

IN THE MATTER OF THE APPLICATION)
OF KANSAS GAS SERVICE , A DIVISION)
OF ONE GAS, INC., FOR ADJUSTMENT OF) DOCKET NO. 18-KGSG-560-RTS
ITS NATURAL GAS RATES IN THE STATE)
OF KANSAS.)

SCHEDULES

PREPARED BY

STAFF

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
DOCKET NO. 18-KGSG-560-RTS

<u>SCHEDULE NUMBER</u>	<u>INDEX</u>
REV REQ	REVENUE REQUIREMENT SUMMARY
A-1	STAFF ADJUSTED AND PRO FORMA RATE BASE
A-2	STAFF ADJUSTMENTS TO APPLICANT ADJUSTED RATE BASE
A-3	EXPLANATION OF STAFF ADJUSTMENTS TO RATE BASE
B-1	STAFF ADJUSTED AND PRO FORMA OPERATING INCOME STATEMENT
B-2	STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
B-3	EXPLANATION OF STAFF ADJUSTMENTS TO INCOME STATEMENT
B-4	STAFF ADJUSTED AND PRO FORMA CALCULATION OF TAXABLE INCOME
B-4-1	INTEREST EXPENSE CALCULATION
C-1	STAFF ADJUSTED AND PRO FORMA CAPITAL STRUCTURE
C-2	STAFF ADJUSTMENTS TO CAPITAL STRUCTURE
C-3	EXPLANATION OF STAFF ADJUSTMENTS TO CAPITAL STRUCTURE

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
STAFF REVENUE REQUIREMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE REV REQ

LINE NO.	DESCRIPTION	STAFF ADJUSTED
*****	*****	*****
1	PROFORMA RATE BASE	1,032,949,144
2	STAFF RATE OF RETURN	<u>6.8045%</u>
3	OPERATING INCOME REQUIRED	70,286,663
4	STAFF ADJUSTED OPERATING INCOME	<u>55,718,400</u>
5	DIFFERENCE	14,568,263
6	INCOME TAX FACTOR	<u>73.47%</u>
7	PROFORMA REVENUE REQUIREMENT INCREASE	<u><u>19,828,859</u></u>

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
STAFF ADJUSTED AND PRO FORMA RATE BASE
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE A-1

LINE NO.	DESCRIPTION	A APPLICANT BALANCES PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED	D STAFF TEST YEAR ADJUSTMENTS	E STAFF ADJUSTED	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA
***	*****	*****	*****	*****	*****	*****	*****	*****
	<u>GAS PLANT IN SERVICE:</u>							
1	INTANGIBLE PLANT	6,045	0	6,045	0	6,045		6,045
2	PRODUCTION PLANT	852,915	0	852,915	0	852,915		852,915
3	STORAGE PLANT	0	0	0	0	0		0
4	TRANSMISSION PLANT	276,258,424	(2,690,926)	273,567,498	219,035	273,786,533		273,786,533
5	DISTRIBUTION PLANT	1,444,284,489	16,643,593	1,460,928,082	37,241,292	1,498,169,374		1,498,169,374
6	GENERAL PLANT	112,757,313	793,155	113,550,468	5,700,078	119,250,546		119,250,546
7	CORPORATE ALLOCATED PLANT	0	66,310,258	66,310,258	(5,082,393)	61,227,865		61,227,865
8	CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0		0
9	TOTAL GAS PLANT IN SERVICE	1,834,159,186	81,056,080	1,915,215,266	38,078,012	1,953,293,278	0	1,953,293,278
10	LESS: ACCUM. PROV. FOR DEPR. & AMORT.	609,626,860	8,637,307	618,264,167	20,966,981	639,231,148		639,231,148
11	NET GAS PLANT IN SERVICE	1,224,532,326	72,418,773	1,296,951,099	17,111,031	1,314,062,130	0	1,314,062,130
	<u>WORKING CAPITAL:</u>							
12	MATERIALS & SUPPLIES	8,809,676	0	8,809,676	410,400	9,220,076		9,220,076
13	GAS STORAGE INVENTORY	27,375,068	0	27,375,068	0	27,375,068		27,375,068
14	PREPAYMENTS	820,292	4,595,306	5,415,598	(453,680)	4,961,918		4,961,918
15	LONG TERM PREPAYMENTS	0	522,245	522,245	192,813	715,058		715,058
16	ACCUMULATED DEFERRED INC. TAX LIAB	(249,175,348)	46,524,728	(202,650,620)	2,523,956	(200,126,664)		(200,126,664)
17	ADIT LIABILITY REMEASUREMENT	(104,527,616)	22,832,716	(81,694,900)	225,368	(81,469,532)		(81,469,532)
18	ACCUMULATED DEFERRED INC. TAX LIAB - CORP	0	(6,282,479)	(6,282,479)	(3,496,009)	(9,778,488)		(9,778,488)
19	ADIT LIAB. - CORPORATE EXCESS	0	(3,083,221)	(3,083,221)	0	(3,083,221)		(3,083,221)
20	CUSTOMER DEPOSITS	(18,742,198)	0	(18,742,198)	64,246	(18,677,952)		(18,677,952)
21	CUSTOMER ADVANCES	(10,536,008)	0	(10,536,008)	286,759	(10,249,249)		(10,249,249)
22	TOTAL WORKING CAPITAL	(345,976,134)	65,109,295	(280,866,839)	(246,147)	(281,112,986)	0	(281,112,986)
23	TOTAL RATE BASE	878,556,192	137,528,068	1,016,084,260	16,864,884	1,032,949,144	0	1,032,949,144

