

BEFORE THE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

Received  
on

SEP 24 2012

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 ]

by  
State Corporation Commission  
of Kansas

KCC Docket No. 12-KGSG-835-RTS

DIRECT TESTIMONY OF

BRIAN KALCIC

RE: CLASS REVENUE ALLOCATION  
AND RATE DESIGN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

September 24, 2012

1

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

3 A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

4

5 **Q. What is your occupation?**

6 A. I am an economist and consultant in the field of public utility regulation, and principal of  
7 Excel Consulting. My qualifications are described in the Appendix to this testimony.

8

9 **Q. On whose behalf are you testifying in this case?**

10 A. I am testifying on behalf of the Citizens' Utility Ratepayer Board ("CURB").

11

12 **Q. What is the subject of your testimony?**

13 A. I will evaluate the propriety of Kansas Gas Service's ("KGS" or "Company") proposed  
14 class revenue allocation and sponsor changes to that allocation, where appropriate. In  
15 addition, I will critique the Company's rate design proposals for the residential sales service  
16 ("RS") and general sales service small ("GSS") classes.

17

18 **Q. Have you reflected CURB witness Andrea C. Crane's recommended revenue  
19 adjustment for KGS in your alternative revenue allocation and/or rate design  
20 proposals?**

21 A. No, I have not. In order to facilitate a comparison with KGS's proposals, CURB's  
22 alternative proposals reflect the Company's total requested revenue requirement in this  
23 proceeding.

1

2 **Q. Please summarize your primary recommendations.**

3 A. Based upon my analysis of KGS's filing and interrogatory responses, I recommend that the  
4 Kansas Corporation Commission ("KCC" or "Commission"):

- 5 • Reject the Company's proposed class revenue allocation;
- 6 • Adopt CURB's alternative class revenue allocation, which would  
7 appropriately transfer \$5.8 million of revenue responsibility from residential  
8 to non-residential customers (compared to KGS's proposal);
- 9 • Reject the Company's proposal to recover approximately 53% of its total  
10 base rate revenue requirement via service charges; and
- 11 • Adopt CURB's recommended RS and GSS service charge levels.

12 The specific details associated with the above recommendations are discussed below.

13

14 **Class Revenue Allocation**

15 **Q. Mr. Kalcic, what is the Company's requested increase in total revenue in this  
16 proceeding?**

17 A. The Company's requested increase in total revenue is \$32.7 million.

18

19 **Q. What is the Company's requested increase in total *base rate* revenue in this  
20 proceeding?**

21 A. KGS currently collects \$10.9 million and \$7.1 million, respectively, through its Gas System  
22 Reliability Surcharge ("GSRs") and Ad Valorem Tax Surcharge Rider ("ATSR"). KGS  
23 intends to "rebase" or recover those GSRs and ATSR revenues in base rates (rather than

1 via surcharges) at the conclusion of this case.<sup>1</sup> As such, the Company's requested increase  
2 in base rate revenues is \$32.7 million plus \$10.9 million (GSRS) plus \$7.1 million (ATSR)  
3 or \$50.7 million.

4  
5 **Q. How does KGS propose to recover its requested base rate revenue increase of \$50.7**  
6 **million in this case?**

7 A. The Company's proposed class revenue allocation is shown in columns 7-8 of Schedule  
8 BK-1. The proposed system average increase in base rate revenue is 20.7% (see column 8  
9 at line 16). As shown in column 7 of Schedule BK-1, KGS proposes to recover 100% of its  
10 requested base rate revenue increase of \$50.7 million from the residential class.

11  
12 **Q. How does KGS propose to adjust *total* class revenues, after rebasing the GSRS and**  
13 **ATSR?**

14 A. The Company's proposed total revenue adjustments, by rate class, are shown in columns 9-  
15 10 of Schedule BK-1. The proposed system average increase in total class revenues is  
16 \$32.7 million or 12.4% (per line 16). The residential class would receive an increase of  
17 \$38.5 million or 20.4% (per line 1). All other rate classes would experience a decrease in  
18 total revenues (ranging from 3.9% to 12.2%) as a result of KGS's rebasing of surcharge  
19 revenues.

