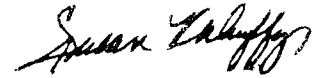


THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Thomas E. Wright, Chairman
Joseph F. Harkins
Ward Loyd

STATE CORPORATION COMMISSION

MAR 01 2010



In the Matter of the Application of Kansas)
Gas Service, a Division of ONEOK, Inc., for)
Approval to Implement the Efficiency Kansas)
Energy Efficiency Program, to Implement)
Natural Gas Energy Efficiency Programs to)
Improve Building and Equipment Efficiency)
and to Educate About Efficient Energy Usage,)
to Provide for Program Cost Recovery)
Through a Rider Mechanism, to Establish)
Administrative Charges and a Program)
Initiation Fee, Permit the Implementation of a)
Revenue Decoupling Mechanism, and)
Appropriate Accounting Authority to Defer)
Expenses and Revenues Associated with the)
Filing.)

Docket No. 10-KGSG-421-TAR

**CITIZENS' UTILITY RATEPAYER BOARD RESPONSE TO KANSAS GAS
SERVICE MOTION TO APPROVE NOTICE**

COMES NOW, the Citizens Utility Ratepayer Board (CURB) and files its Response to the Motion to Approve Notice filed by Kansas Gas Service, a division on ONEOK, Inc., (KGS) in the above captioned docket. In support of said Response, CURB submits the following:

1. On December 18, 2009, KGS filed an Application with the Kansas Corporation Commission (Commission) seeking to implement energy efficiency programs, institute a line item surcharge on customer bills to recover costs associated with offering the proposed energy efficiency programs, and seeking approval to implement a "Revenue Decoupling" mechanism.

2. CURB filed to intervene in this docket on December 22, 2009. The Commission granted CURB's intervention on January 3, 2010.

3. On January 19, 2010 a Scheduling Conference was held at the Commission offices. At that conference, KGS, CURB and the Staff of the Commission (Staff) agreed to a notice and comment procedure in lieu of a public hearing.

4. On February 2, 2010, a Report and Recommendation of the Prehearing Officer was issued summarizing the agreements made at the scheduling conference. In the Report and Recommendation, the Prehearing Officer recommended that notice to KGS customers be provided by bill inserts and via publishing in newspapers, and that the notice should include, but not be limited to, “details about the energy efficiency programs Kansas Gas Service intends to implement, information about the decoupling method including a reasonably accurate description of the change, the effective date of the change, a contact number for customer inquiry and an explanation of how customers may contact the Commission to provide public comment.” (Report and Recommendation at paragraph 13) The Prehearing Officer recommended KGS work with Staff, CURB and the Commission’s Office of Public Affairs (PACP) to draft the notice to be provided in bill inserts.

5. KGS, Staff, CURB and PACP have exchanged numerous drafts of the proposed notice, as will be detailed below. The parties have been unable to reach compromise on the appropriate language to include in the notice.

6. On February 25, 2010, in an effort to resolve the disagreement on notice, the Prehearing Officer issued an Order directing KGS to submit a propose notice on March 2, 2010 at 3:00 pm. Responses to KGS’s proposed notice were to be filed March 4, 2010. Informally, at the request of CURB, KGS has agreed to file its proposed notice on March 1, 2010 at 12:00 noon, and CURB agreed to file this response by close of business March 1, 2010.

I. General Notice Principles

7. As a general proposition CURB believes that since the parties have agreed to not have a public hearing, the notice sent to customers should attempt to explain, in a simple and direct manner, the following details about KGS's Application:

- a. KGS's proposal to participate in the Efficiency Kansas loan program.
- b. KGS's proposed budget to administer the Efficiency Kansas loan program for which KGS is seeking Commission approval.
- c. The cost KGS proposes to charge each customer who participates in the Efficiency Kansas loan program
- d. Notice that any cost expended by KGS but not recovered from Efficiency Kansas participants will be charged to all other KGS residential and commercial customers in the conservation surcharge.
- e. A description of KGS's proposed in-house energy efficiency program.
- f. The proposed budget for the in-house energy efficiency programs for which KGS is seeking Commission approval.
- g. Notice that any cost expended by KGS on in-house energy efficiency programs, along with the unrecovered Efficiency Kansas administrative costs will be charged to all other KGS residential and commercial customers in the conservation surcharge.
- h. Estimate of the surcharge to be placed on customer bills

- i. A description of and the intent of KGS's proposed revenue decoupling mechanism.

II. Areas of Disagreement

8. It is CURB's opinion that the following areas of disagreement among the parties appear to be the main issues the Prehearing Officer will need to address.

- a. The use of the word "guarantee" when addressing revenue decoupling and how revenue decoupling differs from current Kansas ratemaking practices. Specifically, CURB prefers to use the term guarantee in a phrase such as "KGS seeks revenue guarantees", or "revenue decoupling will guarantee KGS a specified level of revenue regardless of how much natural gas KGS's customers use". The word "guarantee" is simple, descriptive of KGS's application and easily understood by KGS's customers. There is no simpler way to describe to the average KGS customer the difference between current ratemaking practice and what happens under revenue decoupling.

KGS, and apparently Staff, think describing decoupling as a "guarantee" is somehow pejorative, or meant by CURB to bias customers. Again, CURB's intent is to help customers understand revenue decoupling in simple easy terms so that customers can make comments to the Commission. It is interesting to note, that in the proposed notice drafts that Staff sent out, Staff prefers to use the term "ensure". For example, Staff suggests "under decoupling, customers ensure that KGS receives a specified level of revenue". (See Exhibit CURB-5 and CURB-6). It appears Staff is trying to say "guarantee" without saying the word "guarantee".

It is also interesting to note that in the final Staff proposed notice, Staff describes current Kansas ratemaking without decoupling in the following way, “As it stands now, KGS’s revenues are not guaranteed because they are linked to sales”. (See Exhibit CURB-6) CURB is at a loss as to why Staff would describe KGS’s revenues without decoupling as “not guaranteed”, but won’t describe KGS’s revenues with decoupling as “guaranteed”. CURB would also note that the Merriam-Webster definition of “ensure” is: “to make sure, certain, or safe: Guarantee”.

KGS prefers to use Commission speak that no one outside of this Commission building will understand. For instance, KGS describes decoupling as “a ratemaking mechanism which permits an annual readjustment of utility delivery charges to recover revenues authorized in the last Kansas Gas Service rate case”. While technically correct, this language is not designed to help KGS’s customers understand the essence of what revenue decoupling means.

b. The use of KGS’s proposed budget. KGS’s original draft notice had no reference to the proposed budget or the level of costs that will be recovered in the conservation surcharge. CURB’s response was to add the total five-year proposed budget that KGS is requesting the Commission approve for the energy efficiency programs, and to add KGS’s own estimate of how much decoupling would have impacted customer bills in 2009. KGS’s response was to replace the five-year budget with the one-year budget level and to remove the decoupling impact figures. KGS provides the total cost of the monthly surcharge on residential bills,

but leaves off the surcharge amount to be placed on commercial customer bills. Staff originally uses KGS's annual budget, but in later versions moves to using both annual and five-year budgets. Staff also gives residential surcharge amounts, but leaves off commercial customer surcharge amounts.

