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State Corporation Commission
of Kansas

In the Matter of the Application of	)	
Kansas Gas Service, a Division	)	
of ONE Gas, Inc. for Adjustment	)	DOCKET NO. 16-KGSG-___-RTS
of its Natural Gas Rates in the	)	
State of Kansas	)	

DIRECT TESTIMONY

OF

LORNA M. EATON

ON BEHALF OF

KANSAS GAS SERVICE

A DIVISION OF ONE GAS, INC.

DIRECT TESTIMONY

OF

LORNA M. EATON

KANSAS GAS SERVICE

DOCKET NO. 16-KGSG-___-RTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Lorna M. Eaton. My business address is 7421 West 129th Street, Overland Park, Kansas, 66213.

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

A. I am employed by Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS" or the "Company"), as a Manager in the Rates and Regulatory Department.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science in Geology from Kansas State University in 1996 and worked in the KSU Geology department following graduation. I began my employment with KGS in 2000, as an Accountant in the General Accounting Department and moved to the Financial Planning Department as a Budget Analyst. I joined the Rates and Regulatory Department in 2010 as a Rates Analyst, and began my current position in June 2015.

Q. HAVE YOU TESTIFIED BEFORE THE KANSAS CORPORATION COMMISSION ("KCC" OR "COMMISSION")?

A. Yes. I provided written testimony in Dockets 12-KGSG-835-RTS ("835 Docket"), 14-KGSG-111-TAR, 15-KGSG-088-TAR, and 16-KGSG-104-TAR.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I am sponsoring certain pro forma adjustments necessary to normalize the test-year, to reflect known and measurable post-test-year changes, to exclude certain test-year costs, to normalize other test-year costs, and to include costs previously deferred pursuant to Commission accounting orders. My testimony presents financial and accounting data taken directly from KGS's accounting records. I also explain how the costs currently collected through the Gas System Reliability Surcharge ("GSRS") ($7.4 million[1]) revenues are being moved into base rates and the surcharge is being reset to zero.

Q. WHAT IS THE TEST YEAR FOR THIS FILING?

A. The test year is the twelve-month period ending December 31, 2015. Test year numbers have been adjusted for known and measurable changes.

II. RATE BASE ADJUSTMENTS

Q. PLEASE IDENTIFY THE RATE BASE ADJUSTMENTS YOU ARE SPONSORING IN SECTIONS 4 AND 5.

A. I am sponsoring Adjustments PLT 1-2, PLT 4-6, ADA 1, and ADA 3-5.

Q. PLEASE EXPLAIN ADJUSTMENT PLT 1.

A, Plant ("PLT") Adjustment PLT 1 increases Rate Base $13,048,927. The adjustment reflects the balance of Construction Work in Progress ("CWIP") at the end of the test period. The projects included in CWIP which will be in-service by December 31, 2016.

Q. WHAT IS THE BASIS FOR INCLUDING PLANT IN RATE BASE THAT WILL BE COMPLETED SUBSEQUENT TO THE TEST PEROID?

[1] The $7.4 million in GSRS revenue is the amount authorized for 2016. The amount in the test period is $5.2 million. The $7.4 million amount is appropriate to measure the customer impact because it reflects amounts currently paid by customers.

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

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

(2) Any public utility property described in subsection (b)(1) shall be deemed to be completed and dedicated to commercial service if: **(A) Construction of the property will be commenced and completed in one year or less;**" (Emphasis added).

Q. DOES THE PROPERTY INCLUDED IN THE CWIP ADJUSTMENT MEET THE CRITERIA SPECIFIED IN THE STATUTE?

A. Yes. K.S.A. 66-128(b)(2) permits projects completed within one year from the end of the test period to be included in rate base. KGS anticipates that the CWIP projects will close prior to the end of the third quarter 2016 and can be audited and confirmed to be completed and in use before rates go into effect in this proceeding.

Q. COULD YOU PLEASE INDICATE HOW THE ADJUSTMENT WAS DETERMINED?

A. I included the costs of CWIP projects on the books of KGS as of December 31, 2015, of $13,048,927. This is a conservative amount of the ultimate cost of projects that will be in-service within twelve months of the end of the test period.

