GSRS.

Accounting

Staff recommends approval of \$7,984,002 in incremental GSRS revenue to be collected by KGS via the monthly surcharge. The difference between KGS's filed position and Staff's recommendation is due to the following items:

- The utilization of actual revenue recoveries for the months of July and August 2023 and a re-calculation of the estimated revenue recoveries for the months of September 2023 through December 2023.⁸
- The correction of the September-November 2022 estimated revenue recoveries amounts.⁹
- The correction of minor computational errors in KGS's original calculations of book depreciation, tax depreciation and accumulated deferred income tax.

These updates and corrections result in a revised GSRS revenue requirement of \$35,029,489, for a revised incremental revenue requirement of \$7,984,002. Staff discussed these changes with KGS

⁸ In calculating the amount of over-recovered revenue through November 2023, KGS utilized actual revenue recoveries for the months of December 2022 through June 2023 and estimated recoveries for the months of July 2023 through November 2023 (*See* Exhibit LME-2 of Lorna M. Eaton's Direct Testimony in the current Docket for this over-recovery calculation). Once actual revenue recoveries for July and August 2023 became available, KGS incorporated them into the over-recovery calculation. *See* Staff Exhibit 2 of this Report and Recommendation for the revised over-recovery calculation which reflects this update. Additionally, this update necessitated a new calculation of estimated recoveries for the remaining three months of September 2023 through November 2023, which equals the actual August 2023 revenue recoveries multiplied by three. Staff Exhibit 2 reflects this calculation as well.

⁹ In Exhibit LME-2 of Lorna M. Eaton's Direct Testimony in the current Docket, estimated September-November 2022 revenue recoveries amounted to \$4,901,349. However, this amount does not match the \$4,936,079 of estimated September-November 2022 revenue recoveries in Exhibit LME-2 of Lorna M. Eaton's Direct Testimony from last year's GSRS filing (Docket No. 23-KGSG-281-TAR). At Staff's request, KGS incorporated the \$4,936,079 amount into Exhibit LME-2 of the present GSRS filing. *See* Staff Exhibit 2 of the Report and Recommendation for the revised over-recovery calculation which reflects this correction.

and the Company concurred with Staff's position. The exhibits supporting the revised revenue requirement calculation are attached to this Report and Recommendation as KCC Exhibits 1 through 6.¹⁰

RECOMMENDATION:

Staff recommends the Commission approve KGS's revised GSRS revenue requirement of \$35,029,489 resulting in an incremental revenue increase of \$7,984,002 to be collected via the per customer surcharge listed in Staff Exhibit 6, as attached to this Report and Recommendation, with the following conditions:

- KGS must file a GSRS True-Up twelve months after the collection of rates from this filing; and
- Staff will review KGS's True-Up filing to ensure that the amounts recovered via the surcharge are appropriate and any over/under-recoveries will be refunded to or recovered from customers at that time.

¹⁰ All amounts that were impacted by these updates and corrections are highlighted in yellow in the exhibits.

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 1
(Originally Exhibit LME-1)

