

In the Matter of the Application of)
Kansas Gas Service, a Division)
of ONE Gas, Inc. for Adjustment) DOCKET NO. 16-KGSG-____-RTS
of its Natural Gas Rates in the)
State of Kansas)

DIRECT TESTIMONY
OF
JUSTIN W. CLEMENTS
ON BEHALF OF
KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.

DIRECT TESTIMONY
OF
JUSTIN W. CLEMENTS
KANSAS GAS SERVICE
DOCKET NO. 16-KGSG-___-RTS

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Justin W. Clements. My business address is 7421 W. 129th Street, Overland
4 Park, Kansas, 66213.

5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am employed by Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS" or
7 Company") as Rates Analyst II.

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**
9 **EXPERIENCE.**

10 A. I have a Bachelor of Arts Degree from the University of Kansas and a Masters of
11 Business Administration from Baker University. I have worked for the Company since
12 2002 and joined the Rates and Regulatory Department in 2007 as Rates Analyst,
13 helping support various Company regulatory efforts. I also serve as liaison to the division
14 of Public Affairs and Consumer Protection of the Kansas Corporation Commission
15 ("KCC" or "Commission") regarding Company tariff and Billing/Payment Standards
16 compliance.

17 **Q. HAVE YOU TESTIFIED BEFORE THE COMMISSION?**

18 A. Yes. I filed testimony in the Company's last general rate case, Docket No. 12-KGSG-
19 835-RTS ("835 Docket").

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. I am sponsoring Section 18, revisions to the Company's Rate Schedules and General
2 Terms and Conditions ("GTC"). Revisions to Rate Schedules reflect proposed rate
3 changes recommended by Mr. Raab in his testimony, the addition of Index 49 reflecting
4 the proposed Cost of Service Adjustment ("COSA") Plan as discussed by Company
5 witness David Dittmore, as well as the change proposed by Mr. Raab to the Weather
6 Normalization Adjustment Rider. I am also proposing to remove the Wholesale
7 Transportation Service tariff for the Company's "K" system listed as Index 34 in current
8 tariff. I am also sponsoring a number of additional tariff revisions which include
9 substantive changes to Section 4: Estimation Procedures, Section 7: Company
10 Obligations, Section 8: Extension Policy and the Electronic Flow Measurement Rider.

11 **Q. PLEASE EXPLAIN THE ORGANIZATION OF MATERIAL IN SECTION 18.**

12 A. Section 18 includes redline versions of proposed major changes to current tariff and a
13 clean version of the entire collection of KGS GTC and Rate Schedules updating the
14 Company name from "Kansas Gas Service, A Division of ONEOK, INC." to "Kansas Gas
15 Service, A Division of ONE Gas, Inc." KGS seeks to also update the GTC and Rate
16 Schedule format which include an easier to read layout and more consistent font display
17 and margin placement. I did not prepare a redline version of Section 18 formatting
18 changes due to the difficulty of representing such changes in an efficient and legible
19 manner.

20 **II. CHANGES TO RATE SCHEDULES**

21 **Q. WHAT CHANGES ARE YOU PROPOSING TO THE RATE SCHEDULES?**

22 A. I am proposing changes to rate schedules as described and supported in the testimony
23 of Company witness Paul Raab. I am also proposing additions to reflect the proposed
24 COSA mechanism as described by Company witness David Dittmore in his testimony.
25 Other proposed changes in Section 18 include updated Gas System and Reliability

1 Surcharge monthly rates discussed by Company witness Ms. Lorna Eaton in her
2 testimony.

3 **Q. BRIEFLY DESCRIBE THE PURPOSE AND FUNCTION OF ELECTRONIC FLOW**
4 **MEASUREMENT (“EFM”) EQUIPMENT AS REFERENCED IN THE COMPANY’S EFM**
5 **RIDER.**

6 A. The Company has been using EFM equipment on transportation class meters for over
7 20 years to record and transmit 24 hour consumption data to the Company via telephone
8 landlines. This usage data provides the Company and customer with timely reports of
9 consumption while aiding the customer in managing load requirements pursuant to
10 agreements made through its selected gas marketer.