In CURB's final proposed version, CURB recommends using all the budget and surcharge numbers. In the last draft version sent to Staff, CURB uses annual and five-year proposed budget, and separates the surcharge between residential and commercial customers and between energy efficiency and decoupling charges. (See Exhibit CURB 7) It takes no extra space to simply provide customers with all of the budget number and proposed surcharges.

- c. The use of the word "all" in front of customers to make clear that all customers will pay the cost of energy efficiency programs and the impact of the decoupling mechanism.
- d. A title reasonably descriptive of the fact that the Commission is seeking comments about a KGS application and minimally what the application seeks. For example, in Staff's final proposed notice, the title is "Notice of Proposed Energy Efficiency Programs and Cost Recovery". (See Exhibit CURB 6) CURB offered a more descriptive title, "Kansas Corporation Commission Seeks Public Comment on Kansas Gas Service Application to Offer Energy Efficiency Program and Request to Recover Program Costs for Customers". (See Exhibit CURB 7)
- e. Whether a list of questions should be set forth to guide KGS customers about what specific elements of the application the Commission seeks comment

upon. It is CURB's opinion that simply asking for comments without offering some guidance will not result in comments useful to the Commission.

f. Whether to include language to the effect that 18 states have adopted gas decoupling and that gas decoupling is pending in five states. CURB initially included language in the notice drafts that "no other utility in Kansas has a decoupling mechanism". That is simply a fact. If approved, KGS will be the first utility in Kansas to have decoupling. It appears that Staff's response to this fact is to include the language suggesting that 18 states have approved gas decoupling. While Staff and KGS have argued that CURB's proposed notice language is intended to create bias, there is no question that adding the 18 state language proposed by Staff carries its own bias. To be fair and balanced, if that is Staff's objective, it seems appropriate that the notice would also include mention of the fact that a number of states have denied gas decoupling, most recently Tennessee. It would also be fair and balanced to include in the notice that many of the states that have approved gas decoupling also recognize that there should be a reduction in the utility return on equity (shareholder profit) to recognized the reduction in utility revenue risk with decoupling, an approach that this Commission has stated it will follow if it approves decoupling for a utility.

While all of these points would result in a fair and balance notice, rather than writing them all into the notice, CURB responded to Staff's final proposed notice by simply removing the reference to 18 states and avoiding the argument entirely.

III. Prior Notice Versions Exchanged Between Parties

9. CURB has attached a list of Exhibits showing prior versions exchanged between the parties. The Exhibits are intended to aid the Prehearing officer's understanding of the developments to date, and to see where areas of disagreement have influenced drafting.

Exhibit CURB 1: KGS's original proposed notice.

CURB observation: Most of the notice talks about energy efficiency programs, very little detail about program costs or cost recovery mechanisms. Decoupling gets one sentence.

Exhibit CURB 2: CURB's response to KGS's original notice.

- a. Added a more descriptive title including that KGS requests customers provide new revenue guarantee mechanism.
- b. Added language to opening paragraph to cover all elements of the application, including description of decoupling that customers will guarantee KGS revenues
- c. Added headings to create separation between Efficiency Kansas section and KGS in house program section and the cost recovery section
- d. Created three bullet points for the three cost recovery sections, Efficiency Kansas, In House Programs and Decoupling.
- e. Added five-year budget for Efficiency Kansas
- f. Added five-year budget for in-house programs. Also noted that these costs are recovered in line item surcharge
- g. Added separate section for describing decoupling, including that the

Commission has not approved decoupling for any utility in Kansas and including KGS's own estimate of what the revenue impact would be had decoupling been in place in 2009.

h. Added section setting forth specific questions on which the Commission was seeking comment.

Exhibit CURB 3: KGS response to CURB suggested changes

a. Changed and lengthened title, removed CURB language and replaced with "mechanism which permits an annual readjustment of utility delivery charges to recover revenues authorized in the last Kansas Gas Service rate case" language.

b. Removed CURB descriptive language in opening paragraph. Again, moving any discussion of cost or cost recovery mechanism to the end of the notice.

c. Moved to annual budget rather than 5-year budget.

d. Removed the majority of the description of decoupling.

e. Removed estimate of decoupling impact.

f. Provided residential surcharge estimate, but not commercial customers estimate.

g. Removed section setting forth the questions on which the Commission seeks comment.

Exhibit CURB 4: Additional CURB version after meeting with KGS and staff.

Minor changes were made to the version provided by CURB in Exhibit 2 and distributed to the parties.

- a. Added language reflecting the Commission is encouraging utilities to offer energy efficiency programs
- b. Removed language from opening paragraph that Commission had not approved a decoupling program for any other utility
- c. Added annual budget numbers in addition to the five year budget numbers used in Exhibit 2.
- d. Added additional descriptive language to the decoupling section.

Exhibit CURB 5: Staff's original proposed version.

This version was offered by Staff after KGS and CURB had exchanged version noted in Exhibits CURB 1 through CURB 3. A short meeting was held between the parties to discuss the version, but to CURB's knowledge, neither KGS nor CURB made edits to this version. This version was subsequently replaced by a different Staff version, as set forth in Exhibit CURB 6.

Exhibit CURB 6: Staff proposed notice version 2.

- a. Staff shorten title.
- b. Staff included introductory paragraph, similar to CURB's proposal, addressing each element of the filing.
- c. Describes decoupling using the word "ensure" in opening paragraph.
- d. Moved budget and cost recovery information for each proposal into the heading for that proposal. For example, the Efficiency Kansas budgets are listed under the Efficiency Kansas heading.
- e. Used annual and five-year budget numbers.

- f. Provided surcharge estimates for on residential and commercial customers for energy efficiency program costs.
- g. Used “revenues are not guaranteed” to describe ratemaking without decoupling.
- h. Provided residential impact from decoupling to be collected in surcharge, but does not provide commercial impact from decoupling to be collected in surcharge.
- i. Added language that 18 states have approved decoupling and five more are considering decoupling.
- j. Does not list separate questions on which the Commission seeks comment, as CURB’s version proposed, but adds sentence that the Commission will accept comments on KGS’s proposed energy efficiency programs, the recovery of related costs and the decoupling mechanism.

Exhibit CURB 7: CURB’s response to Staff proposed notice version 2

On balance, Staff’s version two, with a the edits suggested by CURB, would have been acceptable. CURB offered suggested changes, most of which were grammar and wording suggestions for clarity and rearranging for added for consistency. CURB did not receive any further contact from KGS or Staff regarding CURB’s suggestions and whether any changes were acceptable.