Gas System Replacement Surcharge

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	
Line No.	Summary	GSRS Projects - Docket No. 20-KGSG-090-TAR	GSRS Projects - Docket No. 21-KGSG-094-TAR	GSRS Projects - Docket No. 22-KGSG-112-TAR	GSRS Projects - Docket No. 23-KGSG-281-TAR	Corporate Allocated Cyber Security	GSRS Safety & Public Improvement Projects	GSRS Blanket Work Orders	Grand Total	Source
1	Original Cost	\$ 37,632,705	\$ 73,004,110	\$ 76,328,439	\$ 77,542,984	\$ 157,160	\$ 41,500,983	\$ 42,908,959	\$ 349,075,342	Schedule LME-3
2	Less: Accumulated Depreciation	\$ (4,865,848)	\$ (7,710,192)	\$ (6,153,427)	\$ (3,849,482)	\$ (36,066)	\$ (971,732)	\$ (627,348)	\$ (24,214,096)	Schedule LME-4
3	Net Plant in Service	\$ 32,766,857	\$ 65,293,918	\$ 70,175,013	\$ 73,693,502	\$ 121,094	\$ 40,529,251	\$ 42,281,611	\$ 324,861,246	
4	Less: Accumulated Deferred Income Taxes	\$ (3,212,810)	\$ (6,538,945)	\$ (6,381,562)	\$ (5,794,217)	\$ (5,235)	\$ (440,949)	\$ (5,268,884)	\$ (27,642,603)	Schedule LME-4
5	Net GSRS Rate Base	\$ 29,554,047	\$ 58,754,973	\$ 63,793,450	\$ 67,899,285	\$ 115,859	\$ 40,088,302	\$ 37,012,727	\$ 297,218,643	
6	Carrying Charge ⁽¹⁾	8.6012%	8.6012%	8.6012%	8.6012%	8.6012%	8.6012%	8.6012%	8.6012%	
7	Pre-Tax Required Return	\$ 2,542,003	\$ 5,053,633	\$ 5,487,002	\$ 5,840,153	\$ 9,965	\$ 3,448,075	\$ 3,183,539	\$ 25,564,370	Line 5 * Line 6
8	Depreciation Expense	\$ 1,098,072	\$ 2,137,531	\$ 2,241,088	\$ 2,292,329	\$ 26,680	\$ 1,120,160	\$ 1,386,061	\$ 10,301,921	Schedule LME-5
9	GSRS Revenue Requirement (Annual)								\$ 35,866,291	Line 7 + 8
10	Plus (Minus): Over-Recovered Balance from Docket No. 23-KGSG-281-TAR								\$ (556,341)	Schedule LME-2
11	GSRS Annualized Revenue Requirement								\$ 35,309,951	Line 9 + 10
12	Reduction of Revenue for Residential Rate Cap								\$ (280,462)	Schedule LME-6
13	Revised GSRS Annualized Revenue Requirement with Residential Cap Adjustment								\$ 35,029,489	Line 11 + 12

(1) Carrying Charge of 9.0984% gross of tax was established in Docket 18-KGSG-560-RTS. A change in the state income tax rate lowers the rate of return to 8.6012%.

**Kansas Gas Service
A Division of ONE Gas
Gas System Reliability Surcharge**

**Docket No. 24-KGSG-215-TAR
Staff Exhibit 2
(Originally Exhibit LME-2)**

GSRs Over/Under Cumulative Recovery for 2022-2023

		(A)
Line No.		GSRs Recoveries
1	Sept - Nov 2022 Estimated Recoveries in 23-KGSG-281-TAR	\$ 4,936,079
2	Sept- Nov 2022 GSRs Recoveries	\$ 4,906,594
3	True-Up Actual/Estimate from 23-KGSG-281-TAR	\$ (29,485)
4	December 2022 Recoveries	\$ 2,312,251
5	January 2023 Recoveries	\$ 2,322,822
6	February 2023 Recoveries	\$ 2,325,718
7	March 2023 Recoveries	\$ 2,323,824
8	April 2023 Recoveries	\$ 2,318,993
9	May 2023 Recoveries	\$ 2,307,164
10	June 2023 Recoveries	\$ 2,296,000
11	July 2023 Recoveries	\$ 2,291,123
12	August 2023 Recoveries	\$ 2,281,992
13	September - November Estimate	\$ 6,845,977
14	<u>Total Cumulative GSRs Recoveries</u>	<u>\$ 27,596,380</u>
15	2022 Approved GSRs Rev. Requirement	\$ 27,045,487
16	Reduction of Rev Requirement for 010130	\$ (5,448)
17	Revised Rev Req	<u>\$ 27,040,039</u>
18	Total Amount Over Recovered through November 2023	<u>\$ 556,341</u>

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 3
(Originally Exhibit LME-3)