20  
21 **Q. How did KGS arrive at its proposed base rate revenue allocation shown in columns 7-**  
22 **8 of Schedule BK-1?**

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<sup>1</sup> See KGS's Application at page 2.

1 A. KGS proposes to move rate classes closer to their respective class cost-of-service  
2 benchmarks, as measured by the Company's class cost-of-service study ("CCOSS"),  
3 subject to the constraint that no class receive a *base rate* decrease.<sup>2</sup> However, according to  
4 the Company's CCOSS, the residential class is the only class to exhibit a present rate of  
5 return below the system average. In addition, KGS determined that the residential class'  
6 proposed rate of return would remain below the system average even in the case where the  
7 residential class was assigned 100% of the Company's requested base rate increase.  
8 Therefore, in the Company's view, it is appropriate to assign 100% of KGS's requested  
9 base rate increase to residential customers.

10

11 **Q. Does CURB agree with the Company's proposed base rate revenue allocation?**

12 A. No, it does not. As shown in column 9, line 1 of Schedule BK-1, the Company is  
13 proposing to assign the residential class a total revenue increase of \$38.5 million, *which is*  
14 *\$5.8 million more than KGS's total requested revenue increase (of \$32.7 million) in this*  
15 *case.* The Company's proposed residential increase is clearly excessive, and violates the  
16 traditional ratemaking principle of gradualism.

17

18 **Q. So that the record is clear, please explain why the residential class receives an increase**  
19 **in excess of KGS's total requested revenue increase of \$32.7 million in Schedule BK-1.**

20 A. The residential class receives an increase in excess of \$32.7 million because: 1) the  
21 residential class is the only class to receive an increase under KGS's proposal; 2) KGS  
22 proposes to assign a decrease to every non-residential rate class, resulting in an aggregate

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<sup>2</sup> See page 29 of the Direct Testimony of Paul H. Raab.

1 revenue shortfall of \$5.8 million;<sup>3</sup> and 3) KGS proposes to recover that \$5.8 million  
2 revenue shortfall solely from residential customers. As a result, the Company's residential  
3 class receives a total increase of \$32.7 million plus \$5.8 million or \$38.5 million.

4

5 **Q. Mr. Kalcic, have you ever participated in a rate proceeding where a Public Utility**  
6 **Commission approved an increase to a single rate class that was in excess of 100% of**  
7 **the utility's total awarded increase?**

8 A. No, I have not.

9

10 **Q. Can you recall any instance where a utility even *proposed* to recover more than 100%**  
11 **of its total requested increase from a single rate class?**

12 A. No, I cannot.

13

14 **Q. Would it be reasonable for the KCC to approve the Company's proposed revenue**  
15 **allocation?**

16 A. Certainly not. The KCC should reject the Company's proposal.

17

18 **Q. Have you prepared an alternative class revenue allocation for the Commission's**  
19 **consideration in this proceeding?**

20 A. Yes. CURB's alternative revenue allocation is shown in Schedule BK-2.

21

22 **Q. How did you arrive at the class revenue allocation shown in Schedule BK-2?**

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<sup>3</sup> See ScheduleBK-1, column 9, lines 2-15.

1 A. In CURB's view, no class should receive a rate decrease in the case where a utility is  
2 awarded an overall increase. Therefore, CURB's alternative revenue allocation would  
3 move rate classes closer to their respective class cost-of-service benchmarks, as measured  
4 by the Company's CCOSS, subject to the constraint that no class receive a *total revenue*  
5 decrease in this case.

6 As shown in column 9 of Schedule BK-2, the residential class would receive a total  
7 revenue increase of \$32.7 million, and the total revenue of all other rate classes would  
8 remain unchanged. To obtain this outcome, I moved the current surcharge revenues paid  
9 by each class into base rates on a revenue neutral basis, and then increased residential base  
10 revenues by an additional \$32.7 million.<sup>4</sup>

11

12 **RS and GSS Rate Design**

13 **Q. Mr. Kalcic, please describe the Company's current RS rate structure.**

14 A. KGS serves residential sales service customers via its Residential Sales Service rate  
15 schedule ("RS"), which includes a service (or customer) charge and a flat-rate delivery (or  
16 volumetric) charge.

