

In the Matter of the Application of)
Kansas Gas Service, a Division)
of ONEOK, Inc. for Adjustment of) DOCKET NO. 06-KGSG - ___-RTS
its Natural Gas Rates in the State)
of Kansas)

STATE CORPORATION COMMISSION

MAY 15 2006

 Docket
Room

DIRECT TESTIMONY
OF
FRANK P. GARVER
ON BEHALF OF
KANSAS GAS SERVICE
A DIVISION OF ONEOK, INC

DIRECT TESTIMONY
OF
FRANK P. GARVER
KANSAS GAS SERVICE
DOCKET NO. 06-KGSG-___-RTS

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Frank P. Garver. My business address is 7421 W. 129th Street,
3 Overland Park, Kansas 66213.

4 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

5 A. I am employed by Kansas Gas Service, a division of ONEOK, Inc. ("Kansas Gas
6 Service" or "Company"), as a Senior Analyst.

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

9 A. I graduated from Kansas State University in 1973 with a Bachelor of Science degree
10 in Business Administration. I began my employment with Kansas Gas Service
11 (previously Western Resources, Inc.) in 1984 and have worked in the Company's
12 Rates and Regulations Department since that time. I have had experience at various
13 times on most regulatory issues, including cost of service and class allocation issues
14 for electric and gas rates at the state and federal jurisdictional levels. I have been
15 involved with tariff and service issues affecting both sales and transportation
16 customers.

17 **Q. HAVE YOU EVER TESTIFIED BEFORE ANY REGULATORY COMMISSION?**

18 A. Yes. I have previously testified before this Commission, most recently in Docket No.
19 04-KGSG-534-TAR, and before the Oklahoma Corporation Commission. I have also

1 submitted testimony in proceedings before the Federal Energy Regulatory
2 Commission.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. I am sponsoring Schedule 18, the changes to the Company's tariffs. Primary among
5 these changes are the proposed rates, the derivation of which is reflected in Mr.
6 Raab's testimony, specifically on Exhibit___(PHR-10). Some of these changes are
7 supported by other witnesses; however, my testimony will describe a number of
8 additional modifications. I am also supporting the Company's request to cancel the
9 current Economic Development Rider – Gas (EDG) rate schedule.

10 **Q. WHY DO YOU PROPOSE TO CANCEL THE EDG RATE?**

11 A. At the time the EDG was initiated, it was our only discounted rate option. Over the
12 years, the introduction of limited competition into the gas distribution industry has
13 engendered the development of tariff provisions which allow us to more appropriately
14 discount rates to meet competitive alternatives. For the past five years, we have
15 addressed competition and encouraged economic development exclusively through
16 these new "flex" options. No current customer is served by the EDG.

17 **Q. WHAT CHANGES DO YOU PROPOSE TO THE RESIDENTIAL AND GENERAL
18 SERVICE SALES RATE SCHEDULES?**

19 A. Company witness Paul Raab describes our new "customer-choice" two-tier rate
20 design. We will continue to offer only one rate schedule for each customer class;
21 that is, all residential customers will be served under Rate Schedule RS but,
22 depending on their annual usage or personal preferences, they will be able to
23 choose between the two different rate designs (tiers) on that rate schedule.

24 **Q. WILL A CUSTOMER BE ABLE TO CHANGE BETWEEN TIERS?**

25 A. Yes. Kansas Gas Service will initially assign customers to the most economical tier
26 based on their historical usage. Section 2.06 of Kansas Gas Service's General

1 Terms and Conditions for Gas Service (GTC) states that a customer "...may not
2 change to another rate within a 12-month period unless there is a substantial change
3 in the character or condition of customer's service." However, under our new two-tier
4 proposal, regardless of a customer's recent changes, we will allow one change from
5 the Company's initial assignment. For example, if a customer has exercised the
6 currently permitted once-a-year change just prior to approval of the initial
7 assignment, a change to the other tier will still be permitted. A customer can make
8 that initial change at any time, after which we will maintain consistency with the 12-
9 month provision in the current tariff. To avoid any confusion over the definition of a
10 "rate" and a "rate schedule", we have adapted the GTC provision into the final
11 section of the RS and GS rate schedules.

12 **Q. ARE THERE MODIFICATIONS TO ANY OTHER OF THE COMPANY'S RATE**
13 **SCHEDULES?**

14 A. Yes. I have updated the references in the Ad Valorem Tax Surcharge Rider and
15 Weather Normalization Adjustment (WNA) Rider. Currently, both of these tariffs
16 reference Docket No. 03-KGSG-602-TAR. For the references to remain current, the
17 docket number should be that of the instant rate request. We do not propose to
18 change the process by which we calculate the Ad Valorem Surcharge nor do we
19 propose to alter the WNA calculation methodology.

20 I also made changes to GTC Sections 5.08 and 5.09, eliminating no-longer-
21 needed verbiage which prohibited the simultaneous collection of similar charges for
22 gas and electric service.