Gas System Reliability Surcharge

Plant in Service

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)		
Line No.	Account No.	Account Title	GSRs Projects - Docket No. 20-KGSG-090-TAR	GSRs Projects- Docket No. 21-KGSG-094-TAR	GSRs Projects- Docket No. 22-KGSG-112-TAR	GSRs Projects- Docket No. 23-KGSG-281-TAR	GSRs Projects Corporate Allocated Cyber Security	GSRs Safety & Public Improvement Projects	GSRs Blanket Work Orders	Less: Accumulated Depreciation	Net Plant
1	365.2	Rights of Way	-	-	192,602	178,275		\$81,906		13,031	439,752
2	366.1	Compressor Station Structures	-	958	-	-				110	849
3	366.2	Meas. and Reg. Station Structures	-	-	-	95,875		\$122,806		10,320	208,361
4	367	Mains	2,732,453	5,261,528	9,135,683	5,718,905		\$2,782,080		1,820,909	23,809,740
5	368	Compressor Station Equipment	23,787	-	2,604	14,337		\$58,801		5,393	94,136
6	369	Meas. And Reg. Station Equipment	98,169	306,141	400,902	844,463		\$1,673,116		187,570	3,135,221
7	374.2	Rights of Way	-	-	-	6,063		\$13,789		322	19,530
8	376	Mains - Plastic	7,353,101	15,625,900	16,977,877	16,247,435		\$15,098,449		4,847,182	66,455,580
9	376.5	Mains - Metallic	1,901,073	9,877,744	4,591,277	7,281,021		\$10,688,928		1,819,146	32,520,896
10	376.9	Mains - Cathodic Protection	1,075,357	1,123,300	1,064,850	1,006,060		\$265,754	677,446	900,267	4,312,500
11	378	Meas. and reg. sta. equip. - general	177,571	350,074	541,482	817,706		\$1,550,942		147,706	3,290,069
12	379	Meas. and reg. sta. equip. - city gate	12,599	28,132	900,572	123,048		\$1,586,719		98,632	2,552,439
13	380	Services - Plastic	15,401,231	28,353,331	29,208,395	33,549,798		\$5,675,242	28,839,383	11,301,923	129,725,456
14	380.5	Services - Metallic	3,612	20,255	54,370	42,226		\$37,783		(847,051)	1,005,296
15	381	Meters	8,328,496	10,657,993	11,828,109	10,234,996		\$60,671	11,057,844	3,128,459	49,039,651
16	381.5	AMR Communication Devices	-	-	-	-			2,334,287	14,034	2,320,253
17	382	Meter installations	8,217	101,807	107,983	146,089		\$98,051		31,561	430,586
18	383	House Regulators	12,152	68,445	95,848	99,750		\$65,326		15,050	326,470
19	390.1	Structures and Improvements	374,683	743,299	77,520	328,593		\$721,872		96,466	2,149,501
20	390.2	Leasehold Improvements	-	-	-	-				-	-
21	391.1	Office Furniture	-	-	9,988	-				1,693	8,295
22	391.25	Computer and Electronics	-	37,698	-	33,814		\$6,742		28,352	49,902
23	391.6	Purchased Software	80,810	337,030	183,744	-	\$38,600			165,340	474,844
24	391.8	Computer Equipment	17,464	-	4,184	161,913	\$118,560			95,748	206,372
25	391.9	Cloud Computing	-	-	14,507	-				2,754	11,753
26	397	Communication Equipment	31,932	110,477	935,943	612,618		\$912,006		329,181	2,273,794
27		Total	\$ 37,632,705	\$ 73,004,110	\$ 76,328,439	\$ 77,542,984	\$ 157,160	\$ 41,500,983	\$ 42,908,959	\$ 24,214,096	\$ 324,861,246

