

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-560 - RTS  
State of Kansas. )

**DIRECT TESTIMONY**  
**OF**  
**GRAHAM A. JAYNES**  
**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 Graham A. Jaynes. My business address is 7421 West 129th Street, Overland Park,  
4               Kansas, 66213.

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

6       A.       I am employed by Kansas Gas Service, a Division of ONE Gas, Inc. (“KGS” or the “Company”),  
7               as a Rates Analyst I in the Rates and Regulatory Department.

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

9       A.       I have a Bachelor of Business Administration in both Accounting and Finance from Drury  
10              University with minors in Entrepreneurship and Global Studies. I was employed with ONEOK  
11              Gathering and Processing in Tulsa, Oklahoma from 2015 through May 2017 as a Gas Scheduler  
12              and Financial Analyst. During the summer of 2017, I joined Kansas Gas Service in Overland  
13              Park, Kansas as a Rates Analyst I.

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

15       A.       No. This is my first testimony before the Commission.

16

17       **II.       Executive Summary**

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

1 A. I sponsor certain pro forma adjustments necessary to normalize the test-year costs and to  
2 reflect known and measurable post-test-year changes. My testimony presents financial and  
3 accounting data taken directly from KGS's accounting records.

4 **III. Income Statement Adjustments**

5 **Q. Please identify the income statement adjustments you are sponsoring in section 9.**

6 A. I am sponsoring Income Statement ("IS") Adjustments IS 14, 15, and 16.

7 **Q. Please explain adjustment IS 14 related to depreciation expense.**

8 A. Adjustment IS 14 increases operating expense by \$1,280,020 by annualizing depreciation  
9 expense based on the pro forma plant in-service balances. The current depreciation rates  
10 approved by this Commission in the 16-KGSG-491-RTS Docket ("491 Docket") were in effect  
11 during the test year. The annualized depreciation expense amount was compared to the  
12 amounts charged to depreciation expense in the test year, for each asset account balance. To  
13 capture the expense level (at current depreciation rates) an adjustment was made for the  
14 difference between the depreciation expense calculated on pro forma plant in service and the  
15 amount recorded.

16 **Q. Please explain adjustment IS 15 and the annualized expense.**

17 A. Adjustment IS 15 increases operating expense by \$12,570,240 by applying the new  
18 depreciation rates established in the Technical Update conducted by Dr. Ronald E. White, to  
19 our current depreciation rates. The new proposed rates are applied to the pro forma plant in  
20 service to calculate the new annualized depreciation expense. This amount is compared to  
21 the annualized expense at current rates to determine the incremental annual expense  
22 adjustment that results from the change in depreciation rates.

23

1       **Q.     Please explain adjustment IS 16.**

2       A.     Adjustment IS 16 normalizes O&M costs that were not cleared in the test period. The result  
3           is a \$95,479 expense increase which is the sum of deficit clearing for stores loadings and  
4           vehicle clearings.

5       **Q.     Please explain the underlying accounting for clearing accounts and why an adjustment for  
6           each clearing process is appropriate.**

7       A.     Clearing accounts are temporary accounts used to capture certain costs in an asset account  
8           established to record various activities. A clearing rate is developed for each type of expense  
9           recorded in the clearing account and each item is charged to appropriate O&M accounts. Due  
10          to the entropy of actual expenses, clearing rates may result in surplus or deficit clearing. As it  
11          relates to vehicles, vehicle loading rates are charged based on vehicle usage and are aligned  
12          with the actual labor account distribution of the employee operating the vehicle or work  
13          equipment. Similarly, stores loading rates are charged based upon the accounts that the  
14          storeroom material was charged during the test year. The clearing rates are unlikely to  
15          precisely match the actual expenditures incurred by KGS. Reviewing the beginning and ending  
16          balances of each clearing account indicated that an adjustment was necessary to accurately  
17          reflect the actual expenses that occurred during the test year. The sum of these two clearing  
18          account adjustments is an increase in test period expenses of \$95,479.

19      **Q.     Does this conclude your testimony?**

20      A.     Yes.

**VERIFICATION**

STATE OF KANSAS                    )  
  ) ss.  
COUNTY OF JOHNSON            )

Graham A. Jaynes, being duly sworn upon his oath, deposes and states that he is a Rates Analyst I for Kansas Gas Service, a division of 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.

  
\_\_\_\_\_  
Graham A. Jaynes

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

  
\_\_\_\_\_  
NOTARY PUBLIC

My appointment Expires:

\_\_\_\_\_ 06/05/2022

