

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

In the Matter of the Application of Kansas )  
Gas Service, a Division of ONE Gas, Inc. )  
for Adjustment of its Natural Gas Rates in ) Docket No. 24-KGSG-610-RTS  
the State of Kansas. )

**REBUTTAL TESTIMONY  
OF  
KENNETH W. EAKENS  
ON BEHALF OF KANSAS GAS SERVICE  
A DIVISION OF ONE GAS, INC.**

**July 22, 2024**

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A DIVISION OF ONE GAS, INC.  
DOCKET NO. 24-KGSG-610-RTS**

1       **I.       Position and Qualifications**

2       **Q.       Please state your name and business address.**

3       A.       My name is Kenneth W. Eakens. My business address is 15 E. 5<sup>th</sup> Street, Tulsa,  
4               Oklahoma 74103.

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

6       A.       I am employed by ONE Gas, Inc., ("ONE Gas") as Director, Tax Compliance and  
7               Reporting. ONE Gas is the parent company of Kansas Gas Service ("KGS" or the  
8               "Company"). I have responsibility for the Tax and Plant Accounting functions for ONE  
9               Gas. These responsibilities include the accounting, compliance and financial reporting  
10              as it relates to those functions for ONE Gas and its divisions, including Kansas Gas  
11              Service ("KGS" or the "Company").

12      **Q.       Are you the same Kenneth W. Eakens who submitted direct testimony in this**  
13              **docket?**

14      A.       Yes, I am.

15      **II.       PURPOSE OF REBUTTAL TESTIMONY**

16      **Q.       What is the purpose of your rebuttal testimony?**

17      A.       I respond to Kansas Corporation Commission ("KCC" or "Commission") Staff  
18              witnesses Mr. William E. Baldry, Ms. Andria N. Jackson, and Mr. Ian D. Campbell's

1 adjustments for Excess Deferred Income Taxes ("EDIT") associated with the Tax Cuts  
2 and Jobs Act ("TCJA") and the 2020 change in Kansas law exempting utilities from  
3 Kansas state corporate income taxes. I also respond to Staff witness Ms. Jackson  
4 regarding Staff's ADIT adjustment associated with incentives discussed on pages 11,  
5 and 14 of Ms. Jackson's testimony. Additionally, I respond to Staff witness Mr. Baldry's  
6 testimony by requesting an update to April, 30 2024 for EDIT balances.

7 **III. TREATMENT OF ADIT RELATED TO INCENTIVES COMPENSATION REMOVAL**

8 **Q. Please explain the Staff adjustment to ADIT associated with incentive**  
9 **compensation.**

10 A. Staff is recommending removal of a portion of incentive compensation costs from  
11 KGS's pro forma test year expense. Staff also proposes removal of a portion of the  
12 ADIT related to the removal of those incentive compensation costs. To account for  
13 the ADIT, Staff took the balance of timing differences associated with incentives at  
14 April 30, 2024, applied the corporate federal tax rate of 21%, and multiplied that  
15 amount by the percentage of incentive compensation included in Staff's recommended  
16 revenue requirement. Should the Commission not approve Staff's adjustments to  
17 eliminate a portion of incentive compensation expense from the cost of service, this  
18 portion of Staff's adjustment will need to be revised accordingly.

19 **Q. Do you agree with Ms. Jackson's proposal to remove ADIT associated with**  
20 **incentives?**

21 A. No.

22 **Q. Why not?**

23 A. As discussed in Company witness Ms. Lorna Eaton's rebuttal testimony, the Company  
24 does not agree with Staff's removal of certain incentive compensation costs. Since  
25 KGS does not believe those costs should be removed, there is no need to make a  
26 related adjustment to ADIT.

1       **Q.     Are there any portions of Staff Adjustment RB-10 KGS does agree with?**

2       A.     Yes.   Notwithstanding KGS's position on incentive compensation costs (and its  
3               associated ADIT), KGS agrees with the methodology Staff used to calculate the ADIT.  
4               Specifically, KGS agrees the ADIT and Net Operating Loss asset balances should be  
5               updated to April 30, 2024, to synchronize net ADIT for an April 30, 2024, plant in  
6               service balance.

7       **IV.    RATE BASE ADJUSTMENTS FOR EXCESS DEFERRED INCOME TAXES (EDIT)**

8       **Q.     Do you agree with Staff's proposed adjustments to EDIT?**

9       A.     The Company agrees with Staff that the EDIT balances and adjustments should be  
10             updated to April 30, 2024, to synchronize the net EDIT to the April 30, 2024, balance.  
11             Upon examination of Staff's workpapers, KGS determined that while the KGS  
12             adjustments to the EDIT balances were updated to April 30, 2024, appropriately, the  
13             September 30, 2023, EDIT balance was not updated to the April 30, 2024, balance.  
14             The updated April 30, 2024, EDIT balance with adjustments are provided on the  
15             following table.

Kansas Gas Service  
Staff Adjustment to Accumulated Deferred Income Taxes  
Test Year Ended September 30, 2023

Line No.	FERC Account	Description	KGS Ref.	As-Filed 9/30/2023 Pro Forma EDIT	4/30/2024 Pro Forma EDIT	Updated Adjustment to EDIT
1		EDIT Liability Balance (TCJA)		(112,396,080)	(103,956,617)	8,439,463
2		EDIT-NOL Asset Balance (TCJA)		29,063,136	28,942,309	(120,827)
3		EDIT-NOL Liability Balance (State)		(66,788,531)	(66,788,531)	-
4		Net Accumulated Deferred Income Tax Balance		(150,121,475)	(141,802,839)	8,318,636
5		EDIT associated with Pension/OPEB Funding	WC 11	(7,513,406)	(7,436,461)	76,945
6		EDIT associated with COGR	WC 11	6,612,210	4,867,709	(1,744,500)
7		EDIT associated with Pension/OPEB Funding	WC 12	10,032,079	10,032,079	-
				-	-	-
8		Total Adjustments to ADIT Asset (Liability)		9,130,883	7,463,327	(1,667,556) (1)
9		Total Accumulated Deferred Income Tax Balance				6,651,080
10	254	Updated Staff Adjustment to Excess Deferred Income Taxes				6,651,080

1 (1) Ties to Staff Rate Base adjustment 1

2 **Q. Does this conclude your testimony.**

3 **A. Yes, it does.**

4

5

## VERIFICATION

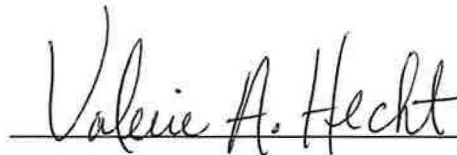
STATE OF KANSAS                    )  
  ) ss.  
COUNTY OF JOHNSON            )

Kenneth W. Eakens, being duly sworn upon his oath, deposes and states that he is the Director, Tax Compliance and Reporting for ONE Gas, Inc.; that he has read and is familiar with the foregoing Rebuttal Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.



Kenneth W. Eakens

Subscribed and sworn to before me this 19 day of July 2024.



NOTARY PUBLIC



My appointment Expires:

05/02/28

**CERTIFICATE OF SERVICE**

I, Robert Elliott Vincent, hereby certify that a copy of the above and foregoing ***Rebuttal Testimony*** was served via electronic service this 22nd day of July, 2024, addressed to:

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