Gas System Reliability Surcharge

Accumulated Depreciation and Accumulated

Accumulated Depreciation

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
Line No.	Account Number	Account	GSRS Projects - Docket No. 20- KGSG-090-TAR	GSRS Projects - Docket No. 21- KGS-094-TAR	GSRS Projects - Docket No. 22- KGS-112-TAR	GSRS Projects - Docket No. 23- KGS-281-TAR	GSRS Projects Corporate Allocated Cyber Security	GSRS Safety & Public Improvement Projects	GSRS Blanket Work Orders	Total Accumulated Depreciation
1	365.2	Rights of Way	-	-	7,242	4,216		\$1,573		\$ 13,031
2	366.1	Compressor Station Structures	-	110	-	-				\$ 110
3	366.2	Meas. and Reg. Station Structures	-	-	-	6,706		\$3,614		\$ 10,320
4	367	Mains	280,041	454,628	756,473	268,071		\$61,696		\$ 1,820,909
5	368	Compressor Station Equipment	3,593	-	241	780		\$778		\$ 5,393
6	369	Meas. And Reg. Station Equipment	12,903	27,556	35,185	57,341		\$54,586		\$ 187,570
7	374.2	Rights of Way	-	-	-	114		\$208		\$ 322
8	376	Mains - Plastic	867,506	1,542,299	1,274,498	812,666		\$350,213		\$ 4,847,182
9	376.5	Mains - Metallic	175,372	850,586	294,869	295,190		\$203,129		\$ 1,819,146
10	376.9	Mains - Cathodic Protection	317,282	266,532	181,130	99,082		\$13,580	22,661	\$ 900,267
11	378	Meas. and reg. sta. equip. - general	18,736	32,664	39,650	31,090		\$25,565		\$ 147,706
12	379	Meas. and reg. sta. equip. - city gate	803	1,564	53,633	3,590		\$39,042		\$ 98,632
13	380	Services - Plastic	2,452,940	3,589,542	2,664,631	1,897,337		\$163,897	533,577	\$ 11,301,923
14	380.5	Services - Metallic	(335,523)	(191,278)	(166,578)	(101,369)		(\$3,467)	(48,836)	\$ (847,051)
15	381	Meters	990,042	940,582	755,948	333,897		\$2,077	105,913	\$ 3,128,459
16	381.5	AMR Communication Devices	-	-	-	-			14,034	\$ 14,034
17	382	Meter installations	962	11,594	8,432	8,141		\$2,431		\$ 31,561
18	383	House Regulators	929	4,285	5,125	3,754		\$957		\$ 15,050
19	390.1	Structures and Improvements	26,683	46,728	3,660	14,227		\$5,168		\$ 96,466
20	390.2	Leasehold Improvements	-	-	-	-				\$ -
21	391.1	Office Furniture	-	-	1,693	-				\$ 1,693
22	391.25	Computer and Electronics	-	21,189	-	6,240		\$923		\$ 28,352
23	391.6	Purchased Software	27,808	81,634	52,436	-	3,462			\$ 165,340
24	391.8	Computer Equipment	15,572	-	3,046	44,526	32,604			\$ 95,748
25	391.9	Cloud Computing	-	-	2,754	-				\$ 2,754
26	397	Communication Equipment	10,198	29,978	179,357	63,884		\$45,763		\$ 329,181
27	Total		\$ 4,865,848	\$ 7,710,192	\$ 6,153,427	3,849,482	\$ 36,066	\$ 971,732	\$ 627,348	\$ 24,214,096

Accumulated Deferred Income Tax Liability

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
Line No.			GSRS Projects - Docket No. 20- KGSG-090-TAR	GSRS Projects - Docket No. 21- KGS-094-TAR	GSRS Projects - Docket No. 22- KGS-112-TAR	GSRS Projects - Docket No. 23- KGS-281-TAR	GSRS Projects Corporate Allocated Cyber Security	GSRS Safety & Public Improvement Projects	GSRS Blanket Work Orders	Total ADIT
1	Total		\$ (3,212,810)	\$ (6,538,945)	\$ (6,381,562)	\$ (5,794,217)	\$ (5,235)	\$ (440,949)	\$ (5,268,884)	\$ (27,642,603)

Gas System Reliability Surcharge
Depreciation Expense

GSRs Projects Corporate Allocated Cyber Security

			(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account Number	Account	GSRs Gross Additions	Less: GSRs Retirements	Net Depreciable GSRs Plant	Depreciation Rate	Annualized Depreciation	
1	391.1	Office Furniture	-	-	-	6.67%	-	
2	391.6	Purchased Software	38,600	-	38,600	7.69%	2,968	
3	391.8	Computer Equipment	118,560	-	118,560	20.00%	23,712	
4	391.9	Cloud Computing	-	-	-	7.69%	-	
5	397.0	Communication Equipment	-	-	-	6.67%	-	
6	Total		157,160	-	157,160		26,680	