Q. WHY SHOULD THIS BE CONSIDERED A CONSERVATIVE AMOUNT?

A. The costs of projects included in this account will grow as they are completed and placed in-service. KGS will monitor the costs associated with these projects and update Staff and CURB periodically during the course of its investigation. KGS will provide updated schedules to Staff and CURB to reflect the actual amounts closed to plant along with associated retirements. The impact of any variance between actual and estimated project costs can then be included in Staff and CURB's Accounting Schedules. This process to account for CWIP that qualifies to be included in rates has been adopted and used by utilities and Staff in other rate cases.

Q. PLEASE EXPLAIN ADJUSTMENT PLT 2 AND ADA 1.

A. Adjustments PLT 2 and Accumulated Depreciation Adjustment ("ADA") ADA 1 reflect the amount of retired assets associated with the inclusion of CWIP in Rate Base identified in PLT 1. The adjustment has no effect on net plant in service as the amount of the adjustment, $2,281,551, reduces gross plant and its offset, Accumulated Reserve for Depreciation, Adjustment ADA 1, by the same amount.

Q. IF THE ADJUSTMENT HAS NO IMPACT ON RATE BASE, WHY IS IT NECESSARY?

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

Q. PLEASE EXPLAIN ADJUSTMENT PLT 4 AND ADA 3.

A. Adjustment PLT 4 and ADA 3 are necessary to eliminate plant assets and associated accumulated depreciation that are currently not used and useful. The plant removed is a compressor station that is not currently needed to compress gas to serve our customers. Associated operation and maintenance costs (O&M) have been eliminated in IS 17. PLT 4 decreases plant in service by $4,453,249 and ADA 3 reduces accumulated reserve by $3,164,425. The net adjustment decreases rate base by $1,288,824.

Q. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENT PLT 5 AND ADA 4.

A. Adjustment PLT 5 and ADA 4 are necessary to remove a portion of plant related to our Compressed Natural Gas (CNG) stations operating in Overland Park and Topeka, KS, to account for the fact that the CNG stations are accessible to and used by the public. KGS uses part of the CNG facilities for its fleet and other operational needs. That portion is included in the utility's revenue requirement. The portion of the plant used to serve the public is excluded from plant in service and accumulated depreciation. Adjustment PLT 5 reduces plant in service $599,134, while Adjustment ADA 4 reduces Accumulated Depreciation $58,444. The net of the two adjustments is a decrease to rate base of $540,690.

Q. PLEASE EXPLAIN ADJUSTMENT PLT 6 AND ADA 5.

A. Adjustment PLT 6 and ADA 5 reclassifies 3rd party reimbursements that were recorded since January 1, 2013. This date coincides with the adoption of the depreciation rates in the 835 Docket from plant in service to the accumulated reserve.

Q. PLEASE DEFINE THIRD PARTY REIMBURSEMENTS.

A. Third party reimbursements include funds received from governmental entities for the costs to relocate existing lines due to road construction and proceeds received from insurance companies due to third party damages to KGS's facilities.

Q. PLEASE CONTINUE WITH AN EXPLANATION SUPPORTING THE ADJUSTMENT.

A**.** Within the 835 Case, KGS adopted the depreciation rates proposed by KCC Staff Witness Mr. Dunkel without agreeing to the policy recommendations of Mr. Dunkel. However, Mr. Dunkel's depreciation rates are based on 3rd party reimbursements recorded to the accumulated reserve account. Since the depreciation rates were adopted, KGS continued to record 3rd party reimbursements to plant in service. In order to establish the correct pro forma depreciation expense within this case, the 3rd

party reimbursements should be reclassified so that they are reflected in the same manner as suggested by Mr. Dunkel when the rates were established. If we did not make this adjustment, the plant in service balance would not be measured consistent with the manner in which Mr. Dunkel devised his depreciation rates. This adjustment has no effect on net rate base as the amount of the adjustment, $1,217,964, increases plant in service and accumulated reserve by the same amount.