- a. Edited the title to be “Kansas Corporation Commission seeks public comment on Kansas Gas Service application to offer energy efficiency programs and request to recover program costs from customer”. CURB thought this title

neutral, more descriptive and not pejorative.

b. Removed language from opening paragraph about the Commission being responsible for just and reasonable rates and sufficient and efficient service. While true, CURB does not believe that it is necessary to state such in this notice.

c. Replaced “ensure” with “guarantee” in the opening description of decoupling. Again, since Staff uses the word guarantee later in describing current ratemaking practice, CURB suggests that we use the word guarantee in the whole of the notice.

d. Noted that the Efficiency Kansas program is run by the Commission’s State Energy Office, replacing staff language that the program is offered by the state of Kansas.

e. Made a few wording changes to Staff decoupling description, but left mostly intact.

f. Added impact to commercial customers from decoupling to go with Staff’s residential impact.

g. Deleted section stating “Although this is the first time the KCC has considered decoupling, 18 states have adopted gas decoupling and gas decoupling is pending in five states.” CURB presumes Staff added this language because CURB had supported language stating no utility in Kansas has decoupling. If staff wants to note for the public that 18 state have gas decoupling, it seems fair to also not that a number of states have denied application for decoupling, most recently Tennessee and the shareholder profits should be reduced with decoupling. CURB

thought is easier to simply delete the section and avoid the controversy.

IV. CURB Response to March 1, 2010 KGS Proposed Notice

10. KGS submits for Commission approval a draft notice that is nearly identical to the final Staff proposed notice attached to this filing at Exhibit CURB 6. As noted above, CURB made the effort to edit the Staff notice and sent those edits to the parties. (See Exhibit CURB 7 and CURB 7a) Neither KGS nor Staff sent back any comment on CURB's proposed edits to Staff's notice.

Since CURB has already made the effort to make editing suggestions to the final Staff notice proposal, and those suggested edits are attached to this filing, CURB submits Exhibit CURB 7 and 7a to the Prehearing Officer as CURB's response KGS's proposed notice.

CURB set forth General Notice Principles and Areas of Disagreement above, and does not intend to restate those here. However, CURB notes that while some of the edits suggested by CURB in Exhibit CURB 7 fall into the Areas of Disagreement and must be decided by the Prehearing Officer, many of CURB suggested edits are merely grammatical or style edits. For example, using the term "KGS will" instead of "KGS would", or using "customer" consistently rather than using "consumer" occasionally. Certain edits are for consistency. For example, in the Efficiency Kansas section the annual budget number comes first and the five-year budget number comes second. This is reversed in the in-house program section, where the five-year budget number comes first and the annual budget number comes second. Many edits are also suggested just for flow and clarity and CURB does not think they are controversial. For example, adding the term "administrative costs" when describing the types of costs that KGS will incur in offering the Efficiency Kansas program, as opposed to program or rebate costs incurred for in-house

programs.

The following remain areas of disagreement that the Prehearing Officer must decide.

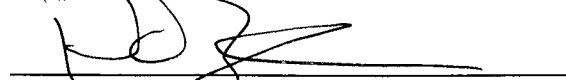
CURB recommends the following, as set forth in Exhibit CURB-7:

- a. The more descriptive title. CURB prefers the more descriptive title in Exhibit CURB 7
- b. CURB's suggested deletion in the open sentence describing the KCC as a "state regulatory agency responsible for just and reasonable rates necessary for public utilities to maintain efficient and sufficient service". Again, while true, it doesn't add anything of value to the notice.
- c. Adding the word Revenue before Decoupling.
- d. Inserting the line "in a line item surcharge on customer bills" in the opening paragraph.
- e. Replacing the word "ensure" with the word "guarantee" in the opening paragraph.
- f. Clearly indicating that Efficiency Kansas administrative costs not recovered from Efficiency Kansas participants will recovered from all residential and commercial customer in the conservation surcharge.
- g. Acceptance or rejection of CURB's suggested wording changes in the description of revenue decoupling. CURB doesn't think these are controversial.
- h. Clearly indicating the KGS estimated impact had decoupling been in place in 2009, including both the impact on residential customers and the impact on commercial customer.

- i. Deleting the line stating that 18 states have adopted gas decoupling. In the alternative, adding language to represent that a number of states have declined to adopt gas decoupling and that in many states that have gas decoupling the commission reduces the return on equity (shareholder profit) to account for the reduction in utility revenue risk, an approach that this Commission has endorsed in its policy orders. Again, CURB suggest deleting the whole section to reduce controversy.
- j. Whether to set forth specific questions on which the Commission seeks comment. CURB prefers specific questions if space is available, but did suggest a few edits based on Staff's approach should space not be available.

Wherefore, CURB respectfully prays the Prehearing Officer and or the Commission generally issue an Order directing KGS to issue notice substantially in conformance with the CURB proposed notice attached to this filing at Exhibit CURB 7 and CURB 7a and in conformance with CURB's concerns and suggestions contain within this Response.

Respectfully submitted,



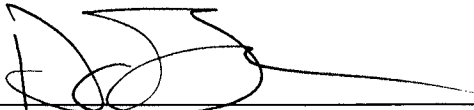
David Springe #15619
Niki Christopher #19311
C. Steven Rarrick #13127
Citizens' Utility Ratepayer Board
1500 SW Arrowhead Road
Topeka, KS 66604
(785) 271-3200
(785) 271-3116 Fax

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

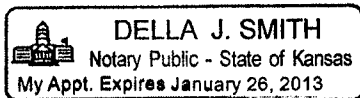
I, David Springe, of lawful age, being first duly sworn upon his oath states:

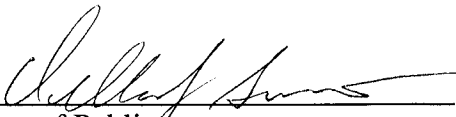
That he is an attorney for the Citizens' Utility Ratepayer Board; that he has read the above, and foregoing document and upon information and belief, states that the matters therein appearing are true and correct.



David Springe

SUBSCRIBED AND SWORN to before me this 1st day of March, 2010.


DELLA J. SMITH
Notary Public - State of Kansas
My Appt. Expires January 26, 2013



Notary of Public

My Commission expires: 01-26-2013.

Kansas Gas Service Application to Offer Energy Efficiency Programs

On December 18, 2009, Kansas Gas Service, a division of ONEOK, Inc., filed an application with the Kansas Corporation Commission, to become an Efficiency Kansas Loan Program utility partner, as well as to offer a variety of energy-efficiency programs for residential and commercial sales customers.

The Efficiency Kansas Loan Program is operated by the Kansas Corporation Commission's State Energy Office and is designed to provide financing to customers to make energy-efficiency improvements in their homes or small businesses. The specific improvements would be determined by the results of a comprehensive energy audit conducted by a qualified independent auditor. Kansas Gas Service seeks to partner with the State Energy Office in this effort and to assist customers in various administrative functions.

The Efficiency Kansas program is funded with approximately \$34 million in federal economic stimulus dollars, authorized by the American Recovery and Reinvestment Act of 2009. For more information please visit www.encykansas.com.

Kansas Gas Service also seeks to offer other energy-efficiency programs to its residential and general sales service customers:

- Seasonal check-up program – Provides rebates for seasonal inspection of home heating systems;
- Water Heater Program – Provides rebates for the installation of an efficient tank or tankless water heater;
- Home Heating Program – Provides rebates for the installation of high-efficiency natural gas home heating equipment;
- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;
- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

Kansas Gas Service is also requesting approval to recover the costs of the above-mentioned energy-efficiency programs through the following mechanisms:

- Efficiency Kansas: Participants to pay a \$2.00 monthly administrative charge for the State Energy Office; \$4.00 monthly administrative fee for customer account maintenance and Kansas Corporation Commission reporting requirements; \$120.00 one-time assessment fee to process customer agreements, establish

program participation and to comply with various utility obligations as required by the Efficiency Kansas program. Only those customers choosing to participate in the Efficiency Kansas program would incur these costs.

