

**In the Matter of the Application of )  
Kansas Gas Service, A Division of ONE )  
Gas, Inc. for Adjustment of its Natural ) Docket No. 18-KGSG-560-RTS  
Gas Rates in the State of Kansas )**

**DIRECT TESTIMONY**

**PREPARED BY**

**JUSTIN W. PRENTISS**

**UTILITIES DIVISION**

**KANSAS CORPORATION COMMISSION**

**October 29, 2018**

1                                   **I.       STATEMENT OF QUALIFICATIONS**

2   **Q.     What is your name?**

3   A.     My name is Justin W. Prentiss.

4   **Q.     By whom and in what capacity are you employed?**

5   A.     I am employed by the Kansas Corporation Commission (KCC or Commission) as  
6           a Senior Research Economist within the Economics and Rates Section of the  
7           Utilities Division.

8   **Q.     What is your business address?**

9   A.     1500 SW Arrowhead Road, Topeka, KS, 66604-4027.

10  **Q.     What is your educational background and professional experience?**

11  A.     I hold a Bachelor's Degree in Applied Mathematics from the University of  
12           Rochester and am currently pursuing a Master's Degree in Applied Economics at  
13           the University of Wisconsin-Whitewater. I have been a Senior Research Economist  
14           with the KCC since February 2018.

15  **Q.     Have you previously submitted testimony before this Commission?**

16  A.     Yes, I filed direct testimony in Docket Nos. 18-WSEE-328-RTS and 18-KCPE-  
17           480-RTS.

18                                   **II.     INTRODUCTION**

19  **Q.     What is the purpose of your testimony?**

20  A.     The purpose of my testimony is to sponsor Staff's rate annualization adjustment of  
21           \$153,467 and explain why I agree with KGS's Test Period Adjustments.

1 Q. Did you receive any guidance with your research and analysis?

2 A. Yes. I worked with other members of Staff and examined Kansas Gas Service's  
3 (KGS) work papers and methodology.

4     **Q.     How is your testimony organized?**

5     A.     I will discuss the purpose of the Rate Annualization adjustment, the methodology I  
6           used, contrast it to the methodology used by KGS, then recommend the  
7           Commission accept my adjustment. Next, I will explain why I agree with KGS's  
8           Test Period Adjustments and recommend that the Commission accept that  
9           adjustment.

10 III. ANALYSIS

## 11 Rate Annualization

12 Q. Did Staff provide a rate annualization adjustment?

13 A. Yes. Staff's provided a rate annalization adjustment of \$153,467.

## 14 Purpose

15     **Q.     What is the purpose of rate annualization?**

16     A.     The purpose of rate annualization is to reflect any rate changes that occurred during  
17     the test year across the entirety of the test year.

18     **Q.**     What rate changes occurred during the test year for this case that need to be  
19     rate annualized?

In this case, the end of the test year is December 31, 2017, and KGS's tariffs from Docket No. 16-KGSG-491-RTS went into effect on January 1, 2017. Therefore, the rate annualization adjusts the revenue actually received during the test year to the revenue KGS would have received from the rate change, if base rates would

1 have been in effect the entire test year. Thus, rate annualization will only have an  
2 impact on the part of January bills still containing December usage at the old rate,  
3 which occurred only in classes residential (RS), general service – small (GSS),  
4 general service – large (GSL), and general service – transport eligible (GSTE), as  
5 shown in Exhibit JWP-1.

6 ***Rate Annualization Methodology***

7 **Q. Did Staff follow the same methodology KGS utilized in calculating the rate**  
8 **annualization adjustment?**

9 A. No, Staff used a different methodology than KGS. KGS used the test year received  
10 revenue and found the difference between that and the calculated revenue of the  
11 billing determinants at the current tariff rates. Staff took the difference between the  
12 old and new rates and applied that difference to the pro rata per bill share of the old  
13 rates. The pro rata per bill share was calculated using the twenty-two billing dates  
14 in January and analyzing which parts of those bills would contain December usage.

15 **Q. What is the methodology Staff utilized in calculating the rate annualization**  
16 **adjustment?**

17 A. Staff's rate annualization process can be divided into three steps:

- 18 1. Collecting of data including average usage, customer-annualized volumes  
19 (which were constructed using weather normalized usage), and annualized  
20 customer counts; and
- 21 2. Increasing the variable and fixed revenue portions based on the corresponding  
22 changes in rates.