III. INCOME STATEMENT ADJUSTMENTS

Q. PLEASE IDENTIFY THE INCOME STATEMENT ADJUSTMENTS YOU ARE SPONSORING IN SECTION 9.

A. I am sponsoring Income Statement ("IS") Adjustment IS 1 through IS 6, and IS 9 through IS 26.

Q. PLEASE EXPLAIN ADJUSTMENT IS 1.

A. Adjustment IS 1 is necessary to eliminate Accrued and Unbilled Revenues and Expenses that are included in the test year. The effect of this adjustment removes the estimated accounting entries and what is remaining is the revenue actually billed by the Company in the test year operating results to determine base rates. The adjustment decreases test year operating revenue by $238,752.

Q. PLEASE EXPLAIN ADJUSTMENT IS 2.

A. Adjustment IS 2 is necessary to eliminate the Deferred Weather Normalization Revenue. Under KGS's Weather Normalization Adjustment (WNA), the difference in revenue resulting from the variance of actual weather from normal weather is recorded and deferred, as either an over-collected amount, if the weather is colder than normal or an under-collected amount, if the weather is warmer than normal. During the test year, the weather was generally warmer than normal. As a result, the under-collected revenue recorded on the books and records of the Company was eliminated from the test year to determine base rate revenues. The resulting adjustment decreases test year operating revenue by $7,892,181. This adjustment is related to Adjustment IS 7 which calculates pro forma weather normalized sales revenue.

Q. PLEASE EXPLAIN ADJUSTMENT IS 3.

A. The purpose of adjustment IS 3 is to eliminate the Cost of Gas Revenues and Expenses. Gas costs are recovered dollar for dollar through KGS's Cost of Gas Rider (COGR). This adjustment eliminates both the revenues and expenses of $258,081,151 contained in the test year associated with the cost of gas for the determination of base rates. This adjustment nets to a $0 change in test year operating income.

Q. PLEASE EXPLAIN THE PURPOSE OF ADJUSTMENT IS 4.

A. Adjustment IS 4 relates to Ad Valorem Tax Revenues and Expenses. This adjustment decreases the Ad Valorem tax expenses collected through base rates to $20,954,008. This new expense level has been determined by eliminating revenues billed under KGS's Ad Valorem Tax Surcharge Rider (ATSR), eliminating the Ad Valorem tax expense that is amortized during the test period and decreasing the test year Ad Valorem tax expense to the 2015 tax assessment level. The billed revenue adjustment is $2,573,703; the amortization expense adjustment is $2,689,257; and the adjustment to the test period Ad Valorem tax expense is a decrease of expense of $1,517,180. The sum of these adjustments increases test year operating income, before income taxes, by $1,401,626.

Q. HAS KGS DETERMINED A NEW BASE LEVEL OF AD VALOREM TAX EXPENSE TO BE SET IN THIS RATE CASE?

A. Yes. I recommend that the new Ad Valorem tax expense in base rates be established at $20,954,008. As indicated in Mr. Dittemore's testimony, if the Cost of

Service Adjustment (COSA) is accepted, then the KGS Ad Valorem costs would be a component of the COSA calculation instead of a separate filing. This would reduce the burden on Staff and the Commission, and eliminate the surcharge. In the event that the COSA is not adopted, the Ad Valorem tax expense in base rates would be established at $20,954,008.

Q. PLEASE EXPLAIN THE PURPOSE OF ADJUSTMENT IS 5.

A. Adjustment IS 5 relates to the Gas System Reliability Surcharge (GSRS). The purpose of the GSRS is to recover cost related to natural gas utility plant projects that qualify under K.S.A. 66-2201, *et seq*. This adjustment eliminates the revenue from the test year for the determination of base rates and re-establishes the GSRS monthly charges to zero on the date that new rates will become effective. This adjustment has no impact to Company revenue because it merely updates base rates to recover expenses that have previously been collected through the GSRS. This adjustments decreases test year operating revenue by $5,171,257.

Q. PLEASE EXPLAIN ADJUSTMENT IS 6.

A. Adjustment IS 6 is necessary to normalize test year revenues for contract minimum quantities and discounted rate annualization.

Contract Minimum Quantities: The test period revenues were adjusted for the difference in the Mcf billed to customers compared to their contracted minimum quantities. The contract minimum revenues, as adjusted, were based on test year quantities under contracts that were in effect at the end of the test year. This adjustment decreases revenues by $73,477.