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
STAFF ADJUSTMENTS TO APPLICANT ADJUSTED RATE BASE
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE A-2
Page 1 of 2

LINE NO.	DESCRIPTION	A APPLICANT ADJUSTED	B STAFF ADJUSTMENT NO. 1	C STAFF ADJUSTMENT NO. 2	D STAFF ADJUSTMENT NO. 3	E STAFF ADJUSTMENT NO. 4	F STAFF ADJUSTMENT NO. 5
*****	*****	*****	*****	*****	*****	*****	*****
	<u>GAS PLANT IN SERVICE:</u>						
1	INTANGIBLE PLANT	6,045					
2	PRODUCTION PLANT	852,915					
3	STORAGE PLANT	0					
4	TRANSMISSION PLANT	273,567,498		219,035			
5	DISTRIBUTION PLANT	1,460,928,082		37,241,292			
6	GENERAL PLANT	113,550,468		5,700,078			
7	CORPORATE ALLOCATED PLANT	66,310,258		(5,082,393)			
8	CONSTRUCTION WORK IN PROGRESS	0					
9	TOTAL GAS PLANT IN SERVICE	1,915,215,266	0	38,078,012	0	0	0
10	LESS: ACCUM. PROV. FOR DEPR. & AMORT.	618,264,167			20,966,981		
11	NET GAS PLANT IN SERVICE	1,296,951,099	0	38,078,012	(20,966,981)	0	0
	<u>WORKING CAPITAL:</u>						
12	MATERIALS & SUPPLIES	8,809,676					
13	GAS STORAGE INVENTORY	27,375,068					
14	PREPAYMENTS	5,415,598					
15	LONG TERM PREPAYMENTS	522,245					
16	ACCUMULATED DEFERRED INC. TAX LIAB	(202,650,620)	2,523,956				
17	ADIT LIABILITY REMEASUREMENT	(81,694,900)	225,368				
18	ACCUMULATED DEFERRED INC. TAX LIAB - CORP	(6,282,479)				(2,802,813)	(693,196)
19	ADIT LIAB. - CORPORATE EXCESS	(3,083,221)					
20	CUSTOMER DEPOSITS	(18,742,198)					
21	CUSTOMER ADVANCES	(10,536,008)					
22	TOTAL WORKING CAPITAL	(280,866,839)	2,749,324	0	0	(2,802,813)	(693,196)
23	TOTAL RATE BASE	1,016,084,260	2,749,324	38,078,012	(20,966,981)	(2,802,813)	(693,196)

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
STAFF ADJUSTMENTS TO APPLICANT ADJUSTED RATE BASE
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE A-2
Page 2 of 2

LINE NO.	DESCRIPTION	G STAFF ADJUSTMENT NO. 6	H STAFF ADJUSTMENT NO. 7	I STAFF ADJUSTMENT NO. 8	J STAFF ADJUSTMENT NO. 9	K TOTAL STAFF ADJUSTMENTS	L STAFF ADJUSTED
****	*****	*****	*****	*****	*****	*****	*****
	<u>GAS PLANT IN SERVICE:</u>						
1	INTANGIBLE PLANT					0	6,045
2	PRODUCTION PLANT					0	852,915
3	STORAGE PLANT					0	0
4	TRANSMISSION PLANT					219,035	273,786,533
5	DISTRIBUTION PLANT					37,241,292	1,498,169,374
6	GENERAL PLANT					5,700,078	119,250,546
7	CORPORATE ALLOCATED PLANT					(5,082,393)	61,227,865
8	CONSTRUCTION WORK IN PROGRESS					0	0
9	TOTAL GAS PLANT IN SERVICE	0	0	0	0	38,078,012	1,953,293,278
10	LESS: ACCUM. PROV. FOR DEPR. & AMORT.					20,966,981	639,231,148
11	NET GAS PLANT IN SERVICE	0	0	0	0	17,111,031	1,314,062,130
	<u>WORKING CAPITAL:</u>						
12	MATERIALS & SUPPLIES	410,400				410,400	9,220,076
13	GAS STORAGE INVENTORY					0	27,375,068
14	PREPAYMENTS		(453,680)			(453,680)	4,961,918
15	LONG TERM PREPAYMENTS		192,813			192,813	715,058
16	ACCUMULATED DEFERRED INC. TAX LIAB					2,523,956	(200,126,664)
17	ADIT LIABILITY REMEASUREMENT					225,368	(81,469,532)
18	ACCUMULATED DEFERRED INC. TAX LIAB - CORP					(3,496,009)	(9,778,488)
19	ADIT LIAB. - CORPORATE EXCESS					0	(3,083,221)
20	CUSTOMER DEPOSITS			64,246		64,246	(18,677,952)
21	CUSTOMER ADVANCES				286,759	286,759	(10,249,249)
22	TOTAL WORKING CAPITAL	410,400	(260,867)	64,246	286,759	(246,147)	(281,112,986)
23	TOTAL RATE BASE	410,400	(260,867)	64,246	286,759	16,864,884	1,032,949,144