- Kansas Gas Service energy-efficiency programs: Costs of other energy-efficiency programs and any Efficiency Kansas costs not recovered from participants would be recovered through a conservation surcharge applicable to all residential and general sales service customers. Kansas Gas Service is also requesting a mechanism to recover or refund changes in residential and general sales revenue from those levels authorized in its last base rate case, on a prospective basis.

The Kansas Corporation Commission will accept written comments from customers through May 27, 2010. Written comments should reference Docket No. **KGS-421-TAR** and may be e-mailed to public.affairs@kcc.state.ks.us, or mailed to:

Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

Technical hearings on the Energy Efficiency application will begin on (date), in the Kansas Corporation Commission's first floor hearing room at 1500 S.W. Arrowhead, Topeka, KS.

About the Kansas Corporation Commission

The Kansas Corporation Commission regulates five cornerstone industries in the Kansas economy. The Commission has the responsibility of ensuring that natural gas, electricity, telephone and transportation vendors provide safe, adequate and reliable services at reasonable rates.

About Kansas Gas Service

Kansas Gas Service, headquartered in Overland Park, Kansas, provides natural gas service to approximately 643,000 customers in Kansas.

Kansas Gas Service Files Application to Offer Energy Efficiency Programs, Seeks to Recover Costs from All Consumers and Requests Consumers Provide New Revenue Guarantee Mechanism.

On December 18, 2009, Kansas Gas Service, a division of ONEOK, Inc., filed an application with the Kansas Corporation Commission, to become an Efficiency Kansas Loan Program utility partner, as well as to offer a variety of energy-efficiency programs for residential and commercial sales customers. The Application requests the Kansas Corporation Commission approve a new line item on all consumer bills to recover the costs associated with offering the efficiency programs. The Application also requests approval of a new revenue “Decoupling” mechanism under which consumers will guarantee Kansas Gas Service receives a specified level of revenue, regardless of how much natural gas consumers use. No other utility in Kansas has this type of revenue guarantee mechanism.

Efficiency Kansas Loan Program:

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The Efficiency Kansas Loan Program is operated by the Kansas Corporation Commission’s State Energy Office and is designed to provide financing to customers to make energy-efficiency improvements in their homes or small businesses. The specific improvements would be determined by the results of a comprehensive energy audit conducted by a qualified independent auditor. Kansas Gas Service seeks to partner with the State Energy Office in this effort and to assist customers in various administrative functions.

The Efficiency Kansas program is funded with approximately \$34 million in federal economic stimulus dollars, authorized by the American Recovery and Reinvestment Act of 2009. For more information please visit www.encykansas.com.

Kansas Gas Service Proposed Energy-Efficiency Programs:

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Kansas Gas Service also seeks to offer other energy-efficiency programs to its residential and general sales service customers:

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- Seasonal check-up program – Provides rebates for seasonal inspection of home heating systems;
- Water Heater Program – Provides rebates for the installation of an efficient tank or tankless water heater;
- Home Heating Program – Provides rebates for the installation of high-efficiency natural gas home heating equipment;
- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;

- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

Kansas Gas Service Proposed Budgets and Cost Recovery Mechanisms:

Kansas Gas Service is also requesting approval to recover the costs of the above specified energy-efficiency programs from Kansas Gas Service customers through the following mechanisms:

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- Efficiency Kansas: Participants to pay a \$2.00 monthly administrative charge for the State Energy Office; \$4.00 monthly administrative fee for customer account maintenance and Kansas Corporation Commission reporting requirements; \$120.00 one-time assessment fee to process customer agreements, establish program participation and to comply with various utility obligations as required by the Efficiency Kansas program. Only those customers choosing to participate in the Efficiency Kansas program would incur these costs. Kansas Gas Service's estimated five year budget for this program is \$1.71 million dollars.
- Kansas Gas Service energy-efficiency programs: Costs of other energy-efficiency programs and any Efficiency Kansas costs not recovered from the above participant fees would be recovered through a conservation line item surcharge on all residential and general sales service customer bills. Kansas Gas Service's estimated five year budget for these programs is \$10.4 million dollars.
- Kansas Gas Service, "Decoupling" mechanism: Under this mechanism, Kansas Gas Service is guaranteed to recover a Commission approved level of revenue each year regardless of the level of sales Kansas Gas Service makes to its customers. If sales volumes go down and Kansas Gas Service does not receive the predetermined level of revenue, customers will pay extra through the line item surcharge. Conversely, if sales go up and Kansas Gas Service recovers revenue above the predetermined level, it refunds the extra revenue back to consumers in the surcharge. Kansas Gas Service is not currently guaranteed any specific level of revenue and the Kansas Corporation Commission has not approved a Decoupling mechanism for any other Kansas utility. Kansas Gas Service estimates that had the Decoupling mechanism been in place for the twelve-month period ending November, 2009, approximately \$4.38 million dollars would have been added to consumer bills through the surcharge.

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Kansas Gas Service's Application and supporting testimony can be found on the Kansas Corporation Commission Website at:

(<http://kcc.ks.gov/docket/cal.cgi?docket=10-KGSG-421-TAR>)

????PER PREHEARING OFFICER RECOMMENDATIONS: Need a "contact number for customer inquiry". I don't know if this is KCC, or KGS..or possibly even CURB. Is it a separate requirement from KCC contact info. See Para. 13 of the Order.

Comments Sought by Kansas Corporation Commission:

The Kansas Corporation Commission will accept comments about this application from Kansas Gas Service customers through May 27, 2010.

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Specifically, the Commission seeks comment on the following:

- Kansas Gas Service's proposed charges for participation in Efficiency Kansas
- Kansas Gas Service's proposed efficiency programs, proposed budget and proposed recovery of program costs from all customers through a line item surcharge
- Kansas Gas Service's proposed Decoupling mechanism and consumer views on rate mechanisms that guarantee predetermined levels of revenue for utilities regardless of sales volume.

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Written comments should reference Docket No. 10-KGSG-421-TAR and may be e-mailed to public.affairs@kcc.state.ks.us, or mailed to:

Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

The Kansas Corporation Commission also accepts comments via telephone at ?????????????? (I don't know..do they?)

Technical hearings on the Energy Efficiency application will begin on (date), in the Kansas Corporation Commission's first floor hearing room at 1500 S.W. Arrowhead, Topeka, KS. If the Kansas Corporation Commission approves any of Kansas Gas Services proposals, the effective date of any changes approved would be ?????????????? (Effective date is also required by prehearing order).

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About the Kansas Corporation Commission

The Kansas Corporation Commission regulates five cornerstone industries in the Kansas economy. The Commission has the responsibility of ensuring that natural gas, electricity, telephone and transportation vendors provide safe, adequate and reliable services at reasonable rates.

About Kansas Gas Service

Kansas Gas Service, headquartered in Overland Park, Kansas, provides natural gas service to approximately 643,000 customers in Kansas. ▼

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Kansas Gas Service Files an Application to Offer Energy Efficiency Programs, including the Kansas Corporation Commission's Efficiency Kansas program, to recover program costs from customers and to establish a ratemaking mechanism, which permits an annual readjustment of utility delivery charges to recover the revenues authorized in the last Kansas Gas Service rate case.

