

**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.)

**DIRECT TESTIMONY
OF
REID A. SIMPSON
ON BEHALF OF KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.**

MARCH 1, 2024

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ON BEHALF OF KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
DOCKET NO. 24-KGSG-___-RTS**

1 **I. Position and Qualifications**

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

3 A. My name is Reid Simpson, and my business address is 7421 W. 129th Street,
4 Overland Park, KS 66213.

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

6 A. I am a Rates Analyst II for Kansas Gas Service (“KGS” or the “Company”), which is a
7 division of ONE Gas, Inc. (“ONE Gas”).

8 **Q. Please describe your education and professional experience.**

9 A. I have a Bachelor of Arts in Statistics from Kansas State University. I have been
10 employed with KGS since June 2019 as a Rates Analyst.

11 **Q. Was this testimony prepared by you or under your direct supervision?**

12 A. Yes, it was.

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

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

16 **I. Executive Summary**

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

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

4 **II. Rate Base Adjustments**

5 **Q. Please identify the rate base adjustments you are sponsoring in Sections 4 and**
6 **5.**

7 A. I am sponsoring Plant ("PLT") Adjustments PLT 1, PLT 2, PLT 4, PLT 5, and
8 Accumulated Depreciation Adjustment ("ADA") ADA 1, ADA 3, and ADA 4.

9 **Q. Please explain Adjustment PLT 1.**

10 A. Adjustment PLT 1 is an increase to Rate Base of \$21,503,462. The adjustment reflects
11 the balance of Construction Work in Progress ("CWIP") at the end of the test period.
12 The projects included in CWIP are expected to be in-service by September 30, 2024.

13 **Q. What is the basis for including plant in rate base that will be completed after the**
14 **test period?**

15 A. This adjustment is consistent with K.S.A. 66-128(b) which states:

16 (b) (1) For the purposes of this act, except as provided by subsection (b)(2),
17 property of any public utility which has not been completed and dedicated to
18 commercial service shall not be deemed to be used and required to be used
19 in the public utility's service to the public.

20
21 (2) Any public utility property described in subsection (b)(1) shall be deemed
22 to be completed and dedicated to commercial service if: (A) Construction of
23 the property will be commenced and completed in one year or less; . . .
24

25 **Q. Does property included in the CWIP adjustment meet the criteria specified in the**
26 **statute?**

27 A. Yes, it does. The projects contained in Adjustment PLT 1 will be completed within one
28 year from the end of the test period. Therefore, it is appropriate to include these
29 projects in rate base. KGS anticipates that the CWIP projects will close prior to

1 September 30, 2024, and can be audited and confirmed to be completed and in use
2 before rates from this proceeding go into effect.

3 **Q. Could you please indicate how the adjustment was determined?**

4 A. I included the costs of CWIP projects on the books of KGS as of September 30, 2023,
5 of \$21,503,462, adjusted for projects that were not going to be in service by September
6 30, 2024.

7 **Q. Please explain Adjustment PLT 2 and ADA 1.**

8 A. Adjustment PLT 2 and ADA 1 reflect the amount of retired assets associated with the
9 inclusion of CWIP in Rate Base identified in PLT 1. The adjustments have no effect on
10 net Plant in Service as the amount of Adjustment PLT 2, \$3,303,970 reduces gross
11 plant and its offset, Adjustment ADA 1, reduces Accumulated Reserve for Depreciation
12 by the same amount.

13 **Q. If the adjustment has no impact on rate base, why is it necessary?**

14 A. The adjustment is necessary to reflect the proper balance of depreciable plant upon
15 which to determine the suitable level of pro forma depreciation expense. While the
16 adjustment does not impact the net amount of Rate Base, it does impact the overall
17 revenue requirement through the annualized depreciation adjustment calculation.
18 Some KGS assets will be retired because of the installation of new assets associated
19 with PLT 1 and, to ensure a proper matching for depreciation expense calculation, the
20 retirements associated with the new CWIP projects should be recognized.