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO RATE BASE
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE A-3
Page 1 of 1

LINE NO.		INCREASE / (DECREASE) TO RATE BASE

1	<u>STAFF ADJUSTMENT NO. 1</u> (Luke Fry)	
2	ACCUMULATED DEFERRED INC. TAX LIAB	2,523,956
3	ADIT LIABILITY REMEASUREMENT	225,368
4	To update KGS ADIT to August 31, 2018.	
5	<u>STAFF ADJUSTMENT NO. 2</u> (Rehagen)	
6	TRANSMISSION PLANT	219,035
7	DISTRIBUTION PLANT	37,241,292
8	GENERAL PLANT	5,700,078
9	CORPORATE ALLOCATED PLANT	(5,082,393)
10	To update KGS plant in service to August 31, 2018.	
11	<u>STAFF ADJUSTMENT NO. 3</u> (Rehagen)	
12	ACCUM PROV. FOR DEPR & AMORT.	(20,966,981)
13	To update KGS accumulated depreciation to August 31, 2018.	
14	<u>STAFF ADJUSTMENT NO. 4</u> (Rehagen)	
15	ACCUMULATED DEFERRED INC. TAX LIAB - CORP	(2,802,813)
16	To update Corporate ADIT as of August 31, 2018 and to reflect the tax effect of the incentive compensation adjustment on corporate ADIT.	
17	<u>STAFF ADJUSTMENT NO. 5</u> (Rehagen)	
18	ACCUMULATED DEFERRED INC. TAX LIAB - CORP	(693,196)
19	To reflect the tax effect of the incentive compensation adjustment on Corporate excess deferred tax liability.	
20	<u>STAFF ADJUSTMENT NO. 6</u> (Rehagen)	
21	MATERIALS & SUPPLIES	410,400
22	To normalize and update KGS materials and supplies to August 31, 2018, using a 13-month average.	
23	<u>STAFF ADJUSTMENT NO. 7</u> (Rehagen)	
24	PREPAYMENTS	(453,680)
25	LONG TERM PREPAYMENTS	192,813
26	To normalize and update KGS and ONE Gas's prepayments to August 31, 2018, using a 13-month average.	
27	<u>STAFF ADJUSTMENT NO. 8</u> (Rehagen)	
28	CUSTOMER DEPOSITS	64,246
29	To normalize and update KGS customer deposits to August 31, 2018, using a 13-month average.	
30	<u>STAFF ADJUSTMENT NO. 9</u> (Rehagen)	
31	CUSTOMER ADVANCES	286,759
32	To normalize and update KGS customer advances to August 31, 2018, using a 13-month average.	

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
STAFF ADJUSTED AND PRO FORMA OPERATING INCOME STATEMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-1

LINE NO.	DESCRIPTION	A APPLICANT JURISDICTIONAL PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED	D STAFF TEST YEAR ADJUSTMENTS	E STAFF ADJUSTED	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA
***	*****	*****	*****	*****	*****	*****	*****	*****
	<u>OPERATING REVENUES:</u>							
1	GAS REVENUES	476,172,795	(229,811,902)	246,360,893	3,048,962	249,409,855	19,828,859	269,238,714
2	SERVICE AND OTHER	50,232,622	3,020,502	53,253,124	(34,340)	53,218,784		53,218,784
3	TOTAL REVENUES	526,405,417	(226,791,400)	299,614,017	3,014,622	302,628,639	19,828,859	322,457,498
	<u>OPERATING EXPENSES:</u>							
4	PRODUCTION	224,539,461	(223,775,488)	763,973	1,398,371	2,162,344		2,162,344
5	UNDERGROUND STORAGE	62,832	4	62,836	0	62,836		62,836
6	TRANSMISSION	7,830,881	45,402	7,876,283	(270,994)	7,605,289		7,605,289
7	DISTRIBUTION	47,324,856	2,445,445	49,770,301	(474,872)	49,295,429		49,295,429
8	CUSTOMER ACCOUNTS	19,208,381	(560,559)	18,647,822	418,987	19,066,809		19,066,809
9	CUSTOMER SERVICE AND INFORMATION	212,088	9,049	221,137	(50,486)	170,651		170,651
10	SALES	616,871	13,393	630,264	(63,743)	566,521		566,521
11	ADMINISTRATIVE AND GENERAL	75,705,207	(716,965)	74,988,242	(6,344,025)	68,644,217		68,644,217
12	TOTAL OPERATING EXPENSES	375,500,577	(222,539,719)	152,960,858	(5,386,762)	147,574,096	0	147,574,096
13	DEPRECIATION AND AMORTIZATION	47,727,090	15,579,735	63,306,825	(1,979,739)	61,327,086		61,327,086
14	TAXES OTHER THAN INCOME TAXES	26,181,903	299,038	26,480,941	(32,317)	26,448,624		26,448,624
15	INCOME TAXES - CURRENT	12,183,314	(10,417,761)	1,765,553	(466,929)	1,298,624	5,260,596	6,559,220
16	INCOME TAXES - DEFERRED	15,616,172	(5,225,567)	10,390,605	0	10,390,605		10,390,605
17	INVESTMENT TAX CREDITS	(128,796)	0	(128,796)	0	(128,796)		(128,796)
18	TOTAL EXPENSES	477,080,260	(222,304,274)	254,775,986	(7,865,747)	246,910,239	5,260,596	252,170,835
19	OPERATING INCOME	49,325,157	(4,487,126)	44,838,031	10,880,369	55,718,400	14,568,263	70,286,663