1    *Data Collection*

2    **Q.     What is the source of the data used for this calculation?**

3    A.     The data originated from KGS's billing system (Banner).<sup>1</sup> This data was broken  
4           up by months, and the average per customer usage was calculated. The average  
5           usage per customer use was the quotient of total usage and total number of  
6           customers.

7    **Q.     Were there other data differences?**

8    A.     Yes. Staff used weather-normalized and customer-annualized adjusted values in  
9           these calculations, whereas KGS did not.

10   **Q.     Why did Staff choose to use weather-normalized and customer-annualized**  
11       **values?**

12   A.     To fully simulate the effect of a normal year, the impact of weather normalization  
13           and customer annualization on both the usage and the customer counts were  
14           included.

15   *Revenue Increase Calculations*

16   **Q.     How did KGS's calculation of the revenue increase differ from Staff's?**

17   A.     KGS's calculation of the revenue increase was simply the difference between what  
18           revenue was actually received and the revenue that would have been received with  
19           the test year customer counts and usage at the current tariff rates.

20   **Q.     Is the rate annualization revenue impact calculated by Staff the same as**  
21       **KGS's?**

22   A.     No. Because the rate increase went into effect on the first of January, only part of  
23           the January bills were affected (the December usage portions). Therefore, total

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<sup>1</sup> See Direct Testimony of Darren L. Prince for specifics on this data.

1 usage and customer counts were proportionally applied to the difference in the tariff  
2 rates. The proportional share was calculated using the twenty-two billing dates in  
3 January and analyzing which parts of those bills would contain December usage.  
4 In addition, Staff's rate annualization incorporated the results of the weather  
5 normalization and customer annualization.

6 **Q. What is the total difference between the rate annualization revenue impact**  
7 **calculated by Staff and KGS?**

8 A. The total revenue impact on RS is \$913,357, on GSS is \$106,182, on GSL is  
9 \$63,496, and on GSTE is \$7,514. This results in Staff's total Rate Annualization  
10 of \$1,090,548 which differs from KGS's Rate Annualization of \$937,081 by  
11 \$153,467.

12 ***Conclusion and Recommendation***

13 **Q. What is Staff's recommendation?**

14 A Because the weather-normalized usage amounts are equivalent to the usage that  
15 would be present during a normal year, and the customer-annualized amounts  
16 accurately represent the customer numbers and usage during a normal year, using  
17 these adjusted values most accurately portrays the impact of the rate annualization.  
18 Therefore, my recommendation is the Commission accept Staff's rate annualization  
19 adjustment which results in a revenue increase of \$153,467.

20 **Test Period Adjustments**

21 **Q. Do you have any adjustments to KGS's Test Period Adjustments?**

22 A. No. I have reviewed KGS's workpaper and found their methodology and inputs to  
23 be appropriate. Therefore, I recommend that the Commission accept KGS's Test  
24 Period Adjustments for the amount of \$153,467.

1  
2

#### **IV. CONCLUSION**

3 **Q. Please summarize the recommendations discussed in your testimony.**

4 A. I recommend the Commission accept Staff's rate annualization adjustment of  
5 \$153,467, as it reflects the most accurate conversion of KGS's test year to a normal  
6 year. Also, I recommend the Commission accept KGS's Test Period Adjustments  
7 adjustment of \$153,467.

8 **Q. Does this conclude your testimony?**

9 A. Yes. Thank you.

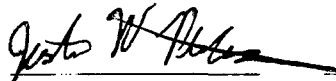
Staff Adjustment IS-13 (Difference) \$ 153,467



STATE OF KANSAS                     )  
  ) ss.  
COUNTY OF SHAWNEE             )

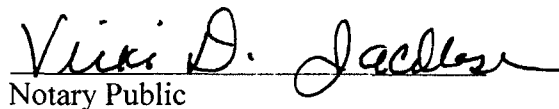
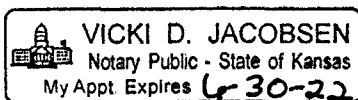
**VERIFICATION**

Justin W. Prentiss, being duly sworn upon his oath deposes and states that he is a Senior Research Economist for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Direct Testimony*, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Justin W. Prentiss  
Senior Research Economist  
State Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 29<sup>th</sup> day of October, 2018.

  
Notary Public

My Appointment Expires: June 30, 201~~8~~<sup>22</sup>

## **CERTIFICATE OF SERVICE**

18-KGSG-560-RTS

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

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