

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

Before Commissioners:                      Shari Feist Albrecht, Chair  
   Jay Scott Emler  
   Pat Apple

In the Matter of the Application of Kansas                      )  
Gas Service, a Division of ONE Gas, Inc.,                      )                      Docket No. 15-KGSG-225-TAR  
Seeking Commission Approval for 2015 Ad                      )  
Valorem Tax Surcharge Rider Tariff.                      )

**ORDER APPROVING AD VALOREM TAX SURCHARGE RIDER**

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

**I. Background**

**A. Procedural History**

1. On December 1, 2014, Kansas Gas Service, a Division of ONE Gas, Inc. (KGS), filed a request for approval of its 2015 Ad Valorem Tax Surcharge Rider (ATSR).
2. Commission Staff (Staff) has submitted a Report and Recommendation (R&R) analyzing and recommending approval of KGS's 2015 ATSR.<sup>1</sup> Staff's R&R, dated December 15, 2014, is attached hereto and made a part hereof by reference. In its R&R, Staff notes that it conducted an on-site review of KGS's 2014 property tax statements. During the on-site review, KGS provided a revised ATSR calculation amount that results in an annual reduction of \$2,885,294. Upon review of KGS's ad valorem tax statements and other records, Staff recommends KGS's revised 2015 ATSR is properly calculated to refund this reduction. Therefore, Staff recommends KGS be allowed to refund the amount of \$2,885,294 over the year

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<sup>1</sup> Staff Report & Recommendation, December 15, 2014, p. 1. (Staff R&R, p. 1.)

2015. This amount results in an approximate credit of \$0.0361 per Mcf – an annual reduction of approximately \$2.85 for each residential customer.<sup>2</sup>

3. Staff also recommends the approval of KGS's ATSR be subject to the following conditions:

1. KGS shall file updated tariffs with the Commission reflecting the revised surcharge before implementing the surcharge.
2. Staff will ensure that the annual true-up of amounts collected vs. actual amount of increase or reduction in Ad Valorem will be reflected in the subsequent year Ad Valorem surcharge calculation.
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.<sup>3</sup>

#### **B. Jurisdiction & Standard of Review**

4. With regard to jurisdiction, K.S.A. 66-117(f) provides, in pertinent 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.

5. K.S.A. 66-117(f) also provides the standard by which the Commission should review tariffs such as KGS's ATSR:

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.

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<sup>2</sup> Staff R&R, pp. 1-2.

<sup>3</sup> Staff R&R, pp. 2-3.

## II. Findings and Conclusions

6. Upon review of the record as a whole, the Commission agrees with Staff's recommendation to approve KGS's ad valorem tax expense decrease of \$2,885,294, subject to Staff's recommended conditions. The Commission finds KGS's ATSR will be applied to bills in a reasonable manner and is calculated to reduce the surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of KGS.

### **IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. KGS's ad valorem tax expense reduction of \$2,885,294 is approved, subject to the conditions listed in paragraph 3 above.

B. The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein.<sup>4</sup>

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

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

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: DEC 23 2014

  
ORDER MAILED DEC 24 2014

Thomas A. Day  
Acting Executive Director

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<sup>4</sup> K.S.A. 66-118b; K.S.A. 77-529(a)(1).

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

**TO:** Chair Shari Feist Albrecht  
Commissioner Jay Scott Emler  
Commissioner Pat Apple

**FROM:** Katie Figgs, Auditor  
Kristina Luke Fry, Senior Auditor  
Justin Grady, Chief of Accounting and Financial Analysis  
Jeff McClanahan, Director of Utilities

**DATE:** December 15, 2014

**SUBJECT:** Docket Number 15-KGSG-225-TAR: In the Matter of the Application of Kansas Gas Service, a Division of ONE Gas, Inc., Seeking Commission Approval for 2014 Ad Valorem Tax Surcharge Rider Tariff.

**EXECUTIVE SUMMARY:**

Staff recommends approval of Kansas Gas Service's 2015 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the calendar year of 2015 and is in addition to the ad valorem tax that was included in base rates from Kansas Gas Service's 2012 rate case. The result of the surcharge would be a reduction of approximately \$2.85 per residential customer. Pursuant to K.S.A. 66-117(f), a Commission Order in this matter is due by January 1, 2015.

**BACKGROUND:**

Kansas Gas Service (KGS), a division of ONE Gas, Inc., filed its 2015 Ad Valorem tax surcharge request on December 1, 2014, 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 included in rates. The statute also requires a Commission Order within 30 days of the filing date which, in this Docket, is by January 1, 2015. KGS requested a decrease of \$2,861,012 in its filing. KGS' base Ad Valorem tax amounts were set by the KCC in Docket No. 12-KGSG-835-RTS.

### **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.

The Company's Ad Valorem Tax Surcharge was filed in accordance with K.S.A. 66-117(f), which states that:

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.

### **Staff's Analysis:**

Staff conducted an on-site review of KGS' 2014 Ad Valorem statements on December 9, 2014. During Staff's on-site review, KGS provided Staff with a revised Ad Valorem Tax surcharge calculation amount that results in an annual reduction of \$2,885,294. These revised schedules included actual amounts recovered from ratepayers that were originally estimated and also included November tax statements that were originally estimated. The revisions and corrections are contained in Exhibit 1, attached to this Report and Recommendation. Staff has reviewed the actual Ad Valorem tax statements and the records supporting KGS' recovery of revenue associated with the 2014 Ad Valorem tax surcharge. As a result of this review, Staff concludes that KGS' 2015 Ad Valorem tax surcharge is properly calculated to refund the reduction in Ad Valorem taxes when compared to the amount currently included in KGS' base rates.

Staff recommends that KGS be allowed to refund the amount of \$2,885,294 over the year 2015, which equates to an approximate charge of \$0.0361 per Mcf. Staff's recommendation will be recovered through KGS' Ad Valorem Tax Surcharge Rider.

### **RECOMMENDATION:**

Staff recommends the Commission approve KGS' Ad Valorem reduction of \$2,885,294 with the following conditions:

1. KGS shall file updated tariffs with the Commission reflecting the revised surcharge before implementing the surcharge.

2. Staff will ensure that the annual true-up of amounts collected vs. actual amount of increase or reduction in Ad Valorem will be reflected in the subsequent year Ad Valorem surcharge calculation.
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.

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
NIKI CHRISTOPHER, ATTORNEY CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
DELLA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
SHONDA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
DAVID SPRINGE, CONSUMER COUNSEL CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
ANDREW FRENCH, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		
KARLA HEMPSTEAD-DENTON, RATES ANALYST KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC. 7421 W 129TH ST OVERLAND PARK, KS 66213-2634		

ORDER MAILED **DEC 24 2014**

The Docket Room hereby certified that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.