KANSAS GAS SERVICE
KANSAS GAS OPERATIONS
STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-2
Page 1 of 3

LINE NO.	DESCRIPTION	A APPLICANT ADJUSTED	B STAFF ADJUSTMENT NO. 1	C STAFF ADJUSTMENT NO. 2	D STAFF ADJUSTMENT NO. 3	E STAFF ADJUSTMENT NO. 4	F STAFF ADJUSTMENT NO. 5	G STAFF ADJUSTMENT NO. 6	H STAFF ADJUSTMENT NO. 7	I STAFF ADJUSTMENT NO. 8

	<u>OPERATING REVENUES:</u>									
1	GAS REVENUES	246,360,893								
2	SERVICE AND OTHER	53,253,124								
3	TOTAL REVENUES	299,614,017	0	0	0	0	0	0	0	0
	<u>OPERATING EXPENSES:</u>									
4	PRODUCTION	763,973							1,248,371	
5	UNDERGROUND STORAGE	62,836								
6	TRANSMISSION	7,876,283								
7	DISTRIBUTION	49,770,301								
8	CUSTOMER ACCOUNTS	18,647,822								343,538
9	CUSTOMER SERVICE AND INFORMATION	221,137								
10	SALES	630,264								
11	ADMINISTRATIVE AND GENERAL	74,988,242	(504,996)		(3,325,367)	(39,554)	(2,029,311)			
12	TOTAL OPERATING EXPENSES	152,960,858	(504,996)	0	(3,325,367)	(39,554)	(2,029,311)	0	1,248,371	343,538
13	DEPRECIATION AND AMORTIZATION	63,306,825		(310,042)				(51,265)		
14	TAXES OTHER THAN INCOME TAXES	26,480,941					(14,093)			
15	INCOME TAXES - CURRENT	1,765,553								
16	INCOME TAXES - DEFERRED	10,390,605								
17	INVESTMENT TAX CREDITS	(128,796)								
18	TOTAL EXPENSES	254,775,986	(504,996)	(310,042)	(3,325,367)	(39,554)	(2,043,404)	(51,265)	1,248,371	343,538
19	OPERATING INCOME	44,838,031	504,996	310,042	3,325,367	39,554	2,043,404	51,265	(1,248,371)	(343,538)

KANSAS GAS SERVICE
KANSAS GAS OPERATIONS
STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-2
Page 2 of 3

LINE NO.	DESCRIPTION	J STAFF ADJUSTMENT NO. 9	K STAFF ADJUSTMENT NO. 10	L STAFF ADJUSTMENT NO. 11	M STAFF ADJUSTMENT NO. 12	N STAFF ADJUSTMENT NO. 13	O STAFF ADJUSTMENT NO. 14	P STAFF ADJUSTMENT NO. 15	Q STAFF ADJUSTMENT NO. 16	R STAFF ADJUSTMENT NO. 17
*** *****										
	<u>OPERATING REVENUES:</u>									
1	GAS REVENUES			2,926,431	(30,937)	153,467				
2	SERVICE AND OTHER						(34,340)			
3	TOTAL REVENUES	0	0	2,926,431	(30,937)	153,467	(34,340)	0	0	0
	<u>OPERATING EXPENSES:</u>									
4	PRODUCTION							150,000		
5	UNDERGROUND STORAGE							0		
6	TRANSMISSION							(270,991)		
7	DISTRIBUTION							(156,711)		
8	CUSTOMER ACCOUNTS		(1,041)					78,701		
9	CUSTOMER SERVICE AND INFORMATION							(43,431)		
10	SALES							(51,806)		
11	ADMINISTRATIVE AND GENERAL	(40,842)						160,054	45,983	(658,917)
12	TOTAL OPERATING EXPENSES	(40,842)	(1,041)	0	0	0	0	(134,184)	45,983	(658,917)
13	DEPRECIATION AND AMORTIZATION									
14	TAXES OTHER THAN INCOME TAXES							11,710		(29,934)
15	INCOME TAXES - CURRENT									
16	INCOME TAXES - DEFERRED									
17	INVESTMENT TAX CREDITS									
18	TOTAL EXPENSES	(40,842)	(1,041)	0	0	0	0	(122,474)	45,983	(688,851)
19	OPERATING INCOME	40,842	1,041	2,926,431	(30,937)	153,467	(34,340)	122,474	(45,983)	688,851