GSRs Safety & Public Improvement Projects

			(A)	(B)	(C)	(D)	(E)	(F)
Line No.	Account Number	Account	GSRs Gross Additions	Less: GSRs Retirements	Net Depreciable GSRs Plant	Depreciation Rate	Annualized Depreciation	
7	365.2	Rights of Way	81,906	-	81,906	1.41%	1,155	
8	366.1	Compressor Station Structures	-	-	-	1.41%	-	
9	366.2	Meas. and Reg. Station Structures	122,806	-	122,806	2.18%	2,677	
10	367	Mains	2,782,080	(95,898)	2,686,182	2.38%	63,931	
11	368	Compressor Station Equipment	58,801	-	58,801	3.53%	2,076	
12	369	Meas. And Reg. Station Equipment	1,673,116	(87,121)	1,585,995	3.18%	50,435	
13	374.2	Rights of Way	13,789	-	13,789	1.45%	200	
14	376	Mains - Plastic	15,098,449	(57,218)	15,041,231	2.66%	400,097	
15	376.5	Mains - Metallic	10,688,928	(285,481)	10,403,447	2.46%	255,925	
16	376.9	Mains - Cathodic Protection	265,754	-	265,754	6.67%	17,726	
17	378	Meas. and reg. sta. equip. - general	1,550,942	(36,329)	1,514,613	2.44%	36,957	
18	379	Meas. and reg. sta. equip. - city gate	1,586,719	(1,307)	1,585,412	2.13%	33,769	
19	380	Services - Plastic	5,675,242	(805,880)	4,869,362	3.69%	179,679	
20	380.5	Services - Metallic	37,783	(113,507)	(75,723)	4.63%	(3,506)	
21	381	Meters	60,671	-	60,671	2.84%	1,723	
22	381.5	AMR Communication Devices	-	-	-	6.67%	-	
23	382	Meter installations	98,051	(6,132)	91,920	3.20%	2,941	
24	383	House Regulators	65,326	(1,992)	63,334	1.97%	1,248	
25	390.1	Structures and Improvements	721,872	-	721,872	1.57%	11,333	
26	390.2	Leasehold Improvements	-	-	-	0.00%	-	
27	391.25	Computer and Electronics	6,742	-	6,742	14.29%	963	
28	397	Communication Equipment	912,006	-	912,006	6.67%	60,831	
29	Total		41,500,983	(1,490,865)	40,010,118		1,120,160	

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 5
(Originally Exhibit LME-5)

Gas System Reliability Surcharge
Depreciation Expense

GSRs Blanket Work Orders

(A)			(B)	(C)	(D)	(E)	(F)
Line No.	Account Number	Account	GSRs Gross Additions	Less: GSRs Retirements	Net Depreciable GSRs Plant	Depreciation Rate	Annualized Depreciation
30	367	Mains	-		-	2.38%	-
31	368	Compressor Station Equipment	-		-	3.53%	-
32	369	Meas. And Reg. Station Equipment	-		-	3.18%	-
33	374.2	Rights of Way	-		-	1.45%	-
34	376	Mains - Plastic	-		-	2.66%	-
35	376.5	Mains - Metallic	-		-	2.46%	-
36	376.9	Mains - Cathodic Protection	677,446	-	677,446	6.67%	45,186
37	378	Meas. and reg. sta. equip. - general	-		-	2.44%	-
38	379	Meas. and reg. sta. equip. - city gate	-		-	2.13%	-
39	380	Services - Plastic	28,839,383	-	28,839,382.52	3.69%	1,064,173
40	380.5	Services - Metallic	-	(2,340,814)	(2,340,814)	4.63%	(108,380)
41	381	Meters	11,057,844	(2,980,907)	8,076,937	2.84%	229,385
42	381.5	AMR Communication Devices	2,334,287		2,334,287	6.67%	155,697
43	382	Meter installations	-		-	3.20%	-
44	383	House Regulators	-		-	1.97%	-
45	390.1	Structures and Improvements	-		-	1.57%	-
46	397	Communication Equipment	-		-	6.67%	-
47	Total		42,908,959	(5,321,720)	37,587,239		1,386,061

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 5
(Originally Exhibit LME-5)

Gas System Reliability Surcharge
Depreciation Expense

GSRs Projects - Docket No. 23-KGSG-281-TAR

(A)			(B)	(C)	(D)	(E)	(F)
Line No.	Account Number	Account	GSRs Gross Additions	Less: GSRs Retirements	Net Depreciable GSRs Plant	Depreciation Rate	Annualized Depreciation
48	365.2	Rights of Way	178,275	-	178,275	1.41%	2,514
49	366.1	Compressor Station Structures	-	-	-	2.95%	-
50	366.2	Meas. and Reg. Station Structures	95,875	-	95,875	2.18%	2,090
51	367	Mains	5,718,905	(183,461)	5,535,444	2.38%	131,744
52	368	Compressor Station Equipment	14,337	-	14,337	3.53%	506
53	369	Meas. And Reg. Station Equipment	844,463	(41,232)	803,231	3.18%	25,543
54	374.2	Rights of Way	6,063	-	6,063	1.45%	88
55	376	Mains - Plastic	16,247,435	(95,935)	16,151,500	2.66%	429,630
56	376.5	Mains - Metallic	7,281,021	(308,478)	6,972,542	2.46%	171,525
57	376.9	Mains - Cathodic Protection	1,006,060	-	1,006,060	6.67%	67,104
58	378	Meas. and reg. sta. equip. - general	817,706	(74,596)	743,110	2.44%	18,132
59	379	Meas. and reg. sta. equip. - city gate	123,048	(85)	122,963	2.13%	2,619
60	380	Services - Plastic	33,549,798	(1,314,822)	32,234,976	3.69%	1,189,471
61	380.5	Services - Metallic	42,226	(1,468,727)	(1,426,502)	4.63%	(66,047)
62	381	Meters	10,234,996	(2,211,159)	8,023,837	2.84%	227,877
63	381.5	AMR Communication Devices	-	-	-	6.67%	-
64	382	Meter installations	146,089	(7,929)	138,161	3.20%	4,421
65	383	House Regulators	99,750	(4,306)	95,444	1.97%	1,880
66	390.1	Structures and Improvements	328,593	-	328,593	1.57%	5,159
67	390.2	Leasehold Improvements	-	-	-	0.00%	-
68	391.1	Office Furniture	-	-	-	6.67%	-
69	391.25	Computer and Elecontrics	33,814	-	33,814	14.29%	4,831
70	391.6	Purchased Software	-	-	-	7.69%	-
71	391.8	Computer Equipment	161,913	-	161,913	20.00%	32,383
72	391.9	Cloud Computing	-	-	-	7.69%	-
73	397	Communication Equipment	612,618	-	612,618	6.67%	40,862
74	Total		77,542,984	(5,710,731)	71,832,253		2,292,329