On December 18, 2009, Kansas Gas Service, a division of ONEOK, Inc., filed an application with the Kansas Corporation Commission, to become an Efficiency Kansas Loan Program utility partner, as well as to offer a variety of energy-efficiency programs for residential and general service sales customers.

Efficiency Kansas Loan Program:

The Efficiency Kansas Loan Program is operated by the Kansas Corporation Commission's State Energy Office and is designed to provide financing to customers to make energy-efficiency improvements in their homes or small businesses. The specific improvements would be determined by the results of a comprehensive energy audit conducted by a qualified independent auditor. Kansas Gas Service seeks to partner with the State Energy Office in this effort and to assist customers in various administrative functions, including repayment on the customer's utility bill.

The Efficiency Kansas program is funded with approximately \$34 million in federal economic stimulus dollars, authorized by the American Recovery and Reinvestment Act of 2009. For more information please visit www.encykansas.com.

Kansas Gas Service Proposed Energy-Efficiency Programs:

Kansas Gas Service also seeks to offer other energy-efficiency programs to its residential and general sales service customers:

- Seasonal check-up program – Provides rebates for seasonal inspection of home heating systems;
- Water Heater Program – Provides rebates for the installation of an efficient tank or tankless water heater;
- Home Heating Program – Provides rebates for the installation of high-efficiency natural gas home heating equipment;
- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;
- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

Kansas Gas Service Proposed Budgets and Cost Recovery Mechanisms:

Kansas Gas Service is also requesting approval to recover the costs of the above specified energy-efficiency programs from Kansas Gas Service customers through the following mechanisms:

- Efficiency Kansas: Participants to pay a \$2.00 monthly administrative charge for the State Energy Office; \$4.00 monthly administrative fee for customer account maintenance and Kansas Corporation Commission reporting requirements; \$120.00 one-time assessment fee to process customer agreements, establish program participation and to comply with various utility obligations as required by the Efficiency Kansas program. Only those customers choosing to participate in the Efficiency Kansas program would incur these costs. Kansas Gas Service's estimated annual budget for this program is \$359 thousand.
- Kansas Gas Service energy-efficiency programs: Costs of other energy-efficiency programs and any Efficiency Kansas costs not recovered from the above participant fees would be recovered through a conservation surcharge on all residential and general sales service customer bills. Kansas Gas Service's estimated annual budget for these programs is \$2.1 million.
- Kansas Gas Service "Decoupling" mechanism: Under this mechanism, the surcharge would be adjusted each year after review by the Kansas Corporation Commission. If sales volumes go down the surcharge would be increased. If sales volumes go up, the surcharge would result in a refund. Kansas Gas Service estimates the residential surcharge would be 70 cents per month for a customer based on a twelve month period ending November 30, 2009.

Comments Sought by Kansas Corporation Commission:

The Kansas Corporation Commission will accept comments about this application from Kansas Gas Service customers through May 28, 2010.

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Written comments should reference Docket No. 10-KGSG-421-TAR and may be e-mailed to public.affairs@kcc.ks.gov, or by calling 1-800-662-0027, or mailed to:

Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

Technical hearings on the Energy Efficiency application will begin on June 2, 2010, in the Kansas Corporation Commission's first floor hearing room at 1500 S.W. Arrowhead, Topeka, KS. The Commission will issue an order on or before August 16, 2010, and the application will become effective on approval.

Kansas Gas Service Files Application to Offer Energy Efficiency Programs, Seeks to Recover Costs from Customers and Requests Customers Provide New Revenue Guarantee Mechanism.

The Kansas Corporation Commission has encouraged Kansas utilities to offer customers energy efficiency and conservation programs. In response, on December 18, 2009, Kansas Gas Service, a division of ONEOK, Inc., filed an application with the Kansas Corporation Commission, to become an Efficiency Kansas Loan Program utility partner, as well as to offer a variety of energy-efficiency programs for residential and commercial sales customers. The Application requests the Kansas Corporation Commission approve a new line item on all consumer bills to recover the costs associated with offering the efficiency programs. The Application also requests approval of a new revenue “Decoupling” mechanism under which consumers will guarantee Kansas Gas Service receives a specified level of revenue, regardless of how much natural gas consumers use.

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Efficiency Kansas Loan Program:

The Efficiency Kansas Loan Program is operated by the Kansas Corporation Commission’s State Energy Office and is designed to provide financing to customers to make energy-efficiency improvements in their homes or small businesses. The specific improvements would be determined by the results of a comprehensive energy audit conducted by a qualified independent auditor. Kansas Gas Service seeks to partner with the State Energy Office in this effort and to assist customers in various administrative functions.

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The Efficiency Kansas program is funded with approximately \$34 million in federal economic stimulus dollars, authorized by the American Recovery and Reinvestment Act of 2009. For more information please visit www.encykansas.com.

Kansas Gas Service Proposed Energy-Efficiency Programs:

Kansas Gas Service also seeks to offer other energy-efficiency programs to its residential and general sales service customers:

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- Seasonal check-up program – Provides rebates for seasonal inspection of home heating systems;
- Water Heater Program – Provides rebates for the installation of an efficient tank or tankless water heater;
- Home Heating Program – Provides rebates for the installation of high-efficiency natural gas home heating equipment;
- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;

- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

Kansas Gas Service Proposed Budgets and Cost Recovery Mechanisms:

Kansas Gas Service is also requesting approval to recover the costs of the above specified energy-efficiency programs from Kansas Gas Service customers through the following mechanisms:

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- Efficiency Kansas: Participants to pay a \$2.00 monthly administrative charge for the State Energy Office; \$4.00 monthly administrative fee for customer account maintenance and Kansas Corporation Commission reporting requirements; \$120.00 one-time assessment fee to process customer agreements, establish program participation and to comply with various utility obligations as required by the Efficiency Kansas program. Only those customers choosing to participate in the Efficiency Kansas program would incur these costs. Kansas Gas Service's estimated five year budget for this program is \$1.71 million dollars or \$359,000 per year.

- Kansas Gas Service energy-efficiency programs: Costs of other energy-efficiency programs and any Efficiency Kansas costs not recovered from the above participant fees would be recovered through a conservation line item surcharge on all residential and general sales service customer bills. Kansas Gas Service's estimated five year budget for these programs is \$10.5 million dollars or \$2.1 million per year.

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- Kansas Gas Service "Decoupling" mechanism: Under this mechanism, Kansas Gas Service is guaranteed to recover a Commission approved level of revenue each year regardless of the level of sales Kansas Gas Service makes to its customers. If sales volumes go down and Kansas Gas Service does not receive the predetermined level of revenue, customers will pay extra through the line item surcharge. Conversely, if sales go up and Kansas Gas Service recovers revenue above the predetermined level, it refunds the extra revenue back to consumers in the surcharge. Kansas Gas Service is not currently guaranteed any specific level of revenue but depends on sales to customers to generate revenue and profits. Kansas Gas Service will not offer conservation programs that could result in reduced sales and consequently reduced revenues without the revenue guarantee provided by the Decoupling mechanism. The Kansas Corporation Commission has not approved a Decoupling mechanism for any other Kansas utility. Kansas Gas Service estimates that had the Decoupling mechanism been in place for the twelve-month period ending November, 2009, approximately \$4.38 million dollars would have been added to consumer bills through the surcharge.