11 **Q. PLEASE EXPLAIN PROPOSED CHANGES TO THE COMPANY’S EFM RIDER.**

12 First, I updated language removing the \$1,600 non-corrector meter installation option
13 due to the current practice that KGS no longer offers EFM meter installations without
14 electronic correctors. Second, to address potential obsolescence and degradation of
15 landline telephone service as required to report consumption data recorded by EFM
16 meters, KGS seeks to update stated installation costs and to provide equipment options
17 that accommodate customer location needs and preferences. Option 1 is similar to the
18 equipment installation as described in the current tariff. Customers selecting this option
19 would receive an EFM meter with correction device and a standard landline modem
20 owned and maintained by the Company, as long as the customer provides and
21 maintains an operable, dedicated landline telephone circuit. The customer cost of this
22 option decreases from the current tariff authorization of \$3,400 to \$3,200 per installation.
23 Customers selecting Option 2 receive an EFM meter with correction device and cellular
24 modem capable of transferring consumption information via the Company’s cellular data
25 plan. Under Option 2, meters will be subject to an additional \$15 per month cellular data
26 equipment charge. Further, customers without reliable power supply to the meter set

1 may request the Company to install solar power equipment at no additional cost. KGS
2 proposes that the one-time installation cost of Option 2 equipment to be \$4,800 per
3 meter.

4 **III. CHANGES TO THE GENERAL TERMS AND CONDITIONS**

5 **Q. PLEASE PROVIDE A SUMMARY OF PROPOSED CHANGES TO THE GTC.**

6 A. I am proposing the following modifications to the Company's GTC:

7 Section 4: Billing and Payment includes an additional formula for account-specific
8 estimations of usage.

9 Section 7: Company's Obligations allows Company to charge customers the actual cost
10 of installation of service lines greater than 1¼ inch in diameter, less the 200 foot
11 allowance.

12 Section 8: Extension Policy reorganizes tariff language regarding Main Extension
13 Agreements and removes the Usage Base Refund procedure in favor of utilizing a
14 customer-specific Economic Evaluation which better assists in calculating advance
15 payments for construction and potential refund amounts based on customer usage.

16 **Q. PLEASE EXPLAIN THE PROPOSED CHANGES TO THE COMPANY'S ESTIMATION
17 PROCEDURE IN SECTION 4: BILLING AND PAYMENT.**

18 A. Specifically, proposed changes to Section 4.04.05 of the GTC include an additional
19 method by which the Company is authorized to estimate usage in situations such as
20 when the Company is unable to obtain access for meter reads prior to billing for that
21 period. While current tariff specifies a peer group estimation formula for missing reads
22 on a larger scale, more accurate estimations can occasionally be obtained by
23 considering specific customer usage history, weather location data and other information
24 that the customer may provide. More accurate, customer-specific analysis would result
25 in fewer usage corrections the month following an estimated bill. KGS currently employs
26 the proposed formula in corrected bill situations.

1 **Q. WHAT OTHER CHANGES ARE YOU PROPOSING TO SECTION 4?**

2 A. I am proposing to consolidate language and definitions pertaining to “unconfirmed
3 usage” and “confirmed usage” under Section 4.05.02: Correction of Erroneous Bills
4 which address other situations in which the Company is authorized to adjust general
5 billing errors. As before, adjustments incorporating unconfirmed usage are limited to six
6 months. Confirmed usage adjustments and general accounting error corrections are
7 limited to twelve months with Company option to back bill to the point of the error, if
8 known. The intention is to help relieve affected Customers’ obligation to pay for
9 corrections of bills older than twelve months.

10 **Q. PLEASE EXPLAIN THE PROPOSED CHANGES TO SECTION 7: COMPANY’S**
11 **SERVICE OBLIGATIONS.**

12 A. Proposed changes to 7.04.03: Service Line and Yard Line Installation or Replacement
13 define the Company’s ability to seek customer contribution for service or yard line
14 installation or replacements larger than the 1¼ inch diameter pipe typical for most
15 projects. Current tariff, as revised in Docket No. 13-KGSG-615-TAR, does not
16 differentiate between standard 1¼ inch diameter pipe and larger pipe necessary for
17 properties with higher load requirements. The Company proposes to charge customers
18 actual costs of installation for pipe larger than 1¼ inch after applying the 200 foot
19 allowance currently stated in tariff. Current tariff does not differentiate between costs of
20 1¼ inch diameter pipe most common for typical installations and less common, larger
21 pipe which have higher actual material and installation costs.