17

18 **Q. How does KGS propose to adjust its current RS tariff charges in this proceeding?**

19 A. The Company proposes to increase the RS service charge from \$12.25 to \$19.25 per month,  
20 which equates to an increase of \$7.00 or 57.1%. KGS would recover the balance of the  
21 class' proposed revenue requirement in the delivery charge, thereby increasing the  
22 residential delivery charge from \$2.1230 to \$2.1777 per Mcf, or 2.6%.

1

2 **Q. Is KGS proposing to modify its General Sales Service (“GS”) rate structure in this**  
3 **proceeding?**

4 A. Yes. In order to establish more homogeneous rate classes, the Company is proposing to  
5 split the existing GS class into three separate rate classes: 1) General Sales Service Small  
6 (“GSS”); 2) General Sales Service Large (“GSL”); and 3) General Sales Service  
7 Transportation Eligible (“GSTE”). The GSS class would be limited to customers that use  
8 less than 200 Mcf per year. The GSL class would be available to customers that use  
9 between 200 Mcf and 1,500 Mcf per year. Finally, the GSTE class would be available for  
10 customers that use at least 1,500 Mcf per year.

11

12 **Q. Does CURB agree with the Company’s proposal to establish separate general service**  
13 **rate classes?**

14 A. Yes. CURB finds that establishing more homogeneous rate classes is a reasonable goal.

15

16 **Q. Please summarize the Company’s proposed GSS rate design.**

17 A. The Company set the new GSS delivery charge equal to the proposed RS delivery charge of  
18 \$2.1777 per Mcf. The GSS service charge was set at \$27.30 per month.

19

20 **Q. How did the Company determine the levels of its proposed RS and GSS service**  
21 **charges?**

---

<sup>4</sup> See column 7 of Schedule BK-2.



1 A. In general, KGS's proposed rate design seeks to "improve fixed cost recovery through  
2 increased service charges."<sup>5</sup> At the present time, KGS recovers approximately 41% of its  
3 total base rate revenues through service charges. In contrast, the Company states that fixed  
4 costs represent 98.9% of its total cost of delivering natural gas to customers. As such, KGS  
5 claims that it would be appropriate to collect a greater percentage of its total revenue  
6 requirement in the fixed (i.e., service) charge portion of its delivery rates at the conclusion  
7 of this case.

8 Under the Company's proposed rate design, KGS would recover approximately  
9 53% of its total base rate revenues via fixed service charges.<sup>6</sup>

10

11 **Q. Does CURB agree that the Company's proposal to recover approximately 53% of its**  
12 **total base rate revenues through service charges is appropriate?**

13 A. No. As discussed below, the Company's proposed 53% target is too high.

14

15 **Q. Mr. Kalcic, what types of costs does a natural gas utility incur?**

16 A. In general, a utility's costs (revenue requirement) may be classified as demand-,  
17 commodity- or customer-related. Demand-related costs are driven by the peak demands  
18 placed on the system. Commodity costs are related to the amount of annual consumption  
19 on a utility system. Customer costs are those that vary with the number of customers  
20 served, such as the costs associated with meters, meter reading, service lines, and billing.

21

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<sup>5</sup> See page 31 of the Direct Testimony of Paul H. Raab.

<sup>6</sup> See KGS's response to KCC DR 87.

1 **Q. Would it be appropriate to recover all fixed costs in a utility's fixed service charges, as**  
2 **KGS seems to suggest?**

3 A. No. Fixed costs, which include both demand- and customer-related costs, comprise almost  
4 100% of a typical natural gas utility's base rate revenue requirement. If all fixed costs were  
5 to be recovered in service charges, a utility's delivery charges would be virtually zero, and  
6 customers would have little or no control over the size of the delivery cost portion of their  
7 monthly bills.

8 Instead, service charges should be limited to the recovery of a utility's *customer-*  
9 *related* costs. All other costs should be recovered via a utility's volumetric and/or demand  
10 charges.