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 5
(Originally Exhibit LME-5)

Gas System Reliability Surcharge
Depreciation Expense

GSRs Projects - Docket No. 22-KGSG-112-TAR

(A)			(B)	(C)	(D)	(E)	(F)
Line No.	Account Number	Account	GSRs Gross Additions	Less: GSRs Retirements	Net Depreciable GSRs Plant	Depreciation Rate	Annualized Depreciation
74	365.2	Rights of Way	192,602	-	192,602	1.41%	2,716
75	366.1	Compressor Station Structures	-	-	-	2.95%	-
76	367	Mains	9,135,683	(246,200)	8,889,483	2.38%	211,570
77	368	Compressor Station Equipment	2,604	-	2,604	3.53%	92
78	369	Meas. And Reg. Station Equipment	400,902	(32,289)	368,613	3.18%	11,722
79	374.2	Rights of Way	-	-	-	1.45%	-
80	376	Mains - Plastic	16,977,877	(180,760)	16,797,117	2.66%	446,803
81	376.5	Mains - Metallic	4,591,277	(340,123)	4,251,154	2.46%	104,578
82	376.9	Mains - Cathodic Protection	1,064,850	-	1,064,850	6.67%	71,026
83	378	Meas. and reg. sta. equip. - general	541,482	(17,044)	524,438	2.44%	12,796
84	379	Meas. and reg. sta. equip. - city gate	900,572	(22,547)	878,025	2.13%	18,702
85	380	Services - Plastic	29,208,395	(1,082,353)	28,126,042	3.69%	1,037,851
86	380.5	Services - Metallic	54,370	(1,483,520)	(1,429,150)	4.63%	(66,170)
87	381	Meters	11,828,109	(1,123,252)	10,704,857	2.84%	304,018
88	381.5	AMR Communication Devices	-	-	-	6.67%	-
89	382	Meter installations	107,983	(9,675)	98,308	3.20%	3,146
90	383	House Regulators	95,848	(2,181)	93,666	1.97%	1,845
91	390.1	Structures and Improvements	77,520	-	77,520	1.57%	1,217
92	391.1	Office Furniture	9,988	-	9,988	6.67%	666
93	391.6	Purchased Software	183,744	-	183,744	7.69%	14,130
94	391.8	Computer Equipment	4,184	-	4,184	20.00%	837
95	391.9	Cloud Computing	14,507	-	14,507	7.69%	1,116
96	397	Communication Equipment	935,943	-	935,943	6.67%	62,427
97		Total	76,328,439	(4,539,943)	71,788,497		2,241,088

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 5
(Originally Exhibit LME-5)