22 **Q. PLEASE EXPLAIN THE PROPOSED CHANGES TO THE COMPANY’S MAIN**
23 **EXTENSION AGREEMENT IN SECTION 8: EXTENSION POLICY.**

24 A. KGS proposes several changes to Section 8 regarding how the Company calculates and
25 manages Main Extension Agreements (“MEA”) made with developers, customers or
26 parties seeking a distribution main extension. First, KGS proposes to increase the length

1 of the Ordinary Extension Allowance, which represents the length of a distribution main
2 extension that the customer receives without charge, to 100 feet from 75 feet. This
3 increase is more in line with allowances provided by other gas utilities and increases the
4 refundable advance rate, thereby reducing the potential for developers and customers to
5 forfeit a refund.

6 Second, KGS proposes to extend contract terms to seven from five years to
7 provide more time for applicants to receive refunds of construction advances paid to the
8 Company. The two additional years will help safeguard a developer from potential losses
9 due to unforeseen downturns in the economy, while sustaining financial incentives for
10 the applicant to complete construction projects and receive refunds pursuant to the
11 signed MEA.

12 Third, rephrased language and reorganization of Section 8.01.07: Determination
13 of Extension Routes of the proposed tariff clarifies unusual construction conditions that
14 require further customer contribution while defining those situations where there are no
15 extraordinary construction costs.

16 Fourth, KGS proposes to replace the usage based formula used to determine
17 customer contribution amounts described in 8.01.07(4) of the current tariff with language
18 that bases the refund on the Economic Evaluation as specified in the signed MEA and
19 discussed in proposed Section 8.01.03: Economic Evaluation. Projects that cannot be
20 defined as ordinary, pursuant to the tariff, can be analyzed for revenue justification to
21 better align customer contribution requirements.

22 Last, KGS proposes to remove from the existing tariff the specific appliance
23 requirements for full space and water heating which restrict refund eligibility based on
24 fuel type, instead of realized consumption volumes. Because each developer or
25 customer construction project has unique end-use preferences and requirements,
26 revenue analysis is better reviewed in light of an economic evaluation of overall

1 consumption volumes. As a result, potential refunds of construction advances paid to the
2 Company are based on overall usage rather than narrow requirements of appliance
3 type.

4 **Q. WHY DOES THE COMPANY PROPOSE TO REMOVE THE FORMULA TO**
5 **CALCULATE USAGE-BASED REFUNDS IN FAVOR OF ECONOMIC**
6 **EVALUATIONS?**

7 The current usage-based refund formula is confusing to applicants and difficult for the
8 Company to define in MEAs. Also, it is too broad in addressing specific developer and
9 project conditions as it incorporates base usage average of residential class customers
10 and is limited in applicability and efficacy for projects requiring large diameter steel pipe.

11 The Economic Evaluation performed by KGS in the initial stages of project planning
12 utilizes developer and customer supplied usage expectations to better account for
13 unique end-use requirements projected by the applicant. More accurate estimates of
14 potential refunds of advance payments will encourage developers to provide better
15 usage targets in order to maximize refund opportunities and reduce the potential for
16 forfeitures should consumption targets fall short of expectation.

17 **Q. WHAT MINOR CHANGES ARE YOU PROPOSING TO THE GTC?**

18 A. Minor changes include correcting section references affected by proposed revisions,
19 several grammar, punctuation and formatting changes and other general housekeeping
20 revisions that do not affect interpretation or context of existing tariff language.

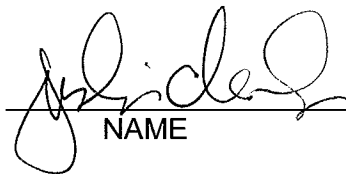
21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Justin W. Clements, being duly sworn upon his oath, deposes and states that he is Rates Analyst II for Kansas Gas Service, a Division of ONE Gas, Inc.; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.



NAME

Subscribed and sworn to before me this 26th day of April 2016.



NOTARY PUBLIC

My appointment Expires:
06/05/18