KANSAS GAS SERVICE
KANSAS GAS OPERATIONS
STAFF ADJUSTMENTS TO APPLICANT ADJUSTED INCOME STATEMENT
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-2
Page 3 of 3

LINE NO.	DESCRIPTION	S STAFF ADJUSTMENT NO. 18	T STAFF ADJUSTMENT NO. 19	U STAFF ADJUSTMENT NO. 20	V STAFF ADJUSTMENT NO. 21	W STAFF ADJUSTMENT NO. 22	X STAFF ADJUSTMENT NO. 23	Y TOTAL ADJUSTMENTS	Z STAFF ADJUSTED
***	*****	*****	*****	*****	*****	*****	*****	*****	*****
	<u>OPERATING REVENUES:</u>								
1	GAS REVENUES							3,048,962	249,409,855
2	SERVICE AND OTHER							(34,340)	53,218,784
3	TOTAL REVENUES	0	0	0	0	0	0	3,014,622	302,628,639
	<u>OPERATING EXPENSES:</u>								
4	PRODUCTION							1,398,371	2,162,344
5	UNDERGROUND STORAGE							0	62,836
6	TRANSMISSION			(3)				(270,994)	7,605,289
7	DISTRIBUTION	(316,479)		(1,682)				(474,872)	49,295,429
8	CUSTOMER ACCOUNTS			(2,211)				418,987	19,066,809
9	CUSTOMER SERVICE AND INFORMATION			(7,055)				(50,486)	170,651
10	SALES			(9,582)		(2,355)		(63,743)	566,521
11	ADMINISTRATIVE AND GENERAL		239,747	(182,388)		(8,434)		(6,344,025)	68,644,217
12	TOTAL OPERATING EXPENSES	(316,479)	239,747	(202,921)	0	(10,789)	0	(5,386,762)	147,574,096
13	DEPRECIATION AND AMORTIZATION				(1,618,432)			(1,979,739)	61,327,086
14	TAXES OTHER THAN INCOME TAXES							(32,317)	26,448,624
15	INCOME TAXES - CURRENT						(466,929)	(466,929)	1,298,624
16	INCOME TAXES - DEFERRED							0	10,390,605
17	INVESTMENT TAX CREDITS							0	(128,796)
18	TOTAL EXPENSES	(316,479)	239,747	(202,921)	(1,618,432)	(10,789)	(466,929)	(7,865,747)	246,910,239
19	OPERATING INCOME	316,479	(239,747)	202,921	1,618,432	10,789	466,929	10,880,369	55,718,400

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO OPERATIONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-3
Page 1 of 3

LINE NO.	INCREASE/ (DECREASE) TO OPERATING INCOME

1 <u>STAFF ADJUSTMENT NO. 1</u> (Luke Fry)	
2 ADMINISTRATIVE AND GENERAL	504,996
3 To reflect actual pension and post-retirement expenses as of August 31, 2018.	
4 <u>STAFF ADJUSTMENT NO. 2</u> (Luke Fry)	
5 DEPRECIATION AND AMORTIZATION	310,042
6 To decrease expense related to the amortization of pension and OPEB costs.	
7 <u>STAFF ADJUSTMENT NO. 3</u> (Luke Fry)	
8 ADMINISTRATIVE AND GENERAL	3,325,367
9 To remove KGS share of proposed pension and OPEB savings.	
10 <u>STAFF ADJUSTMENT NO. 4</u> (Luke Fry)	
11 ADMINISTRATIVE AND GENERAL	39,554
12 To reflect Staff's adjustment to corporate benefits.	
13 <u>STAFF ADJUSTMENT NO. 5</u> (Luke Fry)	
14 ADMINISTRATIVE AND GENERAL	2,029,311
15 TAXES OTHER THAN INCOME TAXES	14,093
15 To reflect Staff's adjustment to incentive compensation.	
16 <u>STAFF ADJUSTMENT NO. 6</u> (Luke Fry)	
17 DEPRECIATION AND AMORTIZATION	51,265
18 To decrease expenses related to amortized rate case expense.	
19 <u>STAFF ADJUSTMENT NO. 7</u> (Luke Fry)	
20 PRODUCTION	(1,248,371)
21 To reflect Staff's reversal of KGS's adjustment to move Brehm Storage from rates to COGR.	
22 <u>STAFF ADJUSTMENT NO. 8</u> (Luke Fry)	
23 CUSTOMER ACCOUNTS	(343,538)
24 To reflect Staff's adjustment to bad debt expense.	

