

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

In the Matter of the Application of Kansas Gas)
Service, a Division of ONE Gas, Inc. for)
Approval by the Commission to Amend)
Section 7.02 of the Company's General Terms) Docket No. 17-KGSG-544-TAR
and Conditions in Compliance with PHMSA)
Rule 49 C.F.R. § 192.383(a).)

**KANSAS GAS SERVICE'S RESPONSE TO STAFF'S REPORT AND
RECOMMENDATION**

Kansas Gas Service, a Division of ONE Gas, Inc. ("Kansas Gas Service" or "Company") hereby files its response to Staff's Report and Recommendation (R&R) in this docket and states as follows:

BACKGROUND:

1. On April 14, 2017, amendments to PHMSA's Excess Flow Valve ("EFV") rules (49 C.F.R. 192.383 and Part 192.385) became affective requiring operators of natural gas systems to install EFVs on service lines providing service to certain residential and small commercial customers and to provide notice to those customers of the new right to request the installation of an EFV. Also, Part 192.383(d), clearly directed natural gas operators to seek guidance/approval from its local regulator in determining "*how and to whom the costs of the requested EFVs are distributed.*" As per the directive, on June 7, 2017, Kansas Gas Service filed an Application to amend its General Terms and Conditions ("Tariff") to permit the Company to recover extraordinary costs incurred in the compliance with the amendment. Kansas Gas Service requested approval to amend Section 7.02 of its Tariff to reflect a \$400 charge to each customer seeking an

optional installation of an EFV outside of the Company's current installation program.¹ KGS also requested that it be permitted to establish January 1, 2018, as the date by which it would then schedule installation times that are mutually agreeable to both KGS and the requesting customer.

2. On July 6, 2017, the Staff of the Kansas Corporation Commission ("Staff") filed its R&R wherein Staff recommended the Commission deny KGS's application or in the alternative, approve with the condition that: (1) KGS would be required to provide installations to the first 100 customers each year free of charge; and, (2) the Commission "encourage" KGS to retrofit existing service lines serving commercial customers where a service line failure may result in a significant risk to the public.²

ISSUES

A. REQUIREMENTS OF PHMSA RULE 49 C.F.R. § 192.383

On April 14, 2017, PHMSA's amendments to 49 C.F.R. § 192.383 (the EFV Rule) became effective.³ Specifically, the Amendment requires:

- a. natural gas operators to install EFVs on new or replaced branched service lines servicing Single Family Residences (SFRs), multifamily residences and small commercial entities consuming gas volumes not exceeding 1,000 Standard Cubic Feet per Hour (SCFH);⁴
- b. the installation of manual service line shutoff valves or EFVs, if appropriate, on new or replaced service lines with meter capacities exceeding 1,000 SCFH;⁵

¹ See, Kansas Gas Service's *Application To Amend Tariff*, ¶3; and See also, Direct Testimony of Randal Spector, pg. 7, Lines 1-12.

² See, Docket No. 17-KGSG-544-TAR, Notice of Filing of Staff's Report and Recommendation; See also, Report and Recommendation Utilities Division, July 5, 2017

³ See, Docket No. PHMSA-2011-009; Amdt. No. 192-121, Correction, October 20, 2016.

⁴ See, 49 C.F.R. §192.383(d).

⁵ See, 49 C.F.R. §192.385.

- c. natural gas pipeline operators to implement a customer notification program designed to advise of the “customer’s right to request an EFV... on service lines not exceeding 1,000 SCFH... If an eligible service line customer requests an EFV installation, an operator must install the EFV at a mutually agreeable date;”⁶ and,
- d. the operator’s rate-setter to determine how and to whom the costs of the requested EFVs are distributed.⁷

As per the directive contained in 49 C.F.R. § 192.383(d), Kansas Gas Service filed its Application as described above.

B. Installation Fee

KGS appreciates Staff’s concerns regarding the issue of cross-subsidization arising from the potential installation of EFVs. However, the Company disagrees with Staff’s position that the recommended \$400 customer fee is inequitable.

In preparing to meet the PHMSA requirement to conduct EFV installations upon customer request, KGS recognized a distinction as it relates to the installation costs of these devices. This distinction becomes clear when the costs incurred in installing an EFV within the parameters of the Company’s current installation program is compared to the costs to be incurred for those installations made upon customer request. First, KGS has significant experience in installing EFVs. The Company’s records support the assertion that KGS has been installing EFVs since 1999.⁸ Today, as a matter of routine, the Company installs EFVs during residential service line replacements and during those times when the taps are exposed due to other work or repairs.⁹ As

⁶ *Id.*

⁷ *See*, 49 C.F.R. § 192.383(e).

⁸ *See*, KGS Response to Staff Data Request No. 2, as submitted on June 29, 2017

⁹ *Id.*

of June 26, 2017, KGS has approximately 189,553 EFVs installed on single family residences. Similarly, as of June 27, 2017, KGS has installed approximately 3,523 EFVs on Multi-Family Residential Service lines and 1,530 EFVs on Commercial service lines.¹⁰ Each of these installations were made during a period of planned work or during emergency repairs. Additionally, pursuant to a Staff recommendation adopted by the Commission, KGS continues to install EFV's in the course of carrying out its Bare Steel Service Line Replacement Program, initially ordered in Docket No. 11-KGSG-177-TAR, and subsequently re-authorized in Docket No. 14-KGSG-100-MIS ("Order"). The Company formally initiated this program pursuant to the Order, via amendment to its Operating and Maintenance Manual, effective May 1, 2011.