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Kansas Gas Service's Application and supporting testimony can be found on the Kansas Corporation Commission Website at:

(<http://kcc.ks.gov/docket/cal.cgi?docket=10-KGSG-421-TAR>)

????PER PREHEARING OFFICER RECOMMENDATIONS: Need a "contact number for customer inquiry". I don't know if this is KCC, or KGS..or possibly even CURB. Is it a separate requirement from KCC contact info. See Para. 13 of the Order.

Comments Sought by Kansas Corporation Commission:

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The Kansas Corporation Commission will accept comments about this application from Kansas Gas Service customers through May 27, 2010.

Specifically, the Commission seeks comment on the following:

- Kansas Gas Service's proposed charges for participation in Efficiency Kansas
- Kansas Gas Service's proposed efficiency programs, proposed budget and proposed recovery of program costs from all customers through a line item surcharge
- Kansas Gas Service's proposed Decoupling mechanism and consumer views on rate mechanisms that guarantee predetermined levels of revenue for utilities regardless of sales volume.

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Written comments should reference Docket No. **10-KGSG-421-TAR** and may be e-mailed to public.affairs@kcc.state.ks.us, or mailed to:

Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

The Kansas Corporation Commission also accepts comments via telephone at ?????????????? (I don't know..do they?)

Technical hearings on the Energy Efficiency application will begin on (date), in the Kansas Corporation Commission's first floor hearing room at 1500 S.W. Arrowhead, Topeka, KS. If the Kansas Corporation Commission approves any of Kansas Gas Services proposals, the effective date of any changes approved would be ???????????? (Effective date is also required by prehearing order).

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About the Kansas Corporation Commission

The Kansas Corporation Commission regulates five cornerstone industries in the Kansas economy. The Commission has the responsibility of ensuring that natural gas, electricity,

telephone and transportation vendors provide safe, adequate and reliable services at reasonable rates.

About Kansas Gas Service

Kansas Gas Service, headquartered in Overland Park, Kansas, provides natural gas service to approximately 643,000 customers in Kansas.

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Notice of Proposed Energy-Efficiency Programs and Cost Recovery

In 2008, the Kansas Corporation Commission (KCC), the state regulatory agency responsible for setting energy prices for public utilities, began encouraging utility companies to implement energy efficiency programs. In response, KGS filed an application with the KCC on December 18, 2009, to offer a variety of energy-efficiency programs for residential and general service sales customers. The application also included the establishment of a ratemaking mechanism called "decoupling".

Efficiency Kansas Loan Program:

KGS seeks to participate in Efficiency Kansas, a new energy-efficiency program administered by the State of Kansas. Efficiency Kansas provides loans to customers to make energy-efficiency improvements to their home or small businesses. By partnering with the State, KGS would serve as the loan administrator and customers would repay the loan through savings on their monthly utility bill.

KGS estimates that it will cost the company \$359,000 a year to offer the Efficiency Kansas program. In order to recover the associated costs, KGS customers who choose to participate in the program would incur the following costs:

- \$2.00 monthly administrative charge paid to the State of Kansas;
- \$4.00 monthly administrative fee paid to KGS for customer account maintenance and reporting requirements;
- \$120.00 one-time assessment fee paid to KGS to process customer agreements, establish program participation and to comply with various utility obligations as required by the program.

More information about Efficiency Kansas is available at: www.encykansas.com.

Other Energy-Efficiency Programs:

KGS also seeks to offer other energy-efficiency programs to its residential and general sales service customers:

- Seasonal Check-Up Program – Provides rebates for seasonal inspection of home heating systems;
- Water Heater Program – Provides rebates for the installation of an efficient tank or tank-less water heater;
- Home Heating Program – Provides rebates for the installation of high- efficiency natural gas home heating equipment;
- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;

Exhibit CURB 5 (Staff Original Proposed Notice)

- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

KGS anticipates the annual budget for these programs to be \$2.1 million. In order to recover the associated costs, a conservation surcharge of approximately \$0.32 will appear on all residential and general sales service customer bills.

Decoupling

As it stands now, KGS's revenues are linked to sales, specifically the volume of gas sold. Traditional regulation sets the price a utility can charge based on a rate per volume of gas sold in a rate case. The rates authorized by the Commission in a rate case are based on a price per volume of gas sold that will generate a level of revenues (allowed revenues) that are necessary to cover expenses and provide a reasonable return to shareholders. Once a price per volume is set, a utility's ongoing profitability depends on both its level of volumetric sales, which generates its revenues, and its ability to manage its costs. Therefore, the more natural gas a utility sells, the greater its revenues and potentially its profits, if it is managing its costs. By implementing energy efficiency programs, like those listed above, KGS may reduce its volumetric sales and therefore revenues. As an incentive to provide energy efficiency programs, KGS has requested that the KCC "decouple" volumetric sales from revenues.

Decoupling is any mechanism that breaks the link between the volume of gas sold and the level of revenues. Therefore, decoupling ensures that a utility will receive its allowed revenues regardless of the level of volumetric sales. Therefore, if volumetric sales decrease and KGS does not achieve its allowed revenues, customers will pay extra through a surcharge on their bill. If volumetric sales increase and KGS exceeds its allowed revenues, customers will receive a refund through the surcharge on their bill. Had decoupling and energy efficiency programs been in place last year, KGS estimates the residential surcharge to recover both the cost of energy efficiency programs and decreased sales revenue would be 70 cents per month for a total of \$4.85 million.

Comments Sought by Kansas Corporation Commission:

The KCC will accept comments about this application from KGS customers through May 27, 2010. Written comments should reference Docket No. **10-KGSG-421-TAR** and may be e-mailed to public.affairs@kcc.ks.gov, made by phone at 1-800-662-0027, or mailed to:

Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

A technical hearing will begin on June 2, 2010, in the Kansas Corporation Commission's first floor hearing room at 1500 S.W. Arrowhead in Topeka, KS.

The Commission must issue an order on or before August 16, 2010, and the application will become effective on approval.

More Information

Kansas Gas Service's application and supporting testimony can be found on the Kansas Corporation Commission's website at: <http://kcc.ks.gov/docket/cal.cgi?docket=10-KGSG-421-TAR>

Notice of Proposed Energy-Efficiency Programs and Cost Recovery

In 2008, the Kansas Corporation Commission (KCC), the state regulatory agency responsible for the establishment of just and reasonable rates necessary for public utilities to maintain efficient and sufficient service, began encouraging utility companies to implement energy efficiency programs. In response, Kansas Gas Services (KGS) filed an application with the KCC on December 18, 2009, to offer a variety of energy-efficiency programs for residential and general service sales customers, and to recover the costs associated with the operation of these programs. The application also included the establishment of a ratemaking mechanism called "decoupling". Decoupling breaks the link between the amount of gas sold to customers and the level of revenues the company collects. Under decoupling, consumers ensure that KGS receives a specified level of revenue, regardless of how much natural gas consumers use. A copy of KGS's application and supporting testimony can be found on the KCC's website at: <http://kcc.ks.gov/docket/cal.cgi?docket=10-KGSG-421-TAR>

Efficiency Kansas Loan Program:

KGS seeks to participate in Efficiency Kansas, a new energy-efficiency program administered by the State of Kansas. Efficiency Kansas provides loans to customers to make energy-efficiency improvements to their home or small businesses. By partnering with the State, KGS would serve as the loan administrator and customers would repay the loan on their monthly utility bill, as computed with their energy savings. More information about Efficiency Kansas is available at: www.encykansas.com.