Discounted Rate Annualization: The revenues received from customers paying discounted rates were annualized for known and determinable rate changes through February 29, 2016. This adjustment decreases revenue an additional $19,650.

The sum of these adjustments decreases test year revenues by $93,127.

Q. PLEASE DISCUSS ADJUSTMENT IS 9.

A. Adjustment IS 9 is necessary to eliminate CNG revenues that are received from the public sale of CNG. Since KGS does not include the portion of the CNG station assets used to provide CNG for public sales in its filing, it is appropriate to remove the corresponding revenue received from the CNG sales for the determination of base rates. The adjustment decreases operating revenue by $12,667.

Q. PLEASE DISCUSS ADJUSTMENT IS 10.

A. Adjustment IS 10 is necessary to normalize the non-gas portion of bad debt expense in the test year. A three year average was used to increase the non-gas related bad debt expense. This adjustment also recognizes that the requested revenue increase would increase the bad debt expense incurred by KGS. This adjustment also increases the bad debt expense by a percentage of the revenue increase determined by the historical average of bad debt expense to non-gas revenue. The adjustment increases operating expenses by $1,280,165.

Q. PLEASE EXPLAIN ADJUSTMENTS IS 11 AND IS 12 RELATED TO DEPRECIATION AND AMORTIZATION EXPENSE.

A. Adjustment IS 11, Annualized Depreciation on Pro Forma Plant, accounts for the effects of annualizing depreciation expense based on the pro forma plant in service balances. The plant in service account numbers are based on the accounting requirements of the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USoA"). The current depreciation rates are those approved by this Commission in the 835 Docket and were in effect during the test year. The annualized depreciation expense amount was compared to the amounts charged to depreciation expense in the test year for each asset account balance. The difference between the amount calculated and the amount recorded during the test year represents the expense adjustment to reflect on-going expense levels at current depreciation rates. This adjustment increases operating expense in the amount of $828,709.

Adjustment IS 12 reflects the new depreciation rates resulting from the Technical Update to our current depreciation rates conducted by Dr. Ronald E. White. The new proposed rates are applied to the pro forma plant in service to calculate the new annualized depreciation expense. This amount is compared to the annualized expense at current rates to determine the "incremental" annual expense adjustment that results from the change in depreciation rates. This adjustment increases operating expenses $3,657,749.

Q. PLEASE DISCUSS ADJUSTMENT IS 13.

A. Adjustment IS 13 reduces administrative and general costs by eliminating corporate royalty fee charges from the test period. The adjustment decreases operating expenses by $8,607,018.

Q. PLEASE DISCUSS ADJUSTMENT IS 14.

A. Adjustment IS 14 removes the expense related to the ONE Gas Transaction Credit. As part of the stipulation and agreement in Docket No. 14-KGSG-100-MIS ("100 Docket") where ONEOK was allowed to reorganize their natural gas assets into ONE Gas, KGS agreed to provide a one-time rebate of $5.34 to each customer in the years of 2014, 2015, and 2016. This rebate will not be occurring after 2016, so it is appropriate to remove the recorded expense for the credit that occurred during the test year. The adjustment decreases operating expense by $3,423,957.

Q. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENT IS 15.

A. Adjustment IS 15 enables the Company to recover 50% of its charitable and civic contributions. K.S.A. 66-1,206(a) provides that public utilities shall be allowed to recover in rates 50% or more of dues, donations and contributions to charitable, civic and social organizations. This adjustment is consistent with past Commission practice of authorizing recovery of 50% of such expenditures through rates. This adjustment increases operating expenses $48,837. The adjustment also eliminates costs of sponsorships and certain other expenses that incurred during the test year, in the amount of $35,523, for a net increase in operating expenses of $13,314.

Q. PLEASE EXPLAIN ADJUSTMENT IS 16.

A. Adjustment IS 16 annualizes known and measurable changes that resulted from the revision of the Shared Services contract between Westar Energy and KGS that became effective December 1, 2015. KGS currently preforms meter reads for Westar in Wichita and Hutchinson, KS. The number of meter reads in both these locations is beginning to decrease, and starting in December of 2016, KGS will no longer be reading meters for Westar in either of these cities. This adjustment eliminates the reimbursement received from Westar for meter reads in Wichita and Hutchinson during the test period. As a result of this change, KGS has decreased the amount of contract meter readers retained by the company. This adjustment also decreases the contract meter reading expenses to reflect that operational change. Adjustment IS 16 is a net increase to operating expenses of $87,002.