23 **Q. ARE YOU SPONSORING A TARIFF RIDER FOR PENSION AND OTHER POST**
24 **EMPLOYMENT BENEFITS (OPEB) COSTS?**

25 A. Yes. Robin Hagerty, testifying on behalf of Kansas Gas Service, discusses the basis
26 for the costs to be recovered by the proposed tariff, which I am sponsoring.

1 **Q. PLEASE DESCRIBE THE PROPOSED PENSION AND EMPLOYEE BENEFITS**
2 **RIDER (PEBR) TARIFF.**

3 A. The PEBR calculation first determines the difference between FAS 87 /FAS 106-
4 related expenses that have been allowed recovery in rates and those that were
5 accrued for the calculation year. The resulting PEBR adjustment will be returned to
6 or recovered from customers as part of the delivery charge. The PEBR shall be
7 recalculated annually to be effective with the April billing cycles.

8 **Q. PLEASE DESCRIBE YOUR CHANGES RELATED TO PAYMENTS BY**
9 **PERSONAL CHECKS.**

10 A. As Kansas Gas Service has implemented new technologies, the variety of payment
11 methods has increased. The Commission's minimum payment standards recognize
12 some of these new options. However, we need to clarify that a traditional written
13 check, an electronic check, and a bank debit card all constitute the same good faith
14 promise to pay and should be subject to the same penalties if defaulted upon.

15 I have also changed the name of the Miscellaneous Charge under GTC
16 Section 12.07 to "Returned Payment Charge". We are not proposing a change to the
17 amount of charge itself.

18 **Q. WHAT CHANGES DO YOU PROPOSE CONCERNING SERVICE**
19 **CONNECTIONS?**

20 A. The obligations governing the customer's application for service found in GTC
21 Section 2.02 do not clearly define the status of a customer. For example, is an
22 individual who once took service from the Company, leaves for another state and
23 then returns some time later, still considered to be a "customer" and subject to the
24 Company priorities as someone who has maintained continuous service in the
25 interim? If not, what is the appropriate period of time for a customer to be off-service
26 before the Company can consider him/her to be a "new" customer? I am proposing

1 new language to define an individual as a new customer when his/her account
2 becomes inactive.

3 **Q. AT WHAT POINT DOES THAT OCCUR?**

4 A. Our billing system automatically moves an account to inactive status 10 days after
5 disconnection.

6 **Q. WHAT SPECIFIC OPERATIONAL ISSUES WILL THIS CHANGE AFFECT?**

7 A. The primary change will occur in our prioritization of customers being connected or
8 reconnected to service. The Commission's Minimum Billing Standards require that,
9 after being disconnected for non-payment, a "customer" must be reconnected
10 immediately, within 24 hours. This becomes operationally problematic just prior to
11 and after the Cold Weather Period when previously served individuals who have for
12 several months avoided any relationship with the Company, can, upon payment of
13 \$83 for every \$1,000 they owe, demand to be reconnected in a priority sequence
14 before any other customers. My proposed change would match the status of such
15 an individual a similar person who did not receive service for an extended period of
16 time.

17 **Q. ARE YOU SUGGESTING THAT THESE CUSTOMERS SHOULD BE THE LAST
18 TO BE RECONNECTED?**

19 A. Absolutely not. The Company merely wants to be able to work all service
20 connections in one geographical area at the same time instead of skipping from
21 location to location, connecting former customers ahead of new construction or a
22 new customer conveniently located close by.

23 **Q. ARE YOU PROPOSING CHANGES TO KANSAS GAS SERVICE'S
24 TRANSPORTATION TARIFFS?**

25 A. Yes. GTC Section 10.09.03 determines the Cash Out Price as the average of the
26 index prices for five pipelines; however, Gas Daily no longer publishes a price for

1 Northern Natural Gas Company (NNG). My proposed tariff revision merely removes
2 the reference to NNG, making it a 4-pipeline index.

3 **Q. ARE THERE OTHER CHANGES TO THE TRANSPORTATION PROVISIONS?**

4 A. Yes. In what could be called a “housekeeping” action, I have changed references to
5 “Southern Star Central Gas Pipeline” from what was formerly Williams Gas Pipelines
6 Central. Those changes are at GTC Section 10.09.03 and at several places in GTC
7 Section 11.06.

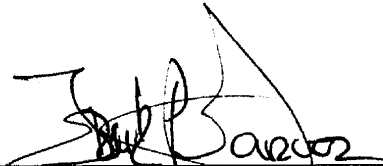
8 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

9 A. Yes.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

FRANK P. GARVER, being duly sworn upon his oath, deposes and states that he is Senior Analyst, Rates and Regulations for Kansas Gas Service, a Division of ONEOK, 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.



FRANK P. GARVER

Subscribed and sworn to before me this 10th day of May, 2006.



NOTARY PUBLIC

My appointment Expires:

