

In the Matter of the Complaint of Kansas Gas)
Service, a Division of ONE Gas, Inc., Against)
Westar Energy, Inc., Regarding Westar's)
Practice of Offering Payments to Developers) Docket No. 19-WSEE-061-COM
in Exchange for the Developers Designing All)
Electric Subdivisions.)

DIRECT TESTIMONY
OF
LYN S. LEET
ON BEHALF OF KANSAS GAS SERVICE,
A DIVISION OF ONE GAS, INC.

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1 **I. Introduction**

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

3 A. My name is Lyn Leet, and my business address is 7421 W. 129th St., Overland Park,
4 KS 66313.

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

6 A. I am the Manager of Customer Development for Kansas Gas Service (“KGS” or the
7 “Company”), which is a division of ONE Gas, Inc., (“One Gas”).

8 **Q. Please describe your educational background and professional experience.**

9 A. I attended Rockhurst University and I have worked for KGS for 18 years. During
10 that period, I have worked in areas of increased responsibility. I have served in
11 positions in leak survey and in engineering design. For the last 7 years, I have been
12 serving in the Commercial Activities department focused on working with
13 builders, developers, architects and engineers.

14 **Q. Have you previously testified before the Kansas Corporation Commission**
15 **(“Commission”)?**

1 A. No, this is the first time I have had the opportunity to testify before the
2 Commission.

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

4 A. The purpose of my testimony is to explain what impact Westar's practice of
5 offering payments to developers who agree to design their residential subdivisions
6 as all electric housing has on KGS and our customers and why said practice is
7 harmful to and not in the public interest.

8 **II. Westar's Total Electric Subdivision Heat Pump Program**

9 **Q. Can you generally describe Westar's Total Electric Heat Pump Program**
10 **("Program")?**

11 A. Yes. It is my understanding that, under the Program, Westar offers sizable
12 incentive payments to developers in exchange for those developers agreeing to
13 build total electric residential developments in a manner which effectively
14 precludes future natural gas connections and usage in those residential
15 subdivisions. As structured, these incentive payments require that all buildings
16 within the developer's subdivision be built total electric with a full heat pump split
17 system as the primary heating source and require all buildings to be served by
18 Westar Energy.¹

19

20

¹ Westar response to data request KGS-01; documents provided to builders and developers.

1 **Q. How did KGS become aware of Westar’s Program?**

2 A. Over several years, KGS employees working in Wichita and Manhattan have
3 learned from developers that Westar was willing to pay those developers in
4 exchange for agreements to only build total electric housing in their developments
5 or subdivisions. In 2016, KGS was able to obtain a copy of a form used by Westar
6 to contract with developers under Westar’s a program formally referred to as
7 *Westar’s Total Electric Subdivision Heat Pump Program* (“Program”). A copy of
8 the form received is attached to the Complaint KGS filed in this case as “Exhibit
9 A.” As indicated by Ms. Buchanan in her testimony, KGS has been able to learn
10 more about Westar’s Program through the discovery process in this Complaint
11 case. Therefore, I am able to provide both a copy of the document previously
12 included in the referenced Exhibit A, along with an updated example of the form
13 which are attached hereto as “Exhibit LSL-1”.

14 **III. Westar’s Program and Practice Is Harmful To The Public Interest and**
15 **Should Be Prohibited**

16 **Q. Please explain KGS’s concerns as it relates to Westar’s Program.**

17 A. Westar’s Program effectively eliminates the opportunity for natural gas facilities
18 to be installed in the subdivisions where Westar has paid the developers in
19 exchange for those developers’ agreement to build only total electric homes. This
20 Program also effectively restricts the opportunity of current and future residents

1 living in those subdivisions, to decide whether they wish to use electricity or
2 natural gas for space and water heating, drying clothes and cooking.

3 The average homebuyer (or more specifically, a first-time homebuyer especially
4 in urban areas like Wichita, Topeka, Kansas City and Manhattan), may not have
5 the experience or knowledge necessary to ask the realtor or seller if a furnace uses
6 electricity or natural gas prior to acquiring the residential living space. Likewise,
7 these buyers or renters may not know to inquire as to whether natural gas is
8 available for ranges and other appliances. They later make the discovery that the
9 original developer's decision to eliminate energy choice (as a direct or indirect
10 result of Westar's Program), means that natural gas is available to that
11 homeowner. The effect of Westar's Program is the elimination of consumer
12 choice, which is harmful to the public interest.

13 **Q. Are you suggesting that Developers should not have the choice to produce all –**
14 **electric developments or subdivisions?**

15 **A.** Not at all. It is one thing for a developer of a residential subdivision to decide on
16 its own whether to build total electric housing developments. That developer
17 certainly has the right to make that choice. However, KGS does not think that it is
18 appropriate for a regulated utility, like Westar, to use customer dollars to pay that
19 developer in exchange for that developer's agreement to build only total electric
20 homes. Regulated utilities, like KGS and Westar, who operate under their
21 respective certificates of convenience and authority issued by the Commission are
22 required to - and have an obligation to promote the public interest. They certainly

1 are not allowed to degrade the public interest. KGS's concern is that Westar's
2 Program is harming the public interest because of the negative short- and long-
3 term effects that the Program has on Kansas residents. Westar should not be
4 allowed to pay developers for developer agreements to build only total electric
5 housing in their subdivisions because it effectively eliminates the opportunity for
6 customers in those subdivisions to choose whether to use electricity or natural
7 gas. Westar certainly should not be allowed to use customer funds to pay for the
8 Program. In fact, even if Westar's ratepayers were not paying for the Program,
9 the negative effect the Program has on the public interest should require that such
10 programs be prohibited by the Commission.

11 **Q. What is the harm to the public interest and to Kansas residents if those residents**
12 **only have access to electricity and not natural gas as a result of Westar's**
13 **Program?**

14 A. The Commission Utilities and Common Carriers Report issued in 2017 helps to
15 illustrate the negative impact to Kansas residents and the harm to the public
16 interest when those residents do not have a choice as to their source of energy as
17 a result of Westar's Program.² According to the report, energy used by Westar's
18 customers costs, on average, \$0.13 per kWh. Similarly, using like average costs
19 for natural gas, energy used by KGS's customers costs approximately \$9.14 per
20 Mcf. For the sake of comparison Westar's energy costs as contained in the

² Kansas Corporation Commission Utilities & Common Carriers Annual Report 2017, pages 22 and 38.

Commission’s report can be converted to a natural gas equivalent of one million British Thermal Units (“MMBTU”). The resulting cost of the equivalent measure of Westar’s energy is approximately \$36.56 per MMBTU and KGS’s cost is \$8.81 per MMBTU.³ To say this another way, when using the same information contained in the Commission’s report to convert a unit of natural gas (as measured in MMBTU) to Kilowatt hour(“kWh”), the KGS’ average cost is only \$0.04 per kWh as compared to Westar’s cost of \$0.13 per kWh.⁴ These comparisons are further illustrated in the chart below.

³ See, *Id* at p. 22 for Westar’s cost information and p. 38 for information referencing Kansas Gas Service’s costs.

⁴ The average residential monthly electric and gas bills provided in the Commission report reflects a loaded cost (less taxes) of \$9.14 per Mcf for natural gas and \$0.124737 per kWh for electricity (Total Bill Without Tax - \$114.26 divided by average residential consumption of 916 kWh). Converting these average costs for natural gas and electricity to a cost per MMBTU of energy content, natural gas is \$9.14 per MMBTU (MMBTU conversion factor of 1.037) and electricity is \$36.56 per MMBTU (MMBTU conversion factor .003412).

KGS Residential Bill Comparison
KCC Utilities and Common Carrier Report - page 38
Natural Gas

Westar Residential Bill Comparison
KCC Utilities and Common Carrier Report - page 22
Electricity

Average Residential Consumption (Mcf)	5.67	916	Average Residential Consumption (kWh)
Total Bill without Tax	51.83	114.26	Total Bill without Tax
Avg Cost per Mcf Billing Unit			Avg Cost per kWh Billing Unit
Formula (Total Bill without Tax \$51.83 / Avg Residential Usage 5.67 Mcf)	\$9.14	\$0.124738	Formula (Total Bill without Tax \$114.26 / Avg Residential Usage 916 kWh)
*MMBTU Conversion Factor	1.037	0.003412	*MMBTU Conversion Factor
Average Cost per 1,000,000 BTUs of Energy			Average Cost per 1,000,000 BTUs of Energy
Formula (MMBTU Conversion Factor 1.037 / Avg Per MCF Cost \$9.14)	<u>\$8.81</u>	<u>\$36.56</u>	Formula (MMBTU Conversion Factor .003412 / Avg Per kWh Cost \$0.124738)
Natural Gas advantage ratio to Electricity - per MMBTU of energy	4.15		
Formula (Total Cost Per MMBTU \$36.56 / \$8.81) 4.15 Ratio			
Natural Gas comparison to kWh - based on kWh cost			
Formula (Avg Cost per kWh \$0.124738 * 3,412 Btu/kWh conversion factor)	\$0.04	\$0.124738	
Natural Gas advantage ratio to Electricity - kWh to NG Ratio	3.41		

These comparisons support KGS's position that Kansas residents, who do not have a choice as to their source of energy as a result of Westar's Program, face higher costs for those end-uses that could be fueled by natural gas. The Program creates areas within the State where residents are captive to the electric utility and do not have the opportunity that other nearby residents have to be able to choose between natural gas and electricity. Given the current significant difference between the cost of electricity and natural gas as exhibited above, residents who do not have a choice because of Westar's Program are harmed by that Program.

Q. Does Westar's Program also have a negative impact on KGS's customers?

1 A. Yes. When Westar pays a developer in exchange for that developer's agreement
2 to only build total electric homes in its subdivision, KGS loses the opportunity to
3 provide natural gas service to residents in that subdivision. As a result, KGS
4 unfairly loses the opportunity to increase revenues that can be used to offset
5 expenses paid by our existing customers. This missed opportunity is a negative
6 impact to our customers. To be clear, KGS is not against competing with Westar
7 for the opportunity to provide a cost-effective energy choice to new residential
8 customers. However, competition should be conducted on a level playing field
9 and the Commission should determine whether such competition is beneficial or
10 harmful to the public interest. In this case, Westar's Program creates an un-level
11 playing field due to its act of paying developers to bar the opportunity for natural
12 gas use in their developments. Even if that practice wasn't harmful to the public
13 interest for all the reasons I have already explained in my testimony, a natural gas
14 utility could not make a similar offer to a developer because all homes must have
15 electricity. It is that fact alone, that proves Westar's Program creates an un-level
16 playing field for competition. And, of course, as I have previously indicated, even
17 if there was a way to level the competitive playing field, the practice of a utility
18 paying developers, using customer dollars, in exchange for them agreeing not to
19 use electricity or natural gas in their homes results in harming the public interest
20 by effectively eliminating customer choice.

1 **Q. You testified that Westar’s Program effectively eliminates the opportunity for**
2 **natural gas facilities to be built in these subdivisions targeted by Westar. Do you**
3 **have any examples of where this has actually occurred?**

4 **A.** Yes. As part of the discovery conducted in this Complaint case, the Commission
5 Staff (“Staff”) issued Data Request (“DR”) No. 013, asking KGS to review the 25
6 largest subdivisions identified by Westar where Westar had paid the developer in
7 exchange for the developer agreeing to only build all electric homes and provide
8 the following: the amount of natural gas piping currently installed in those
9 subdivisions; and, the number of residents in those subdivisions that have natural
10 gas service. During review, we found that 21 of the 25 subdivisions referenced in
11 that response, had no natural gas piping installed and none of the residents in
12 those 21 subdivisions have access to natural gas. Also, in response to KCC DR-06,
13 Westar informed Staff that at the time of the response, the utility had 1,924
14 residential units⁵ constructed pursuant to the terms of its all electric heat pump
15 program.

16 **Q. Do you have any evidence where a developer, who was originally going to have**
17 **natural gas service available for homeowners in its subdivision, was persuaded**
18 **by Westar’s payment to the developer in exchange for the developer agreeing**
19 **to build only total electric housing in its subdivision?**

⁵ See, Westar response to data request KCC-06.

1 A. Yes. Harry's Landing is a residential subdivision with 30 duplexes located in
2 Wichita, Kansas. The developer, Superior Homes LP, originally contracted with
3 KGS in March 2017 to install 700 feet of 2-inch plastic natural gas main to serve
4 the homes built by the developer. However, not long after KGS completed the
5 installation of the natural gas main and four service lines, Westar contracted with
6 the developer under its Program and required the developer to build the
7 remaining duplexes as total electric in exchange for receiving payments from
8 Westar.⁶

9 **Q. To your knowledge, has KGS been requested by a developer to remove natural**
10 **gas facilities from a particular location to aid a developer in meeting**
11 **requirements similar to those contained in Westar's Program?**

12 A. Yes. The developer of Townhomes at the Reserve, in Lenexa, Kansas specifically
13 requested KGS to remove the previously installed natural gas facilities from the
14 property. I inquired as to why and learned that the developer had an agreement
15 with KCPL to go total electric and expected to receive a \$300,000 payment from
16 KCPL if it built only total electric homes in the subdivision. KGS had installed 7,403
17 feet of 2-inch plastic and 2,560 feet of 4-inch plastic natural gas main in the
18 development and completed the work in January 2008. Between the years 2008-
19 2011, 28 natural gas service lines were installed within this development. This
20 installation represented preparation of service to 7 of the 58 planned 4-plex

⁶ See, Westar response to data request KGS-10.

1 townhome buildings. Prior to the removal request, KGS was preparing to install
2 services to the remaining 51 townhome buildings under construction for a total of
3 204 future additional natural gas meters. But, at the request of the developer, the
4 natural gas main previously installed was abandoned on September 20, 2017, so
5 the developer could accept the payments offered by KCPL.

6 Q. In its Complaint, KGS states that Westar's Program is harmful to the public
7 interest because it creates economic waste by effectively prohibiting the
8 installation of natural gas facilities in the subdivisions covered by Westar's
9 Program, creating areas (pockets or islands) located within urban communities
10 where residents only have access to electricity for space and water heating,
11 cooking meals and drying clothes and where the unexpected homebuyer may not
12 realize it has no access to natural gas in these subdivisions until after purchasing
13 the home. Do you have a map of the Wichita area that visually shows what KGS
14 is referring to in its Complaint?

15 A. Yes. Exhibit LSL-2 is a map of that portion of Wichita that is served by KGS. The
16 map highlights the location of those subdivisions identified by Westar during
17 discovery in this case where Westar has paid the developer for the developer
18 agreeing to build only total electric homes in its subdivision. This map shows the
19 pockets or islands in the Wichita area where residents only have access to
20 electricity and where the unexpected homebuyer may not realize it has no access
21 to natural gas in these areas because of Westar's Program.

1 **Q. Is it possible for KGS to later install natural gas facilities in an area previously**
2 **built as all electric?**

3 A. Yes. However, the costs to install natural gas facilities in an established area are
4 not comparable to the costs of installation during the new construction phase.
5 Future costs would include increased material, labor and added restoration costs
6 to repair established lawns, driveways or sidewalks that are typically not issues in
7 a new and unfinished development. Additional costs could also be incurred by the
8 homeowner who may be dealing with a finished basement. Moreover, should a
9 single homeowner or just a few homeowners desire to have natural gas in a total
10 electric subdivision, the cost to extend the main and install the service lines is
11 uneconomical to both the homeowners and KGS. It is our experience that
12 receiving a commitment from enough homeowners to pay for the installation of
13 natural gas piping to share in the cost would be difficult. Future consideration by
14 a single homeowner to convert is often driven by need or desire to replace a
15 furnace or appliances and in those cases, where the homeowner lives in one of
16 these subdivisions (where the developer was paid by Westar to build only all
17 electric homes) the homeowner is left with no real viable choice even if he or she
18 wanted to replace the heat pump with a natural gas furnace or an electric stove
19 with a natural gas range.

20 **IV. Remedies Requested By KGS In This Complaint Case**

21 **Q. What is KGS asking the Commission to do in this Complaint case?**

1 A. In Section V of Ms. Buchanan’s testimony, she sets out what KGS is asking the
2 Commission to do in this case, including the findings and conclusions that KGS is
3 asking the Commission to include in its Order in this case. Based upon my
4 perspective, KGS is asking the Commission, in part, to issue an order finding that
5 Westar’s Program is harmful to the public interest for the reasons set forth by KGS
6 in its Complaint and its supporting testimony. Westar should be prohibited from
7 paying developers in exchange for those developers building only total electric
8 homes in their subdivisions; and that the Westar Program be terminated. ⁷

9 **v. Conclusion**

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

11 A. Yes.

⁷ K.S.A. 66-101f

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SEDGWICK)

Lyn S. Leet, being duly sworn upon her oath, deposes and states that she is Manager, Customer Development for Kansas Gas Service, a division of ONE Gas, Inc.; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information, and belief.



Lyn S. Leet

Subscribed and sworn to before me this 23rd day of April 2019.


NOTARY PUBLIC

My appointment Expires:

July 1, 2020



Exhibit LSL-1



EXHIBIT A

2016 Total Electric Subdivision Heat Pump Program

Person's Name
Company Name
Company Address
City, KS zip

LETTER OF INTENT: Total Electric Heat Pump Subdivision
Development Name, Development City, KS

MAXIMUM NUMBER OF BUILDINGS:

XX buildings. All buildings within the subdivision to be built Total Electric with a Full Heat pump split system as the primary heating source. All buildings to be served directly by Westar Energy.

REBATE AMOUNTS:

Westar Energy Agrees to provide a cash rebate for each building, once a heat pump system and permanent residential meter have been set. The cash rebate amounts are as follows:

Building Type	PER BUILDING PAYOUT		Notes
	14 SEER HP	16+ SEER HP	
Single Family	\$1,200.00	\$1,500.00	1 or more heat pump system per building
Duplexes	\$1,600.00	\$2,000.00	2 or more heat pump systems per building
Quads	\$2,400.00	\$3,000.00	4 or more heat pump systems per building
Greater than Quad	\$500.00 per HP unit, 14+ SEER		Maximum \$20,000.00 rebate per building

COMPLETION DATE:

This agreement is in effect for five years from the date of signature.

ACCEPTANCE:

Westar Energy agrees to the above agreement and accepts the above conditions.

Tiffe Greathouse
Westar Energy
Account Manager, Trade and Ally Services

Date

Company Name agrees to the above agreement and accepts the above conditions.

Person's name

Date

Title



2019 Total Electric Subdivision Heat Pump Program

Person's Name
 Company Name
 Company Address
 City, State, Zip

LETTER OF INTENT: Total Electric Heat Pump Subdivision
 Development Name, Development City, KS

MAXIMUM NUMBER OF BUILDINGS:

XX buildings. All buildings within the subdivision to be built Total Electric with a Full Heat Pump split system as the primary heating source. All buildings to be served directly by Westar Energy.

REBATE AMOUNTS:

Westar Energy Agrees to provide a cash rebate for each building, once a full heat pump system and permanent residential meter have been set. The cash rebate amounts are as follows:

Building Type*	PER BUILDING PAYOUT		Notes
	14 SEER HP	16+ SEER HP	
Single Family	\$1,200.00	\$1,500.00	1 or more heat pump system per building
Duplexes	\$1,600.00	\$2,000.00	2 or more heat pump systems per building
Triplexes	\$2,100.00	\$2,700.00	3 or more heat pump systems per building
Quads	\$2,400.00	\$3,000.00	4 or more heat pump systems per building
Greater than Quad	\$500.00 per HP unit, 14+ SEER		Maximum \$20,000.00 rebate per building

*Must be within a total electric subdivision containing multiple buildings of quads or less.

COMPLETION DATE:

This agreement is in effect for five years from the date of signature.

ACCEPTANCE:

Westar Energy agrees to the above and accepts the above conditions.

 Drew Torkelson
 Westar Energy
 Manager, Trade and Ally Services

 Date

Company Name agrees to the above and accepts the above conditions.

 Person's Name

 Date

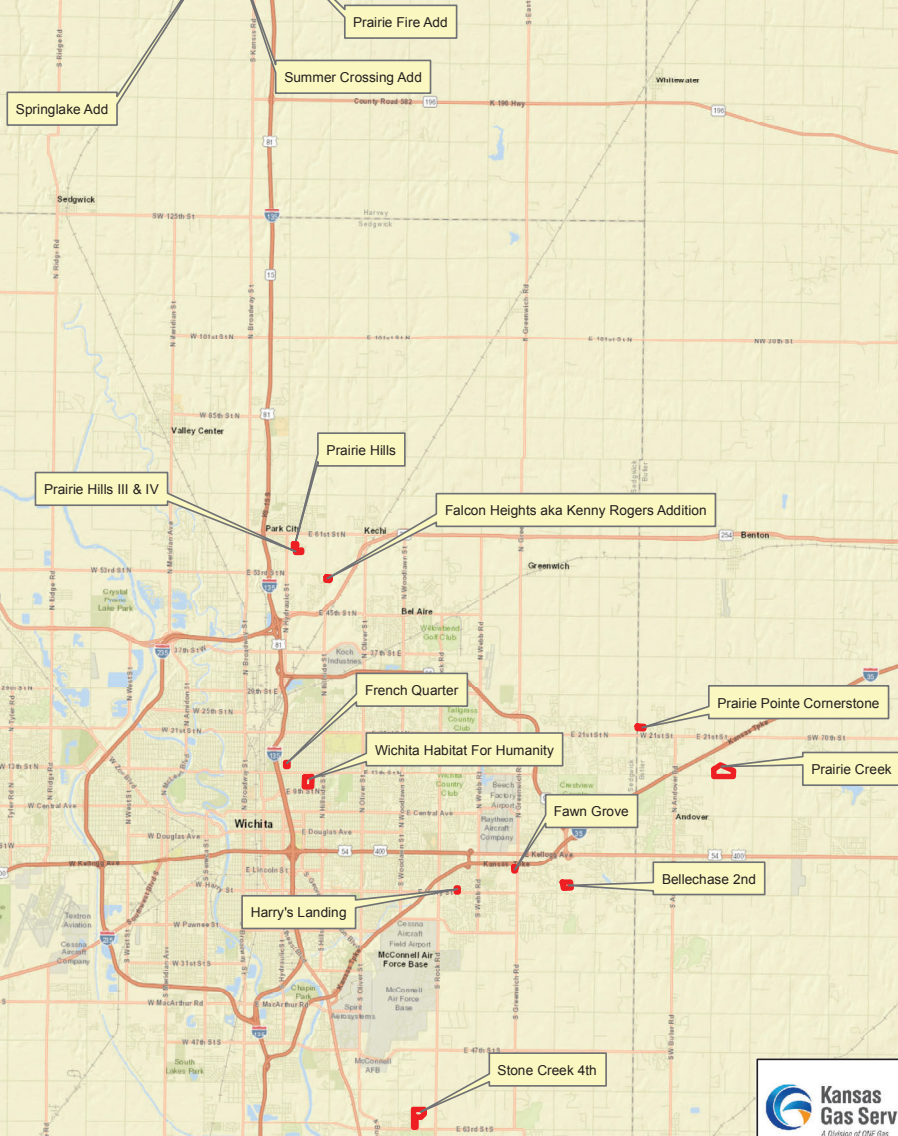
 Title

Exhibit LSL-2


Wichita Area Lost Subdivisions (14 lots and greater)

19-WSEE-061-COM

Exhibit LSL-2



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, OpenStreetMap contributors, and the GIS User Community



Kansas Gas Service
A Division of ONE Gas

Title:	
Legal:	Error: Source object not found
Town:	Error: Source object not found
Scale:	Error: Source object not found
By:	Error: Source object not found
Date:	4/21/2019