11

12 **Q. Mr. Kalcic, have you quantified KGS's total customer-related costs, at the Company's**  
13 **claimed revenue requirement level?**

14 A. Yes, I have. Schedule BK-3 summarizes the total amount of customer-related costs  
15 allocated to each rate class in the Company's cost-of-service study ("COSS"), excluding the  
16 customer component of mains. Per line 35 of Schedule BK-1, the total amount of direct  
17 customer-related costs (i.e., meters, meter reading, service lines and billing expenses)  
18 incurred by KGS is \$146.6 million. As shown on line 37 of Schedule BK-3, only 47.4% of  
19 the Company's claimed revenue requirement is customer-related. As such, KGS's proposal  
20 to recover 53% of its proposed rate revenues in service charges is inappropriate.

21

22 **Q. Why did you exclude the customer component of mains in Schedule BK-3?**

1 A. The Company's CCOSS classifies a portion of distribution mains as customer-related. As a  
2 result, KGS's customer cost analysis shown in Exhibit PHR-4, page 2 of 70 includes  
3 certain costs related to distribution mains (in addition to direct customer costs, as defined  
4 above). In CURB's view, service charges should be limited to the recovery of direct  
5 customer costs. All other fixed costs, such as those associated with distribution mains,  
6 should be recovered in a utility's volumetric or demand charges.

7 Therefore, in order to quantify the total amount of customer-related costs that may  
8 be properly recovered in KGS's service charges, CURB had to modify the Company's  
9 customer cost analysis by excluding all costs associated with distribution mains in Schedule  
10 BK-3.

11

12 **Q. Does CURB recommend that KGS set the level of its fixed charge recovery to 47.4%**  
13 **in this proceeding?**

14 A. No. In order to provide a reasonable balance between the cost-based level of fixed charge  
15 recovery (47%) and KGS's requested level of fixed charge recovery (53%), CURB  
16 recommends adjusting KGS's proposed rate design to recover 50% of its base rate revenues  
17 in service charges.

18

19 **Q. What are CURB's recommended service charge levels for the Company's RS and**  
20 **GSS classes?**

21 A. Table 1 below shows the service charge levels needed to recover 50% of CURB's proposed  
22 RS and GSS class revenue requirements.

23

**Table 1**

Computation of CURB's Benchmark RS and GSS Service Charges

	<i>RS Class</i> <i>(a)</i>	<i>GSS Class</i> <i>(b)</i>
CURB Base Rate Revenue	\$221,635,929	\$16,263,111
50% of Revenues	\$110,817,965	\$8,131,556
Number of Annual Bills	6,987,840	418,740
Required Facilities Charge	\$15.86	\$19.42

Source: Exhibit PHR-4 &amp; Schedule BK-2.

Since the current RS service charge of \$12.25 per month is less than the benchmark RS service charge of \$15.86 per month, CURB recommends that the Commission approve an RS service charge of \$15.85 (i.e., \$15.86 rounded) per month, at the Company's claimed revenue requirement level. Since GSS customers are to be served on a new rate schedule at the conclusion of this case, CURB recommends that the Commission set the initial GSS service charge at \$19.40 (i.e., \$19.42 rounded) per month.

**Q. Do you have a recommendation in the event that the KCC awards KGS a total revenue increase that is less than its requested amount of \$32.7 million?**

A. Yes. In that event, CURB's recommended RS service charge increase of (\$15.85 less \$12.25 or) \$3.60 per month should be reduced proportionately.

**Q. Should CURB's GSS service charge also be adjusted in the event that the KCC awards the Company less than its requested increase?**

1 A. No. Since the GSS class would not receive any increase in total revenues under CURB's  
2 alternative revenue allocation, the total GSS revenue requirement (and rate design) would  
3 remain unchanged at a lower award level.  
4

5 **Q. Mr. Kalcic, does CURB have an alternative RS rate design proposal in the event that**  
6 **the KCC wishes to implement a rate design that places greater cost emphasis on**  
7 **usage?**

8 A. Yes. In that event, CURB would suggest that the KCC set the RS customer charge in the  
9 range of \$4 to \$8 per month, with the balance of the RS class revenue requirement  
10 recovered in the delivery charge.