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO OPERATIONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-3
Page 2 of 3

LINE NO.	INCREASE/ (DECREASE) TO OPERATING INCOME

25 <u>STAFF ADJUSTMENT NO. 9</u> (Luke Fry)	
26 ADMINISTRATIVE AND GENERAL	40,842
27 To reflect Staff's adjustment to miscellaneous corporate charges.	
28 <u>STAFF ADJUSTMENT NO. 10</u> (Luke Fry)	
29 CUSTOMER ACCOUNTS	1,041
30 To reflect Staff's update to Interest on Customer Deposits.	
31 <u>STAFF ADJUSTMENT NO. 11</u> (Prince)	
32 GAS REVENUES	2,926,431
33 To reflect Staff's adjustment to test year revenue levels based on normalized weather during the test year.	
34 <u>STAFF ADJUSTMENT NO. 12</u> (Prince)	
35 GAS REVENUES	(30,937)
36 To reflect Staff's adjustment to normalize the impact of changes in the number of customers served during the test year.	
37 <u>STAFF ADJUSTMENT NO. 13</u> (Prentiss)	
35 GAS REVENUES	153,467
36 To reflect Staff's adjustment to reflect changes in the tariffs during the test year.	
37 <u>STAFF ADJUSTMENT NO. 14</u> (Frantz)	
38 SERVICE AND OTHER	(34,340)
39 To reflect Staff's adjustment to Miscellaneous Charges.	
40 <u>STAFF ADJUSTMENT NO. 15</u> (Figgs)	
41 PRODUCTION	(150,000)
42 TRANSMISSION	270,991
43 DISTRIBUTION	156,711
44 CUSTOMER ACCOUNTS	(78,701)
45 CUSTOMER SERVICE AND INFORMATION	43,431
46 SALES	51,806
47 ADMINISTRATIVE AND GENERAL	(160,054)
48 TAXES OTHER THAN INCOME TAXES	(11,710)
49 To update and annualize payroll expenses, annualize payroll taxes, 401(k) costs, retirement plan, and profit sharing costs.	

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO OPERATIONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-3
Page 3 of 3

LINE NO.	INCREASE/ (DECREASE) TO OPERATING INCOME

50 <u>STAFF ADJUSTMENT NO. 16</u> (Figgs)	
51 ADMINISTRATIVE AND GENERAL	(45,983)
52 To normalize worker's compensation expense by using a three-year average ending August 31, 2018.	
53 <u>STAFF ADJUSTMENT NO. 17</u> (Figgs)	
54 ADMINISTRATIVE AND GENERAL	658,917
55 TAXES OTHER THAN INCOME TAXES	29,934
56 To update the Distrigas allocation factor to reflect three-year average.	
57 <u>STAFF ADJUSTMENT NO. 18</u> (Figgs)	
58 DISTRIBUTION	316,479
59 To remove KGS funding of the Operating Technology Development (OTD) program.	
60 <u>STAFF ADJUSTMENT NO. 19</u> (Figgs)	
61 ADMINISTRATIVE AND GENERAL	(239,747)
62 To update employee medical reserve expense using the 12-month ending balance as of August 31, 2018.	
63 <u>STAFF ADJUSTMENT NO. 20</u> (Figgs)	
64 TRANSMISSION	3
65 DISTRIBUTION	1,682
66 CUSTOMER ACCOUNTS	2,211
67 CUSTOMER SERVICE AND INFORMATION	7,055
68 SALES	9,582
69 ADMINISTRATIVE AND GENERAL	182,388
70 To remove 50% of dues and donations expenses and 100% of sponsorships expense.	
71 <u>STAFF ADJUSTMENT NO. 21</u> (Rehagen)	
72 DEPRECIATION AND AMORTIZATION	1,618,432
73 To reflect Staff's adjustment to depreciation expense using the August 31, 2018, plant balance and Staff's depreciation rates.	
73 <u>STAFF ADJUSTMENT NO. 22</u> (Rehagen)	
74 ADMINISTRATIVE AND GENERAL	10,789
75 To reflect Staff's adjustment to remove expenses related to gift cards and promotional advertising.	
75 <u>STAFF ADJUSTMENT NO. 23</u> (Luke Fry)	
76 INCOME TAXES - CURRENT	466,929
77 To reflect Staff's adjustment to Income Tax expenses.	