Gas System Reliability Surcharge
Depreciation Expense

GSRs Projects - Docket No. 21-KGSG-094-TAR

(A)			(B)	(C)	(D)	(E)	(F)
Line No.	Account Number	Account	GSRs Gross Additions	Less: GSRs Retirements	Net Depreciable GSRs Plant	Depreciation Rate	Annualized Depreciation
98	366.1	Compressor Station Structures	958	-	958	2.95%	28
99	367	Mains	5,261,528	(47,757)	5,213,771	2.38%	124,088
100	368	Compressor Station Equipment	-	-	-	3.53%	-
101	369	Meas. And Reg. Station Equipment	306,141	(56,970)	249,170	3.18%	7,924
102	374.2	Rights of Way	-	-	-	1.45%	-
103	376	Mains - Plastic	15,625,900	(117,459)	15,508,441	2.66%	412,525
104	376.5	Mains - Metallic	9,877,744	(407,425)	9,470,319	2.46%	232,970
105	376.9	Mains - Cathodic Protection	1,123,300	-	1,123,300	6.67%	74,924
106	378	Meas. and reg. sta. equip. - general	350,074	(8,327)	341,747	2.44%	8,339
107	379	Meas. and reg. sta. equip. - city gate	28,132	(9,510)	18,622	2.13%	397
108	380	Services - Plastic	28,353,331	(1,116,928)	27,236,403	3.69%	1,005,023
109	380.5	Services - Metallic	20,255	(1,185,120)	(1,164,866)	4.63%	(53,933)
110	381	Meters	10,657,993	(1,125,057)	9,532,935	2.84%	270,735
111	381.5	AMR Communication Devices	-	-	-	6.67%	-
112	382	Meter installations	101,807	(6,893)	94,914	3.20%	3,037
113	383	House Regulators	68,445	(10,907)	57,537	1.97%	1,133
114	390.1	Structures and Improvements	743,299	-	743,299	1.57%	11,670
115	390.2	Leasehold Improvements	-	-	-	0.00%	-
116	391.25	Computer and Electronics	37,698	-	37,698	14.29%	5,385
117	391.6	Purchased Software	337,030	-	337,030	7.69%	25,918
118	391.8	Computer Equipment	-	-	-	20.00%	-
119	391.9	Cloud Computing	-	-	-	7.69%	-
120	397	Communication Equipment	110,477	-	110,477	6.67%	7,369
121	Total		73,004,110	(4,092,355)	68,911,756		2,137,531

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 5
(Originally Exhibit LME-5)

Gas System Reliability Surcharge
Depreciation Expense

GSRS Projects - Docket No. 20-KGSG-090-TAR

(A)			(B)	(C)	(D)	(E)	(F)
Line No.	Account Number	Account	GSRS Gross Additions	Less: GSRS Retirements	Net Depreciable GSRS Plant	Depreciation Rate	Annualized Depreciation
121	367	Mains	2,732,453	(156,339)	2,576,114	2.38%	61,312
122	368	Compressor Station Equipment	23,787	(1,473)	22,314	3.53%	788
123	369	Meas. And Reg. Station Equipment	98,169	(6,437)	91,732	3.18%	2,917
124	374.2	Rights of Way	-	-	-	1.45%	-
125	376	Mains - Plastic	7,353,101	(59,438)	7,293,663	2.66%	194,011
126	376.5	Mains - Metallic	1,901,073	(301,319)	1,599,754	2.46%	39,354
127	376.9	Mains - Cathodic Protection	1,075,357	-	1,075,357	6.67%	71,726
128	378	Meas. and reg. sta. equip. - general	177,571	(7,220)	170,350	2.44%	4,157
129	379	Meas. and reg. sta. equip. - city gate	12,599	(4,400)	8,199	2.13%	175
130	380	Services - Plastic	15,401,231	(303,425)	15,097,806	3.69%	557,109
131	380.5	Services - Metallic	3,612	(1,645,964)	(1,642,352)	4.63%	(76,041)
132	381	Meters	8,328,496	(426,119)	7,902,377	2.84%	224,428
133	381.5	AMR Communication Devices	-	-	-	6.67%	-
134	382	Meter installations	8,217	(1,547)	6,670	3.20%	213
135	383	House Regulators	12,152	(1,832)	10,320	1.97%	203
136	390.1	Structures and Improvements	374,683	-	374,683	1.57%	5,883
137	391.6	Purchased Software	80,810	-	80,810	7.69%	6,214
138	391.8	Computer Equipment	17,464	-	17,464	20.00%	3,493
139	397	Communication Equipment	31,932	-	31,932	6.67%	2,130
140	Total		37,632,705	(2,915,513)	34,717,192		\$ 1,098,072
141	Total Depreciation Expense						\$ 10,301,921

Kansas Gas Service
A Division of ONE Gas

Docket No. 24-KGSG-215-TAR
Staff Exhibit 6
(Originally Exhibit LME-6)