11 As compared to an RS rate design that includes CURB's proposed \$15.85 service  
12 charge, this alternative rate design approach would shift cost responsibility within the RS  
13 class from customers with below-average usage levels to customers with above-average  
14 usage levels. At the same time, however, *all* RS customers would have a greater incentive  
15 to cut back on their use of natural gas.  
16

17 **Q. Does this conclude your direct testimony?**

18 A. Yes.

VERIFICATION

STATE OF MISSOURI )  
 )  
COUNTY OF ST. LOUIS ) ss:

I, Brian Kalcic, of lawful age, being first duly sworn upon his oath states:

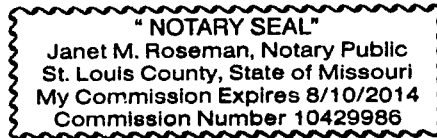
That he is a consultant for the Citizens' Utility Ratepayer Board; that he has read the above and foregoing Testimony, and, upon information and belief, states that the matters therein appearing are true and correct.

*Brian Kalcic*  
\_\_\_\_\_  
Brian Kalcic

SUBSCRIBED AND SWORN to before me this 19<sup>th</sup> day of September, 2012.

*Janet M Roseman*  
\_\_\_\_\_  
Notary of Public

My Commission expires: 8/10/2014



## APPENDIX

### Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory services.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, Texas, and the Bonneville Power Administration.

**Schedules BK-1 to BK-3**



**KANSAS GAS SERVICE**

Summary of the Company's Proposed Allocation of its  
Requested Increase in Total Base Rate Revenue and Total Revenues  
(Excluding Gas Costs)

Line	Class	Present Base Rate Revenue	Present GSRS & Ad Valorem	Total Present Revenue	Proposed Base Rate Revenue	Proposed GSRS & Ad Valorem	Total Proposed Revenue	Base Rate Revenue		Total Revenue	
		(1)	(2)	(3) = (1) + (2)	(4)	(5)	(6) = (4) + (5)	Increase	Percent	Increase	Percent
								(7) = (4) - (1)	(8) = (7) / (1)	(9) = (6) - (3)	(10) = (9) / (3)
1	RS	\$176,712,954	\$12,218,136	\$188,931,090	\$227,420,806	\$0	\$227,420,806	\$50,707,852	28.70%	\$38,489,716	20.37%
2	GS	\$36,088,123	\$2,473,140	\$38,561,263	\$36,088,123	\$0	\$36,088,123	\$0	0.00%	-\$2,473,140	-6.41%
3	SGS	\$343,331	\$13,849	\$357,180	\$343,331	\$0	\$343,331	\$0	0.00%	-\$13,849	-3.88%
4	GIS	\$391,931	\$26,504	\$418,435	\$391,931	\$0	\$391,931	\$0	0.00%	-\$26,504	-6.33%
5	KGSSD	\$46,852	\$6,536	\$53,388	\$46,852	\$0	\$46,852	\$0	0.00%	-\$6,536	-12.24%
6	SSR	\$21,248	\$2,188	\$23,436	\$21,248	\$0	\$21,248	\$0	0.00%	-\$2,188	-9.34%
7	STk	\$1,836,865	\$135,321	\$1,972,186	\$1,836,865	\$0	\$1,836,865	\$0	0.00%	-\$135,321	-6.86%
8	STt	\$497,919	\$35,470	\$533,389	\$497,919	\$0	\$497,919	\$0	0.00%	-\$35,470	-6.65%
9	GTk	\$7,184,935	\$644,987	\$7,829,922	\$7,184,935	\$0	\$7,184,935	\$0	0.00%	-\$644,987	-8.24%
10	GTt	\$3,088,077	\$244,430	\$3,332,507	\$3,088,077	\$0	\$3,088,077	\$0	0.00%	-\$244,430	-7.33%
11	CNG	\$10,047	\$1,159	\$11,206	\$10,047	\$0	\$10,047	\$0	0.00%	-\$1,159	-10.34%
12	GIT	\$1,876,951	\$130,159	\$2,007,110	\$1,876,951	\$0	\$1,876,951	\$0	0.00%	-\$130,159	-6.48%
13	LVTk	\$8,912,134	\$1,229,969	\$10,142,103	\$8,912,134	\$0	\$8,912,134	\$0	0.00%	-\$1,229,969	-12.13%
14	LVTt	\$6,799,186	\$750,372	\$7,549,558	\$6,799,186	\$0	\$6,799,186	\$0	0.00%	-\$750,372	-9.94%
15	WTt	\$1,384,022	\$127,155	\$1,511,177	\$1,384,022	\$0	\$1,384,022	\$0	0.00%	-\$127,155	-8.41%
16	Total	\$245,194,575	\$18,039,375	\$263,233,950	\$295,902,427	\$0	\$295,902,427	\$50,707,852	20.68%	\$32,668,477	12.41%