KGS's current method of EFV installation provides the Company the opportunity to manage work flow which includes the: scheduling of labor required for the known work; scheduling of equipment necessary to complete the known work; and, planning and purchasing of supplies in a cost effective manner. As provided in the Direct Testimony of Randy Spector, when the installations are made as per our current practice, the Company estimates an installation cost between \$50 – \$300 per device, dependent upon the circumstances.¹¹ On the other hand, the Company anticipates installations made upon customer requests (and outside of the Company's planned work), to cost approximately \$600 – \$2,600, dependent upon: the size of the pipe involved; whether the service line is under pavement, grass or dirt; and whether multiple repairs or maintenance tasks can be economically combined so as to make the most efficient use of labor, equipment and supplies.¹²

¹⁰ See, KGS Response to Staff Data Request No. 4, as submitted on June 29, 2017.

¹¹ pg. 4, Lines 14 – 18

¹² Id. pg. 4, Lines 14 – 18.

It is KGS's position that installations made on a 'per customer request basis' would increase the costs for all customers, thus creating the inequitable situation Staff seeks to avoid. The Company's recommended \$400 installation fee was proposed to strike a balance between providing an affordable option for those customers placing a great value on the optional EFV installation, while providing the Company the ability to maintain some control over the scheduling and efficiency of the installations. Staff's recommendation that the Company be required to provide 100 free installations prior to assessing the requested \$400 fee, only exacerbates the problem and does nothing to alleviate the foreseeable inequities the Company seeks to limit. For these reasons, KGS respectfully requests the Commission find the Company's proposed installation fee reasonable under these circumstances.

C. Mutually Agreeable Installation Schedule

Kansas Gas Service has proactively requested the Commission approve the Company's request to formally establish that the scheduling of customer requested installations not begin until on or after January 1, 2018. The purpose of this request is to allow the Company: time to budget for these potential requests; the opportunity to keep its currently scheduled work uninterrupted, thus preserving operational efficiencies; and, to create a system for tracking and processing the potential requests. A Commission Order on this matter would provide clear guidance for the Company and its customers and may serve to avoid the use of the Commission's formal complaint process for the scheduling concerns as suggested by Staff.¹³ For these reasons, the Company respectfully requests the Commission reject Staff's recommendation on this issue.

¹³ See, Report and Recommendation of Technical Staff, page 4.

D. Commercial

In its Report and Recommendation, Staff takes the opportunity to suggest that a formal initiative to install approximately 101,000 EFV's on KGS's existing multi-family and commercial customers would be reasonable and eligible for GSRS recovery. It is important to recognize that the proposed initiative is a recommendation and not a PHMSA requirement. In making this recommendation, Staff has not provided: any substantive support indicating the estimated costs of such installations; a proposed time period by which KGS should complete this initiative; or an assessment of whether this work could be completed within the existing GSRS cap, in combination with KGS' existing safety commitments.

Finally, initiatives to accelerate pipeline replacement, such as the one Staff has suggested here are not relevant to KGS's request in this docket and instead, to the extent such a suggestion has any merit, should be taken up in a generic investigation docket, similar to Docket No. 15-GIMG-343-GIG to permit the Company and others potentially affected by the result to fully examine the recommendation and to participate in the regulatory process.

WHEREFORE, for the reasons set forth herein Kansas Gas Service respectfully requests that the Commission reject Staff's recommendation to deny approval of the Company's Application to Amend its General Terms and Conditions and to also find Staff's proposed alternatives are unreasonable under the circumstances of this docket and therefore denied, and for any such further relief to which the Company may be entitled.

Respectfully Submitted:

KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.



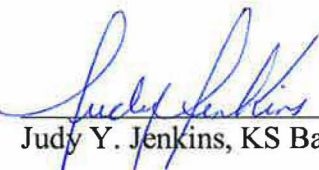
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VERIFICATION

STATE OF KANSAS)
) ss
COUNTY OF JOHNSON)

Judy Y. Jenkins of lawful age, being first duly sworn upon oath, deposes and states: That she is an attorney for Kansas Gas Service, a division of ONE Gas, Inc.; that she has read the above and foregoing *Kansas Gas Service's Response to Staff's Report and Recommendation* and that the statements therein contained are true according to her knowledge, information and belief.


Judy Y. Jenkins, KS Bar #23300

Subscribed and sworn before me this 20th day of July, 2017.


Notary Public

My Appointment Expires: 06/05/18



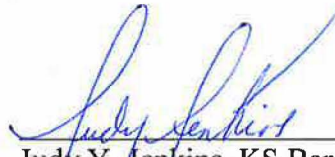
CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing *Kansas Gas Service's Response to Staff's Report and Recommendation* was forwarded this 21st day of July, 2017, addressed to:

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