Gas System Reliability Surcharge
Development of GSRs Rate

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
Line No.	Customer Class	Pro-Forma Revenue - Docket No. 18-KGSG-560-RTS	% of Revenue Requirement Responsibility	GSRs Revenue Requirement (Based upon ratio of pro-forma revenue to total revenue)	Customers Per - 18 KGSG-560-RTS Settlement - Appendix B	GSRs Annual Charge	GSRs Monthly Charge
1	Residential Sales RS	\$ 228,136,718	71.544%	25,262,183	583,049	\$ 43.33	\$ 3.61
2	General Sales Svc. Small	21,561,638	6.762%	2,387,577	36,896	\$ 64.71	\$ 5.39
3	General Sales Svc. Large	16,644,462	5.220%	1,843,085	11,621	\$ 158.60	\$ 13.22
4	General Sales Svc. Transport Eligible	2,383,361	0.747%	263,916	500	\$ 527.83	\$ 43.99
5	Small Generator Sales SGS	431,454	0.135%	47,776	676	\$ 70.67	\$ 5.89
6	Gas Irrigation Sales GIS	331,827	0.104%	36,744	214	\$ 171.70	\$ 14.31
7	Small Transportation STk	11,498,231	3.606%	1,273,230	3,497	\$ 364.09	\$ 30.34
8	Small Transportation STt	4,441,906	1.393%	491,864	1,211	\$ 406.16	\$ 33.85
9	Gas Irrigation Transportation GITt	1,705,800	0.535%	188,888	513	\$ 368.20	\$ 30.68
10	Large Volume Transportation LVTk Tier 1 #	1,750,052	0.549%	193,788	215	\$ 901.34	\$ 75.11
11	Large Volume Transportation LVTk Tier 2 #	1,684,737	0.528%	186,555	94	\$ 1,984.63	\$ 165.39
12	Large Volume Transportation LVTk Tier 3 #	1,496,729	0.469%	165,737	47	\$ 3,526.31	\$ 293.86
13	Large Volume Transportation LVTk Tier 4 #	8,916,005	2.796%	987,293	63	\$ 15,671.31	\$ 1,305.94
14	Large Volume Transportation LVTt Tier 1 #	693,253	0.217%	76,766	45	\$ 1,705.90	\$ 142.16
15	Large Volume Transportation LVTt Tier 2 #	785,386	0.246%	86,968	31	\$ 2,805.41	\$ 233.78
16	Large Volume Transportation LVTt Tier 3 #	637,325	0.200%	70,573	15	\$ 4,704.84	\$ 392.07
17	Large Volume Transportation LVTt Tier 4 #	13,969,184	4.381%	1,546,845	47	\$ 32,911.59	\$ 2,742.63
18	Wholesale Transportation WT t #	1,454,338	0.456%	161,043	28	\$ 5,751.53	\$ 479.29
19	Sales Service for Resale SSR	97,657	0.031%	10,814	8	\$ 1,351.73	\$ 112.64
20	CNG k system	163,179	0.051%	18,069	9	\$ 2,007.69	\$ 167.31
21	CNG t system	67,219	0.021%	7,443	2	\$ 3,721.67	\$ 310.14
22	Kansas Gas Supply D	25,235	0.008%	2,794	1	\$ 2,794.34	\$ 232.86

23	Total Revenue Requirement before Residential Adjustment	\$ 318,875,695	100%	\$ 35,309,951			
24	Maximum Residential Revenue Allowed due to Residential Cap			\$ 24,981,721			
25	Reduction of Revenue Requirement for Residential Rate Cap			\$ (280,462)			
26	GSRs Annualized Revenue with Residential Cap Adjustment			\$ 35,029,489			

	Annual Increase	Cumulative Rate
27	2020 GSRs Rate - Residential	\$ 0.43 \$ 0.43
28	2021 GSRs Rate - Residential	\$ 0.77 \$ 1.20
29	2022 GSRs Rate - Residential	\$ 0.78 \$ 1.98
30	2023 GSRs Rate - Residential	\$ 0.79 \$ 2.77
31	2024 GSRs Rate - Residential w/o cap adjustment	\$ 0.84 \$ 3.61
32	2024 GSRs Rate - Residential with cap adjustment	\$ 0.80 \$ 3.57
33	Total Residential Rate	\$ 3.57

34 # Includes flex revenue.

CERTIFICATE OF SERVICE

24-KGSG-215-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic service this 27th day of October, 2023, to the following:

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