Source: CURB DR 137

**KANSAS GAS SERVICE**

Summary of CURB's Recommended Allocation of KGS's  
 Requested Increase in Total Base Rate Revenue and Total Revenues  
 (Excluding Gas Costs)

Line	Class	Present Base Rate Revenue	Present GSRS & Ad Valorem	Total Present Revenue	CURB Recomm. Base Rate Revenue	Proposed GSRS & Ad Valorem	Total Recommended Revenue	Base Rate Revenue		Total Revenue	
		(1)	(2)	(3) = (1) + (2)	(4)	(5)	(6) = (4) + (5)	Increase	Percent	Increase	Percent
								(7) = (4) - (1)	(8) = (7) / (1)	(9) = (6) - (3)	(10) = (9) / (3)
1	RS	\$176,712,954	\$12,218,136	\$188,931,090	\$221,599,567	\$0	\$221,599,567	\$44,886,613	25.40%	\$32,668,477	17.29%
2	GS	\$36,088,123	\$2,473,140	\$38,561,263	\$38,561,263	\$0	\$38,561,263	\$2,473,140	6.85%	\$0	0.00%
3	SGS	\$343,331	\$13,849	\$357,180	\$357,180	\$0	\$357,180	\$13,849	4.03%	\$0	0.00%
4	GIS	\$391,931	\$26,504	\$418,435	\$418,435	\$0	\$418,435	\$26,504	6.76%	\$0	0.00%
5	KGSSD	\$46,852	\$6,536	\$53,388	\$53,388	\$0	\$53,388	\$6,536	13.95%	\$0	0.00%
6	SSR	\$21,248	\$2,188	\$23,436	\$23,436	\$0	\$23,436	\$2,188	10.30%	\$0	0.00%
7	STk	\$1,836,865	\$135,321	\$1,972,186	\$1,972,186	\$0	\$1,972,186	\$135,321	7.37%	\$0	0.00%
8	STt	\$497,919	\$35,470	\$533,389	\$533,389	\$0	\$533,389	\$35,470	7.12%	\$0	0.00%
9	GTk	\$7,184,935	\$644,987	\$7,829,922	\$7,829,922	\$0	\$7,829,922	\$644,987	8.98%	\$0	0.00%
10	GTt	\$3,088,077	\$244,430	\$3,332,507	\$3,332,507	\$0	\$3,332,507	\$244,430	7.92%	\$0	0.00%
11	CNG	\$10,047	\$1,159	\$11,206	\$11,206	\$0	\$11,206	\$1,159	11.54%	\$0	0.00%
12	GIT	\$1,876,951	\$130,159	\$2,007,110	\$2,007,110	\$0	\$2,007,110	\$130,159	6.93%	\$0	0.00%
13	LVTk	\$8,912,134	\$1,229,969	\$10,142,103	\$10,142,103	\$0	\$10,142,103	\$1,229,969	13.80%	\$0	0.00%
14	LVTt	\$6,799,186	\$750,372	\$7,549,558	\$7,549,558	\$0	\$7,549,558	\$750,372	11.04%	\$0	0.00%
15	WTt	\$1,384,022	\$127,155	\$1,511,177	\$1,511,177	\$0	\$1,511,177	\$127,155	9.19%	\$0	0.00%
16	Total	\$245,194,575	\$18,039,375	\$263,233,950	\$295,902,427	\$0	\$295,902,427	\$50,707,852	20.68%	\$32,668,477	12.41%