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
STAFF ADJUSTED AND PRO FORMA CALCULATION OF TAXABLE INCOME
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-4

LINE NO.	DESCRIPTION	A APPLICANT JURISDICTIONAL PER BOOKS	B APPLICANT TEST YEAR ADJUSTMENTS	C APPLICANT ADJUSTED	D STAFF TEST YEAR ADJUSTMENTS	E STAFF ADJUSTED	F STAFF PRO FORMA ADJUSTMENTS	G STAFF PRO FORMA
1	OPERATING INCOME BEFORE INCOME TAXES	76,995,847	(20,130,454)	56,865,393	10,413,440	67,278,833	19,828,859	87,107,692
	INCREASE (DECREASE) TO OPERATING INCOME BEFORE INCOME TAXES:							
2	INTEREST ON DEBT	(16,174,128)	1,044,633	(15,129,495)	(3,174,002)	(18,303,497)	0	(18,303,497)
3	OTHER INCOME AND DEDUCTIONS	1,325,694	(1,325,694)	0		0		0
4	REVERSE BOOK DEPRECIATION	46,489,980	0	46,489,980		46,489,980		46,489,980
5	OTHER CIAC TO INCOME	1,912,537	0	1,912,537		1,912,537		1,912,537
6	WORKMEN'S COMP SETTLEMENT	427,813	0	427,813		427,813		427,813
7	BAD DEBTS	529,879	0	529,879		529,879		529,879
8	AMORTIZATIONS	0	0	0		0		0
9	OPEB CASH PAYMENTS	(2,890,548)	0	(2,890,548)		(2,890,548)		(2,890,548)
10	CONTINGENCIES/RESERVES	(115,000)	0	(115,000)		(115,000)		(115,000)
11	PENSION: BOOK ACCRUAL	12,228,915	0	12,228,915		12,228,915		12,228,915
	PENSION: CONTRIBUTIONS	(8,303,785)	0	(8,303,785)		(8,303,785)		(8,303,785)
12	OPEB: BOOK ACCRUAL	2,793,663	0	2,793,663		2,793,663		2,793,663
13	BOOK REG ASSETS - NET	(2,959,045)	0	(2,959,045)		(2,959,045)		(2,959,045)
14	PURCHASE GAS ADJUSTMENT	(3,540,141)	0	(3,540,141)		(3,540,141)		(3,540,141)
15	TAX DEPRECIATION	(81,795,706)	0	(81,795,706)		(81,795,706)		(81,795,706)
	RATE CASE EXPENSES	755,621	0	755,621		755,621		755,621
	ACTIVE EMPLOYEE BENEFITS	(217,628)	0	(217,628)		(217,628)		(217,628)
16	OTHER (ELIMINATE BELOW THE LINE OTHER INCOME)	0	0	0	(446,597)	(446,597)		(446,597)
17	MEAL DISALLOWANCE - 50%	191,968	(191,968)	0		0		0
18	LOBBYING EXPENSES	177,854	(177,854)	0		0		0
19	CIVIC DISALLOWANCE - 50%	13,813	(13,813)	0		0		0
20	CLUB MEMBERSHIP	1,385	(1,385)	0		0		0
21	PENALTY	12,500	(12,500)	0		0		0
22	SUBTOTAL	(49,134,359)	(678,581)	(49,812,940)	(3,620,599)	(53,433,539)	0	(53,433,539)
23	TAXABLE INCOME	27,861,488	(20,809,035)	7,052,453	6,792,841	13,845,294	19,828,859	33,674,153
24	LESS: PERMANENT DIFFERENCES	397,520	0	397,520	0	397,520	0	397,520
25	TAXABLE INCOME LESS PERMANENT DIFFERENCES	27,463,968	(20,809,035)	6,654,933	6,792,841	13,447,774	19,828,859	33,276,633
26	KANSAS TAX RATE	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
27	KANSAS INCOME TAX	1,922,478	(1,456,632)	465,845	475,499	941,344	1,388,020	2,329,364
28	ADJUSTMENTS	233,861	(233,861)	0	0	0		0
29	KANSAS INCOME TAX - CURRENT	2,156,339	(1,690,493)	465,845	475,499	941,344	1,388,020	2,329,364
30	TAXABLE FEDERAL INCOME	25,939,010	(19,352,403)	6,586,608	6,317,342	12,903,950	18,440,839	31,344,789
31	LESS: PERMANENT DIFFERENCES	397,520	0	397,520	0	397,520	0	397,520
32	TAXABLE INCOME LESS PERMANENT DIFFERENCES	25,541,490	(19,352,403)	6,189,088	6,317,342	12,506,430	18,440,839	30,947,269
33	FEDERAL TAX RATE	35.00%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
34	FEDERAL INCOME TAX	8,939,522	(7,639,814)	1,299,708	1,326,642	2,626,350	3,872,576	6,498,926
35	ADJUSTMENTS	1,087,454	(1,087,454)	0	(2,269,070)	(2,269,070)	0	(2,269,070)
36	FEDERAL INCOME TAX - CURRENT	10,026,976	(8,727,268)	1,299,708	(942,428)	357,280	3,872,576	4,229,856
	SUMMARY OF INCOME TAXES - CURRENT							
37	KANSAS INCOME TAX	2,156,339	(1,690,494)	465,845	475,499	941,344	1,388,020	2,329,364
38	FEDERAL INCOME TAX	10,026,976	(8,727,268)	1,299,708	(942,428)	357,280	3,872,576	4,229,856
39	TOTAL INCOME TAXES - CURRENT	12,183,314	(10,417,761)	1,765,553	(466,929)	1,298,624	5,260,596	6,559,220