KGS estimates that it will cost \$359,000 a year for a total of \$1.71 million over five years to offer the Efficiency Kansas program. In order to recover the associated costs, KGS customers who choose to participate in the program would incur the following costs:

- \$2.00 monthly administrative charge paid to the State of Kansas;
- \$4.00 monthly administrative fee paid to KGS for customer account maintenance and reporting requirements;
- \$120.00 one-time assessment fee paid to KGS to process customer agreements, establish program participation, and to comply with various utility obligations as required by the program.

Costs not recovered from the above fees, would be recovered through the conservation surcharge listed below.

Other Energy-Efficiency Programs:

KGS also seeks to offer other energy-efficiency programs to its residential and general sales service customers:

- Seasonal Check-Up Program – Provides rebates for seasonal inspection of home heating systems;
- Water Heater Program – Provides rebates for the installation of a natural gas energy efficient tank or tank-less water heater;
- Home Heating Program – Provides rebates for the installation of high-efficiency natural gas home heating equipment;

- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;
- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

The five-year estimated budget for these programs is \$10.5 million or \$2.1 million a year. In order to recover these costs, a conservation surcharge of approximately \$0.32 cents per month would appear on all residential and general sales service customer bills.

Decoupling:

As it stands now, KGS's revenues are not guaranteed because they are linked to sales – the more natural gas the utility sells, the greater its revenue and potentially its profit. By implementing energy efficiency programs, like those listed above, KGS will be encouraging and providing incentives to its customers to reduce their natural gas usage. Because KGS may see a reduction in sales and revenue, KGS has requested that the KCC "decouple" sales from revenue.

Decoupling ensures that KGS will receive its allowed revenues, established by the KCC, regardless of the level of sales.

- If sales decrease and KGS does not achieve its allowed revenues, customers will pay extra through a surcharge on their bill.
- If sales increase and KGS exceeds its allowed revenues, customers will receive a refund through the surcharge on their bill.

Had decoupling been in place last year, KGS estimates the residential surcharge would have been \$0.38 cents per month for a total of \$2.64 million.

Although this is the first time the KCC has considered decoupling, 18 states have adopted gas decoupling, and gas decoupling is pending in five states. A more in-depth discussion of decoupling is available on the KCC website: <http://kcc.ks.gov>.

Comments Sought by Kansas Corporation Commission:

The KCC will accept comments regard KGS's proposed energy efficiency programs, the recovery of related costs, and the decoupling mechanism through May 28, 2010. Written comments should reference Docket No. **10-KGSG-421-TAR** and may be e-mailed to public.affairs@kcc.ks.gov, made by phone at 1-800-662-0027, or mailed to:

Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

Exhibit CURB 6 (Staff Version 2 Proposed Notice)

A technical hearing will begin on June 2, 2010, in the KCC's first floor hearing room at 1500 S.W. Arrowhead in Topeka, KS. The Commission must issue an order on or before August 16, 2010, and the application will become effective on approval.

Kansas Corporation Commission Seeks Public Comment on Kansas Gas Service Application to offer Energy-Efficiency Programs and Request To Recover Program Costs from Customers

In 2008, the Kansas Corporation Commission (KCC), began encouraging utility companies to implement energy efficiency programs. In response, on December 18, 2009 Kansas Gas Service Company (KGS) filed an application with the KCC, to offer a variety of energy-efficiency programs for residential and general service commercial sales customers, and to recover the costs associated with the operation of these programs in a line item surcharge on customer bills. The application also proposes the establishment of a ratemaking mechanism called "revenue decoupling". Revenue decoupling breaks the link between the amount of gas sold to customers and the level of revenues the company collects. Under revenue decoupling, KGS customers guarantee that KGS receives a specified level of revenue, regardless of how much natural gas KGS customers use. A copy of KGS's application and supporting testimony can be found on the KCC's website at: <http://kcc.ks.gov/docket/cal.cgi?docket=10-KGSG-421-TAR>

Efficiency Kansas Loan Program:

The Efficiency Kansas Loan Program is operated by the KCC's State Energy Office. Efficiency Kansas provides loans to Kansans to make energy-efficiency improvements to their home or small business. By partnering with Efficiency Kansas, KGS will serve as the loan administrator and a KGS customer will repay the loan on their monthly utility bill. More information about Efficiency Kansas is available at: www.efficiencykansas.com.

KGS estimates that it will incur administrative costs of \$359,000 per year for five years, totaling \$1.71 million to offer the Efficiency Kansas program. In order to recover a portion of administrative costs, associated with offering Efficiency Kansas, KGS proposes that customers who choose to participate in the program incur the following costs:

- \$2.00 monthly administrative charge paid to the State of Kansas;
- \$4.00 monthly administrative fee paid to KGS for customer account maintenance and reporting requirements;
- \$120.00 one-time assessment fee paid to KGS to process customer agreements, establish program participation, and to comply with various utility obligations as required by the program.

Administrative costs incurred by KGS but not recovered from the above fees, would be recovered from all residential and general service commercial sales customers through the conservation surcharge listed below.

Other Energy-Efficiency Programs:

KGS also seeks to offer other energy-efficiency programs to its residential and general sales service customers, including:

- Seasonal Check-Up Program – Provides rebates for seasonal inspection of home heating systems;

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Comment: I'm abit confused why we are including this. I think it leaves the impression that KCC wants these programs and the average consumer will guess KCC will not likely turn down anything in KGS's application.

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Comment: I'm not sure this sentence is necessary. Sounds like something out of a pro decoupling publication

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- Water Heater Program – Provides rebates for the installation of a natural gas energy efficient tank or tank-less water heater;
- Home Heating Program – Provides rebates for the installation of high-efficiency natural gas home heating equipment;
- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;
- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

KGS estimates is will initially cost \$2.1 million per year for five years, totaling \$10.5 million, to offer these programs. In order to recover these costs, and any uncollected Efficiency Kansas administrative costs, a conservation surcharge of approximately \$0.32 cents per month would appear on all residential and general service commercial sales customer bills.

Revenue Decoupling:

Currently, KGS's revenues are not guaranteed because they are linked to sales – the more natural gas KGS sells, the greater its revenue and potentially its profit. By offering energy efficiency programs, like those listed above, KGS will be providing monetary incentives and encouraging its customers to reduce their natural gas usage. Because KGS may see a reduction in sales and therefore revenue, KGS has requested that the KCC "decouple" sales from revenue.

Revenue decoupling guarantees that KGS will receive a predetermined level revenues, established by the KCC, regardless of the level of natural gas sales KGS makes to its customers.