Source: CURB DR 137

## Customer Cost Summary

KANSAS GAS SERVICE COMPANY  
CLASS COST OF SERVICE STUDY  
TEST YEAR ENDING 12/31/2011

## SUMMARY OF CUSTOMER COSTS - NO CUSTOMER COMPONENT OF MAINS

	Total Company	Residential RS	General Service GS	Generator SGS	Irrigation Sales GIS	Kansas Gas Supply KGSSD	Sales for Resale SSRk	Small Transport STk	Small Transport STt	General Transport GtK	General Transport GTt	CNG Transport CNG	Irrigation Transport GIT	Large Vol Transport LVTk	Large Vol Transport LVTt	Wholesale Transport WtT
1 Rate Base	255,935,614	214,851,271	27,605,380	373,737	225,745	4,158	16,636	1,253,779	359,162	6,582,109	1,934,873	4,347	283,901	1,911,375	490,552	38,590
2																
3 Return @ Current Rates	11,648,999	7,539,497	1,346,812	64,716	83,763	5,381	6,098	237,447	40,998	585,977	205,928	2,553	467,176	385,003	463,590	214,061
4 O&M Expenses	82,175,152	70,471,435	9,700,774	101,931	55,001	460	1,974	178,727	53,120	919,807	273,765	465	63,933	276,335	71,851	5,575
5 Depreciation Expense	21,223,182	17,903,250	2,289,658	26,793	13,295	299	1,197	95,966	27,987	504,775	147,968	310	18,175	151,700	39,086	2,721
6 Taxes, Other	10,934,599	9,191,136	1,259,973	14,617	8,379	138	557	44,447	12,859	232,009	68,386	144	11,072	71,164	18,397	1,321
7																
8 Income Taxes:																
9																
10 State Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Federal Income Taxes	3,974,943	2,106,307	639,640	18,326	26,608	2,441	1,936	83,601	16,375	221,251	93,348	826	157,369	259,137	262,083	85,694
12																
13 Total Income Taxes	3,974,943	2,106,307	639,640	18,326	26,608	2,441	1,936	83,601	16,375	221,251	93,348	826	157,369	259,137	262,083	85,694
14																
15 Adjustments to After-Tax Income:																
16																
17 Amortization	(144,335)	(76,483)	(23,226)	(665)	(966)	(89)	(70)	(3,036)	(595)	(8,034)	(3,390)	(30)	(5,714)	(9,410)	(9,517)	(3,112)
18 Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19																
20 Total Adjustments to After-Tax Income	(144,335)	(76,483)	(23,226)	(665)	(966)	(89)	(70)	(3,036)	(595)	(8,034)	(3,390)	(30)	(5,714)	(9,410)	(9,517)	(3,112)
21																
22 Total Customer-Related Costs @ Current Rates	129,812,539	107,135,142	15,213,632	225,717	186,080	8,631	11,691	637,153	150,745	2,455,786	786,006	4,267	712,011	1,133,930	845,490	306,260
23 Total Customers	638,255	582,320	49,741	572	225	1	6	589	167	2,703	878	1	463	439	124	26
24 Customer Costs (\$/customer/month)	\$ 16.95	\$ 15.33	\$ 25.49	\$ 32.87	\$ 68.85	\$ 719.23	\$ 162.37	\$ 90.10	\$ 75.22	\$ 75.71	\$ 74.56	\$ 355.61	\$ 128.15	\$ 215.25	\$ 568.21	\$ 981.60
25																
26																
27 Incremental Return @ Equalized ROR	10,156,459	10,765,617	1,005,138	(32,874)	(64,530)	(5,027)	(4,680)	(130,627)	(10,397)	(25,188)	(41,078)	(2,183)	(442,988)	(222,156)	(421,795)	(210,773)
28 Incremental Income Taxes	6,644,962	7,043,509	657,622	(21,508)	(42,219)	(3,289)	(3,062)	(85,464)	(6,803)	(16,479)	(26,876)	(1,428)	(289,829)	(145,347)	(275,964)	(137,900)
29																
30 Total Customer-Related Costs @ Equalized ROR	146,613,961	124,944,269	16,876,392	171,335	79,330	315	3,948	421,062	133,544	2,414,119	718,051	657	(20,807)	766,427	147,731	(42,413)
31 Total Customers	638,255	582,320	49,741	572	225	1	6	589	167	2,703	878	1	463	439	124	26
32 Customer Costs (\$/customer/month)	\$ 19.14	\$ 17.88	\$ 28.27	\$ 24.95	\$ 29.35	\$ 26.29	\$ 54.84	\$ 59.54	\$ 66.64	\$ 74.43	\$ 68.11	\$ 54.73	\$ (3.74)	\$ 145.49	\$ 99.28	\$ (135.94)
33																
34 <b>Summary</b>																
35 Total Customer-Related Costs @ Equalized ROR	\$ 146,613,961															
36 Total KGS Claimed Revenue Requirement	\$ 309,504,418															
37 % Customer Related	47.4%															