Q. PLEASE DISCUSS ADJUSTMENT IS 17.

A. Adjustment IS 17 removes the operating expenses related to the plant assets currently not used and useful in Adjustment PLT 4 from the test period. The adjustment decreases expenses by $45,989.

Q. PLEASE EXPLAIN ADJUSTMENT IS 18.

A. Adjustment IS 18 increases operating expenses $20,760 by normalizing O&M costs that were not cleared in the test period. This adjustment netted the over/under cleared amounts for two unrelated activities: stores loadings and vehicle clearings.

Q. PLEASE EXPLAIN THE UNDERLYING ACCOUNTING FOR CLEARING ACCOUNTS AND WHY AN ADJUSTMENT FOR EACH CLEARING PROCESS IS APPROPRIATE.

A. Clearing accounts are used to capture certain costs in an asset account associated with various activities. A clearing rate is developed and charged to appropriate O&M accounts based upon different factors. The vehicle loading rates are charged based on vehicle usage and are aligned with the actual labor account distribution of the employee operating the vehicle or work equipment. The stores loading rates are charged based upon the O&M account that the storeroom material was charged during the test year. The clearing rates for both accounts are based upon estimates and therefore will not precisely match the actual charges incurred by KGS. A review of the beginning and ending balances of each of the clearing accounts indicated that an adjustment needed to be made to accurately reflect the actual expenses that occurred during the test year. The net of these two offsetting clearing account adjustments is a reduction in test period expenses of $20,760.

Q. PLEASE EXPLAIN ADJUSTMENT IS 19.

A. Adjustment IS 19 increases Miscellaneous General Expenses $102,624 and is necessary to incorporate the interest expense on customer deposits into the KGS revenue requirement.

The balance of accrued customer deposits (a liability) is reflected as a reduction to rate base as identified in Schedule 6-A. However, while the liability balance represents customer provided capital, there is a corresponding cost that is applied to customer deposits, currently established by the Commission at 0.51%. Thus, a pro forma adjustment applying the Commission-authorized rate to the test year-end balance is required.

Q. PLEASE DISCUSS ADJUSTMENT IS 20.

A. Adjustment IS 20 increases expenses to correspond with the request to fund the Operations Technology Development program as described in Mr. Edelstein's direct testimony. The amount is based on the pro forma adjusted customer count times the annual contribution of $0.50 per meter. The adjustment increases operating expense by $314,868.

Q. PLEASE DISCUSS ADJUSTMENT IS 21.

A. Adjustment IS 21 annualizes the costs associated with property and terrorism insurance policy of KGS. This adjustment reduces the amount of expenses for the new policy issued to KGS. The adjustment decreases operating expense by $97,844.

Q. PLEASE DISCUSS ADJUSTMENT IS 22.

A. Adjustment IS 22 normalizes the expenses related to workers compensation. KGS used a three year average expense to determine the appropriate level of expense to include in base rates. This adjustment also updates the expense level associated with the current excess workers compensation insurance policy that became effective 11/1/15. The adjustment increases operating expense by $250,531.

Q. PLEASE DISCUSS ADJUSTMENT IS 23.

A. Adjustment IS 23 increases test period Operational & Maintenance (O&M) costs by $2,364,771. This adjustment is necessary to annualize payroll and payroll tax costs during the test period. This adjustment is also necessary to reflect post test period wage changes. The adjustment incorporates the following calculations:

- Annualizes costs of employees terminating and transferring employment during the test period and for known changes through December, 2015.
- Annualizes costs of employees hired during the test period.
- Annualizes payroll costs for union wage increases effective July 1, 2016.

- Annualizes payroll costs for projected union wage increases that should become effective on or around November 1, 2016.
- Annualizes payroll costs for non-union wage increases that became effective on or before December 31, 2015.
- Annualizes payroll taxes based upon the above calculations.
- Annualizes corresponding 401k costs based on the above calculations.
- Annualizes the corresponding defined contribution retirement plan costs based on the above calculations.