- If sales decrease and KGS does not achieve its predetermined level of revenues, customers will pay extra through the conservation surcharge on their bill.
- If sales increase and KGS exceeds its predetermined level of revenues, customers will receive a refund through the conservation surcharge on their bill.

Had revenue decoupling been in place last year, KGS estimates that \$0.38 cents per month for a total of \$2.64 million would have been added to residential bills in the conservation surcharge, and \$5.48 per month for a total of \$3.32 million would have been added to the general service commercial sales customer bills in the conservation surcharge.

A more in-depth discussion of decoupling is available on the KCC website: <http://kcc.ks.gov>.

Comments Sought by Kansas Corporation Commission:

The KCC will accept comments regard KGS's proposed energy efficiency programs, the recovery from customers of the cost of these programs, and the proposed revenue decoupling mechanism through May 28, 2010. Written comments should reference Docket No. **10-KGSG-421-TAR** and may be e-mailed to public.affairs@kcc.ks.gov, made by phone at 1-800-662-0027, or mailed to:

Comment: Trying to make is consistent with the language above

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Comment: Same Comment as above regarding name of surcharge.

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I'm abit reluctant to throw out a surcharge number. Customers might just believe you and be mad if the number is something higher, and the 32 cents does not include the decoupling charge/rebate that will change every year.

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Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

A technical hearing will begin on June 2, 2010, in the KCC's first floor hearing room at 1500 S.W. Arrowhead in Topeka, KS. The Commission must issue an order on or before August 16, 2010, and the application will become effective on approval.

Page 1: [1] Comment

Author

2/24/2010 4:39 PM

The whole notice talks about “energy efficiency.” The surcharge on the electric side is called Energy Efficiency Rider. Are we going to name the gas rider “conservation”?

Page 1: [2] Comment

Author

2/24/2010 4:39 PM

We really don't list below anything specifically to do with the conservation surcharge

Kansas Corporation Commission Seeks Public Comment on Kansas Gas Service Application to offer Energy-Efficiency Programs and Request To Recover Program Costs from Customers

In 2008, the Kansas Corporation Commission (KCC) began encouraging utility companies to implement energy efficiency programs. In response, on December 18, 2009 Kansas Gas Service Company (KGS) filed an application with the KCC, to offer a variety of energy-efficiency programs for residential and general service commercial sales customers, and to recover the costs associated with the operation of these programs in a line item surcharge on customer bills. The application also proposes the establishment of a ratemaking mechanism called "revenue decoupling". Revenue decoupling breaks the link between the amount of gas sold to customers and the level of revenues the company collects. Under revenue decoupling, KGS customers guarantee that KGS receives a specified level of revenue, regardless of how much natural gas KGS customers use. A copy of KGS's application and supporting testimony can be found on the KCC's website at: <http://kcc.ks.gov/docket/cal.cgi?docket=10-KGSG-421-TAR>

Efficiency Kansas Loan Program:

The Efficiency Kansas Loan Program is operated by the KCC's State Energy Office. Efficiency Kansas provides loans to Kansans to make energy-efficiency improvements to their home or small business. By partnering with Efficiency Kansas, KGS will serve as the loan administrator and a KGS customer will repay the loan on their monthly utility bill. More information about Efficiency Kansas is available at: www.encykansas.com.

KGS estimates that it will incur administrative costs of \$359,000 per year for five years, totaling \$1.71 million to offer the Efficiency Kansas program. In order to recover a portion of administrative costs associated with offering Efficiency Kansas, KGS proposes that customers who choose to participate in the program incur the following costs:

- \$2.00 monthly administrative charge paid to the State of Kansas;
- \$4.00 monthly administrative fee paid to KGS for customer account maintenance and reporting requirements;
- \$120.00 one-time assessment fee paid to KGS to process customer agreements, establish program participation, and to comply with various utility obligations as required by the program.

Administrative costs incurred by KGS but not recovered from the above fees, would be recovered from all residential and general service commercial sales customers through the conservation surcharge listed below.

Other Energy-Efficiency Programs:

KGS also seeks to offer other energy-efficiency programs to its residential and general sales service customers, including:

- Seasonal Check-Up Program – Provides rebates for seasonal inspection of home heating systems;

- Water Heater Program – Provides rebates for the installation of a natural gas energy efficient tank or tank-less water heater;
- Home Heating Program – Provides rebates for the installation of high-efficiency natural gas home heating equipment;
- Natural Gas Direct Use Program – Provides rebates to residential customers for the replacement of electric appliances with more efficient natural gas appliances;
- Energy Star New Homes Program – Provides rebates applied against the costs incurred to achieve the ENERGY STAR® New Homes certification requirement of pre-drywall and post-construction inspections;
- Commercial Custom Program – Provides for payments to general sales service customers for customer-specific energy efficiency investments that meet minimum cost benefit tests.

KGS estimates is will initially cost \$2.1 million per year for five years, totaling \$10.5 million, to offer these programs. In order to recover these costs, and any uncollected Efficiency Kansas administrative costs, a conservation surcharge of approximately \$0.32 cents per month would appear on all residential and general service commercial sales customer bills.

Revenue Decoupling:

Currently, KGS's revenues are not guaranteed because they are linked to sales – the more natural gas KGS sells, the greater its revenue and potentially its profit. By offering energy efficiency programs, like those listed above, KGS will be providing monetary incentives and encouraging its customers to reduce their natural gas usage. Because KGS may see a reduction in sales and therefore revenue, KGS has requested that the KCC "decouple" sales from revenue.

Revenue decoupling guarantees that KGS will receive a predetermined level revenues, established by the KCC, regardless of the level of natural gas sales KGS makes to its customers.

- If sales decrease and KGS does not achieve its predetermined level of revenues, customers will pay extra through the conservation surcharge on their bill.
- If sales increase and KGS exceeds its predetermined level of revenues, customers will receive a refund through the conservation surcharge on their bill.

Had revenue decoupling been in place last year, KGS estimates that \$0.38 cents per month for a total of \$2.64 million would have been added to residential bills in the conservation surcharge, and \$5.48 per month for a total of \$3.32 million would have been added to the general service commercial sales customer bills in the conservation surcharge.

A more in-depth discussion of decoupling is available on the KCC website: <http://kcc.ks.gov>.

Comments Sought by Kansas Corporation Commission:

The KCC will accept comments regard KGS's proposed energy efficiency programs, the recovery from customers of the cost of these programs, and the proposed revenue decoupling mechanism through May 28, 2010. Written comments should reference Docket No. **10-KGSG-421-TAR** and may be e-mailed to public.affairs@kcc.ks.gov, made by phone at 1-800-662-0027, or mailed to:

Kansas Corporation Commission
Office of Public Affairs and Consumer Protection
1500 S.W. Arrowhead
Topeka, KS 66604

A technical hearing will begin on June 2, 2010, in the KCC's first floor hearing room at 1500 S.W. Arrowhead in Topeka, KS. The Commission must issue an order on or before August 16, 2010, and the application will become effective on approval.

CERTIFICATE OF SERVICE

10-KGSG-421-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was placed in the United States mail, postage prepaid, e-mailed or hand-delivered this 1st day of March, 2010, to the following:

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