21 **Q. Please explain Adjustments PLT 4 and ADA 3.**

22 A. Adjustments PLT 4 and ADA 3 are necessary to eliminate plant assets and associated
23 Accumulated Depreciation that are currently not used and useful. The plant removed
24 is a compressor station that is not currently utilized to compress gas to serve our
25 customers. The associated operation and maintenance costs ("O&M") have been
26 eliminated in Adjustment IS 14 which is below. Adjustment PLT 4 decreases Plant in

1 Service by \$3,675,848 and Adjustment ADA 3 reduces KGS's Accumulated Reserve
2 by \$3,625,186. The net of these adjustments is a decrease to rate base by \$50,662.

3 **Q. Please explain Adjustments PLT 5 and ADA 4.**

4 A. Adjustments PLT 5 and ADA 4 are necessary to remove a portion of plant related to
5 KGS's Compressed Natural Gas ("CNG") stations operating in Overland Park and
6 Topeka, to account for the fact that the CNG stations are accessible for use by the
7 public. KGS uses part of the CNG facilities for its fleet and other operational needs.
8 That portion is still included in the utility's revenue requirement. The portion of the plant
9 serving the public motor vehicle fuel is excluded from Plant in Service and
10 Accumulated Depreciation. Adjustment PLT 5 reduces Plant in Service \$544,688,
11 while Adjustment ADA 4 reduces Accumulated Depreciation \$257,613. The net of the
12 two adjustments is a decrease to rate base of \$287,075.

13 **III. Income Statement Adjustments**

14 **Q. Please identify the income statement adjustments you are sponsoring in**
15 **Section 9.**

16 A. I am sponsoring Income Statement ("IS") Adjustments IS 12, IS 13, and IS 14.

17 **Q. Please explain Adjustment IS 12.**

18 A. Adjustment IS 12 increases operating expense by \$2,731,923 by annualizing
19 depreciation expense based on the pro forma plant in-service balances. The current
20 depreciation rates approved by this Commission in Docket No. 18-KGSG-560-RTS
21 ("560 Docket") were in effect during the test year. The annualized depreciation
22 expense amount was compared to the amounts charged to depreciation expense in
23 the test year, for each asset account balance. To capture the expense level (at current
24 depreciation rates) an adjustment was made for the difference between the
25 depreciation expense calculated on pro forma Plant in Service and the amount
26 recorded.

1 **Q. Please explain Adjustment IS 13.**

2 A. Adjustment IS 13 increases operating expense by \$15,266,187 by applying the new
3 depreciation rates established in the Depreciation Study conducted by Dr. Ronald E.
4 White. The new proposed rates are applied to the pro forma Plant in Service to
5 calculate the new annualized depreciation expense. This amount is compared to the
6 annualized expense at the current rates to determine the incremental annual expense
7 adjustment that results from changes in depreciation rates.

8 **Q. Please explain Adjustment IS 14.**

9 A. Adjustment IS 14 is necessary to eliminate the O&M costs related to adjustment PLT
10 4. As mentioned above, certain assets that were in plant balances during the test year
11 are no longer used and useful. In addition to removing these assets from Plant in
12 Service, KGS must also remove the associated O&M costs. Adjustment IS 14
13 decreases operating expense by \$11,075.

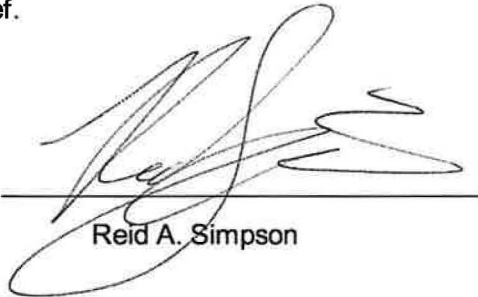
14 **Q. Does this conclude your testimony?**

15 A. Yes, it does.

VERIFICATION


STATE OF KANSAS)
)ss.
COUNTY OF JOHNSON)

Reid A. Simpson, being duly sworn upon his oath, deposes and states that he is the Rates Analyst II 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.



Reid A. Simpson

Subscribed and sworn to before me this 20th day of February 2024.



NOTARY PUBLIC

My appointment Expires:
6/5/26