SOURCE: CURB DR 140

**CERTIFICATE OF SERVICE**

12-KGSG-835-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 24<sup>th</sup> day of September, 2012, to the following parties who have waived receipt of follow-up hard copies:

RAY BERGMIEER, ASSISTANT LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
[r.bergmier@kcc.ks.gov](mailto:r.bergmier@kcc.ks.gov)

MELISSA DOEBLIN, ADVISORY COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
[m.doeblin@kcc.ks.gov](mailto:m.doeblin@kcc.ks.gov)

ROBERT A. FOX, SENIOR LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
[b.fox@kcc.ks.gov](mailto:b.fox@kcc.ks.gov)

HOLLY FISHER, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
[h.fisher@kcc.ks.gov](mailto:h.fisher@kcc.ks.gov)

JAMES G. FLAHERTY  
ANDERSON & BYRD, LLP  
216 SOUTH HICKORY  
P.O. BOX 17  
OTTAWA, KANSAS 66067  
[jflaherty@andersonbyrd.com](mailto:jflaherty@andersonbyrd.com)

RICHARD HAUBENSAK, REGULATORY AFFAIRS CONSULTANT  
CONSTELLATION ENERGY  
12120 POINT GRACE BLVD, STE 220  
LA VISTA, NE 68128  
[richard.haubensak@constellation.com](mailto:richard.haubensak@constellation.com)

TODD RILEY, MANAGER, REGIONAL SALES  
CONSTELLATION ENERGY  
12120 POINT GRACE BLVD, STE 220  
LA VISTA, NE 68128  
[todd.riley@constellation.com](mailto:todd.riley@constellation.com)

CHRISTOPHER YOUNG, ASSISTANT GENERAL COUNSEL  
CONSTELLATION ENERGY  
100 CONSTELLATION WAY, SUITE 600 C  
BALTIMORE, MD 21202  
[christopher.young@constellation.com](mailto:christopher.young@constellation.com)

WALKER HENDRIX  
KANSAS GAS SERVICE  
7421 W 129TH ST  
OVERLAND PARK, KS 66213  
[whendrix@oneok.com](mailto:whendrix@oneok.com)

JOHN DECOURSEY  
KANSAS GAS SERVICE, A DIVISION OF ONEOK, INC.  
7421 W. 129TH ST  
OVERLAND PARK, KS 66213  
[john.decoursey@kansasgasservice.com](mailto:john.decoursey@kansasgasservice.com)

DAVE DITTEMORE  
KANSAS GAS SERVICE, A DIVISION OF ONEOK, INC.  
7421 W. 129TH ST  
OVERLAND PARK, KS 66213  
[david.dittemore@oneok.com](mailto:david.dittemore@oneok.com)

TIMOTHY E. MCKEE, ATTORNEY  
TRIPLETT, WOOLF & GARRETSON, LLC  
2959 N ROCK ROAD, SUITE 300  
WICHITA, KS 67226  
[temckee@twgfirm.com](mailto:temckee@twgfirm.com)

SAMUEL D. RITCHIE, ATTORNEY  
TRIPLETT, WOOLF & GARRETSON, LLC  
2959 N ROCK ROAD, SUITE 300  
WICHITA, KS 67226  
[sdritchie@twgfirm.com](mailto:sdritchie@twgfirm.com)

  
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Della Smith  
Administrative Specialist