

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

In the Matter of the Application of Kansas)
Gas Service, a Division of ONEOK, Inc. for) Docket No. 12-KGSG-835-RTS
Adjustment of Its Natural Gas Rates in the)
State of Kansas.)

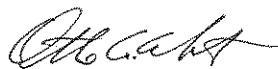
NOTICE OF FILING OF STAFF REPORT AND RECOMMENDATION

COMES NOW the Staff of the State Corporation Commission of the State of Kansas
("Staff" and "Commission", respectively), and for its Notice of Filing of Staff Report and
Recommendation states as follows:

Staff hereby files the attached Report and Recommendation dated June 6, 2017, jointly
prepared by Darren Prince, Senior Research Economist; Lana Ellis, Deputy Chief of Economics
and Rates; Robert Glass, Chief of Economics and Rates; and Jeff McClanahan, Director of
Utilities, respectively, providing Staff's analysis and recommendation regarding Kansas Gas
Service's Weather Normalization Adjustment (WNA) Factor calculation for 2017-2018.

WHEREFORE, Staff requests the Commission consider its Report and Recommendation
and render such other and further relief as the Commission deems just and proper.

Respectfully submitted,



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For the Commission Staff

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Pat Apple
Commissioner Shari Feist Albrecht
Commissioner Jay Scott Emler

FROM: Darren Prince, Senior Research Economist
Lana Ellis, Deputy Chief of Economics and Rates
Robert Glass, Chief of Economics and Rates
Jeff McClanahan, Director of Utilities

DATE: June 06, 2017

SUBJECT: Docket No. 12-KGSG-835-RTS: In the Matter of the Application of Kansas Gas Service, a Division of ONEOK, Inc. for Adjustment of Its Natural Gas Rates in the State of Kansas.

EXECUTIVE SUMMARY:

On May 19, 2017, Kansas Gas Service, a Division of ONE Gas (KGS), filed its proposed 2017-2018 Weather Normalization Adjustment (WNA) factor with the Commission. Also, on June 1, 2017, KGS filed a revision to the May 19, 2017, filing. Staff has reviewed the data and calculations used by KGS to compute the revised WNA factor for the next year and found them to comply with the Commission's November 29, 2016 Order issued in Docket No. 16-KGSG-491-RTS (Docket 16-491) approving the parties' Unanimous Settlement Agreement. The new WNA factor began with the first billing cycle in June. No Commission action is required at this time.

BACKGROUND:

KGS filed its proposed 2017-2018 WNA factor with the Commission on May 19, 2017, and a revision to the original filing on June 1, 2017, in Docket No. 12-KGSG-835-RTS.

ANALYSIS:

The Unanimous Settlement Agreement approved in Docket 16-491 adopted Staff's methodology, which increased the weather normalization period from the five winter months to twelve months. Due to the timing of Docket 16-491, the current WNA calculation period will remain the five

months November through March. Subsequent WNA calculation periods will include the twelve months of April through March, prior to the collection year.

The WNA factor is an annual adjustment to KGS's billing that eliminates the effects of non-normal weather conditions on KGS's revenue collections from the previous year. Weather normalization adjusts actual energy usage by eliminating, or at least minimizing, the variability in energy usage due to abnormal weather. Thus, KGS's WNA is used to adjust monthly revenue figures to eliminate the over or under collection of revenue due to weather. The weather adjustment is necessary because KGS's rate design collects a large portion of its fixed costs in its volumetric charge. A cold winter, without an adjustment for weather, would result in KGS over collecting its fixed costs, while a warm winter would have the opposite effect.

The WNA factor is calculated using the 30-year normal heating degree days (HDDs) for each weather station used in the weather normalization. The actual HDDs are subtracted from the 30-year normal HDDs and multiplied by the Heat Sensitivity Factor to determine the deviation from normal volumetric usage. Finally, this deviation is multiplied by the delivery charge to determine if KGS's collection of revenue was over or under for the month. The five winter months are summed together to calculate the total over or under collection of revenue. The over or under revenue collection is then used to determine the WNA factor.

KGS has an entry on its bill labeled Weather Normalization, which is the WNA factor. The WNA factor is an alteration in the delivery charge (volumetric or usage charge) necessary to compensate for the over or under collection from the previous year, assuming normal consumption for the next year. Because of the warm 2016-2017 winter, KGS under collected revenue. Thus, the new WNA factor will create a higher cost of 0.4548 per 1000 cubic feet (Mcf) for KGS customers for the next twelve months. The calculations, the 30-year normal temperatures, and actual HDDs were checked by Staff and found to comply with the Docket 16-491 methodology.

RECOMMENDATION:

The KGS revised WNA filing has been checked by Staff and found to comply with the methodology established in Docket 16-491. The new WNA factor of 0.4548 began the first billing cycle in June. No Commission action is required at this time.

CERTIFICATE OF SERVICE

12-KGSG-835-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff Report and Recommendation was served by electronic service on this 12th day of June, 2017, to the following:

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