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
INTEREST EXPENSE CALCULATION
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE B-4-1

LINE NO.	DESCRIPTION	A STAFF ADJUSTED	B STAFF PRO FORMA
***	*****	*****	*****
1	RATE BASE	1,032,949,144	1,032,949,144
2	WEIGHTED COST OF DEBT (Schedule C-1)	<u>1.7720%</u>	<u>1.7720%</u>
3	INTEREST EXPENSE	<u>18,303,497</u>	<u>18,303,497</u>

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE C-1

Total Weighted Cost of Debt:

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
STAFF ADJUSTMENTS TO CAPITAL STRUCTURE
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE C-2

LINE NO.	DESCRIPTION	A COMPANY ADJUSTED BALANCE	B STAFF ADJUSTMENT NO. 1	C TOTAL STAFF ADJUSTMENTS	D STAFF ADJUSTED KANSAS GAS JURISDICTIONAL
*****	*****	*****	*****	*****	*****
1	LONG TERM DEBT	1,191,967,349	226,511,953	226,511,953	1,418,479,302
2	COMMON EQUITY	1,960,208,877	(226,511,953)	(226,511,953)	1,733,696,924
3	TOTAL CAPITALIZATION	3,152,176,226	0	0	3,152,176,226

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
EXPLANATION OF STAFF ADJUSTMENTS TO CAPITAL STRUCTURE
FOR THE TEST YEAR ENDED DECEMBER 31, 2017

DOCKET NO. 18-KGSG-560-RTS
SCHEDULE C-3

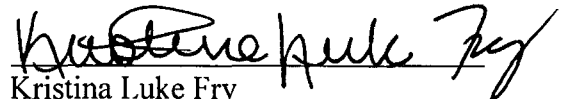
LINE NO.	INCREASE / (DECREASE) TO CAPITAL STRUCTURE

<u>STAFF ADJUSTMENT NO. 1 (Gatewood)</u>	
1 LONG-TERM DEBT	226,511,953
2 COMMON EQUITY	(226,511,953)
3 To revise capital structure	

VERIFICATION

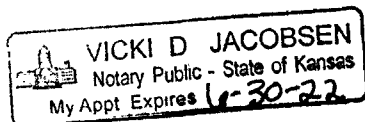
STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

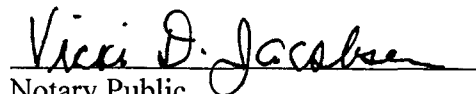
Kristina Luke Fry, being duly sworn upon her oath deposes and states that she is the Managing Auditor for the Utilities Division of the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Staff Schedules*, and attests that the statements contained therein are true and correct to the best of her knowledge, information and belief.



Kristina Luke Fry
Managing Auditor, Utilities Division
Kansas Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 29th day of October, 2018.





Notary Public

My Appointment Expires: June 30, 2022

CERTIFICATE OF SERVICE

18-KGSG-560-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff's Schedule was served via electronic service this 29th day of October, 2018, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
Fax: 785-242-1279
jflaherty@andersonbyrd.com

THOMAS J. CONNORS, ATTORNEY AT LAW
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
tj.connors@curb.kansas.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.nickel@curb.kansas.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
s.rabb@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.smith@curb.kansas.gov

JOHN F. WILCOX, JR., ATTORNEY
Dysart Taylor Cotter McMonigle & Montemore, P.C.
4420 Madison Avenue
Kansas City, MO 64111
Fax: 816-931-7377
jwilcox@dysarttaylor.com

PHOENIX ANSHUTZ, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
p.anshutz@kcc.ks.gov

MICHAEL DUENES, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
m.duenes@kcc.ks.gov

MICHAEL NEELEY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3167
m.neeley@kcc.ks.gov

CERTIFICATE OF SERVICE

18-KGSG-560-RTS

WENDEE D. GRADY
KANSAS FARM BUREAU
2627 KFB Plaza
Manhattan, KS 66503-8116
gradyw@kfb.org

TERRY D. HOLDREN
KANSAS FARM BUREAU
2627 KFB Plaza
Manhattan, KS 66503
holdrent@kfb.org

JANET BUCHANAN, DIRECTOR- REGULATORY AFFAIRS
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH ST
OVERLAND PARK, KS 66213-2713
Fax: 913-319-8622
janet.buchanan@onegas.com

JUDY JENKINS HITCHYE, MANAGING ATTORNEY
KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
7421 W 129TH ST
OVERLAND PARK, KS 66213-2713
Fax: 913-319-8622
judy.jenkins@onegas.com

BRANDON M. DITTMAN
KISSINGER & FELLMAN, P.C.
3773 Cherry Creek N. Drive
Plarmigan Place, Suite 900
Denver, CO 80209
brandon@kandf.com

DON KRATTENMAKER, VICE PRESIDENT BUSINESS
WOODRIVER ENERGY, LLC
3300 E. 1st Ave., Suite 600
Denver, CO 80206
don.krattenmaker@woodriverenergy.com

/s/ Vicki Jacobsen
Vicki Jacobsen