The adjustment is spread to various O&M accounts based upon test period payroll distribution. This adjustment has been calculated consistent with the method used in prior cases as well as the method used by Staff.

Q. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENT IS 24.

A. Adjustment IS 24 increases operating expenses by $658,707 to reflect the increase in 2016 employee medical reserve accruals compared with 2015 levels.

Q. PLEASE EXPLAIN ADJUSTMENT IS 25.

A. Adjustment IS 25 decreases Pension and Other Post-Employment Benefit (OPEB) expenses by $2,863,179 to reflect the known and measurable 2016 expense, net of capitalization for these items. The adjustment was computed by comparing the pro forma 2016 KGS costs with those costs expensed in the test period. The costs expensed in the test period were established in the 835 Docket and updated in the 100 Docket.

Q. PLEASE EXPLAIN HOW THE COSTS WERE ESTABLISHED IN THE 835 DOCKET AND UPDATED IN THE 100 DOCKET.

A. In Docket 10-KGSG-130-ACT (130 Docket), the KCC issued an accounting order that provided for an establishment of a regulatory asset or liability to track the difference between the amount of pension and OPEB costs in base rates as compared to the total expenses recorded according to Generally Accepted Accounting Principles (GAAP), referred to as Tracker 1. As such, it is necessary for the amount of pension and OPEB costs to be explicitly stated within a rate case order. This amount was stated in the 835 Docket, and then updated in the 100 Docket. As part of the settlement in the 100 Docket, KGS agreed to reduce the amount of pension and OPEB costs within base rates and provide a one time refund to customers in years 2014, 2015, and 2016.

Q. ARE YOU PROPOSING A NEW BENCHMARK TO BE ESTABLISHED FOR THE DEFERRAL OF PENSION AND OPEB COSTS?

A. No. As explained in Mr. Smith's testimony, KGS is requesting to eliminate the Tracker 1 as established in the 130 Docket. This means a new benchmark for the pension and OPEB costs does not need to be established. If KGS's request to eliminate Tracker 1 is approved, then pension and OPEB costs will be treated like other benefit costs.

Q. PLEASE CONTINUE WITH AN EXPLANATION OF ADJUSTMENT IS 26.

A. Adjustment IS 26 first removes the current amortization for deferred pension and OPEB costs from the test year. This amortization amount was established in the 835 Docket. Then, the adjustment establishes a new three year amortization amount for the projected accumulated balance as of December 2016 for the Pension and OPEB costs. As discussed above, these costs were deferred pursuant to the KCC's Order in the 130 Docket. The specific balances of the deferred Pension and OPEB balances are shown below:

Pension:	$	13,909,102
OPEB	$	(16,254,067)
Total	$	(2,344,965)

Divided by 3 Years	$	(781,655)

Q. PLEASE EXPLAIN WHY THE BALANCE OF THE OPEB DEFERRAL IS NEGATIVE?

A. The annual OPEB costs have declined from those included in the 835 Docket and 100 Docket, therefore, this reduction in costs is reflected as a regulatory liability on the books of KGS.

Q. EXPLAIN WHY KGS IS RECOMMENDING THAT THE ACCUMULATED PENSION/OPEB EXPENSES BE AMORTIZED OVER THREE YEARS?

A. KGS is required to amortize the cumulative difference over a reasonable period of time not to exceed five years under the KCC Order in the 130 Docket. The three year amortization period proposed by KGS is within the time frame set forth by the Commission.

Q. WHAT IS THE NET EFFECT OF THIS ADJUSTMENT TO OPERATING EXPENSE?

A. IS 26 decreases operating expenses by $2,387,311 when it removes the current amortization from the test year. Operating expenses are further decreased by $781,655 when establishing the new amortization amount. The net decrease to operating expenses is $3,168,966.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Lorna M. Eaton, being duly sworn upon his oath, deposes and states that she is Manager for Kansas Gas Service, a Division of ONE Gas, Inc.; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information, and belief.

Lorna M Eaton
NAME

Subscribed and sworn to before me this 26 day of April 2016.

NOTARY PUBLIC

My appointment Expires:

06/05/18

STATE OF KANSAS NOTARY PUBLIC
STEPHANIE FLEMING
My Appointment Expires
June 5, 2018