

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 OF AN )  
ACCOUNTING ORDER TO TRACK EXPENSES )  
ASSOCIATED WITH THE INVESTIGATING, )  
TESTING, MONITORING, REMEDIATING )  
AND OTHER WORK PERFORMED AT THE )  
MANUFACTURED GAS PLANT SITES )  
MANAGED BY KANSAS GAS SERVICE )

Docket No. 17-KGSG-455-ACT

TESTIMONY IN SUPPORT OF SETTLEMENT AGREEMENT

JOSH FRANTZ

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

JUNE 5, 2025

**I. Statement of Qualifications**

**Q. Please state your name, employer, and business address.**

A. My name is Joshua (Josh) Frantz. I am employed by the Citizens' Utility Ratepayer Board (CURB) as a Senior Regulatory Analyst. My business address is 1500 SW Arrowhead Road, Topeka, Kansas 66604.

**Q. Please describe your educational background and qualifications.**

A. I earned a Master of Business Administration degree from Washburn University of Topeka, Kansas. I also earned a Bachelor of Business Administration degree from Washburn University. My undergraduate majors were finance, marketing, and management.

**Q. Please describe your professional background and qualifications.**

A. Since April 2019, I have served in my current position as Senior Regulatory Analyst with CURB.

From August 2015–April 2019, I was employed by the Kansas Corporation Commission (“KCC” or “Commission”) in the Utilities division. I began my employment with the KCC as a Senior Research Economist and was promoted to Managing Rate Analyst.

**Q. Have you previously testified before the Commission?**

A. Yes. Over the course of my employment with CURB and prior employment with KCC

Staff, I have provided testimony and recommendations in several proceedings before the Commission. A list of my prior filings is available, upon request.

## **II. Summary of Testimony**

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

A. My testimony indicates CURB's support for the *Unanimous Settlement Agreement* ("Agreement") filed in this docket on May 30, 2025.

## **III. Background**

**Q. Briefly describe the Company's proposal.**

A. On January 3, 2025, Kansas Gas Service, a division of ONE Gas, Inc. ("Company" or "KGS") filed its *Application to Increase the Cap Placed on Accounting Authority Order* ("Application") requesting approval to increase the cap on the Accounting Authority Order ("AAO") that authorizes the accumulation, deferral, and recovery of costs ("MGP costs") associated with KGS's ongoing obligation to perform environmental investigating, testing, monitoring, remediating, and other work on specific manufactured gas production ("MGP") sites. KGS is requesting to increase the cap on the AAO from \$15 million to \$32 million, which represents the most updated cost estimate for environmental work that KGS is performing at the MGP sites under the direction and supervision of the Kansas Department of Health and Environment ("KDHE").<sup>1</sup>

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<sup>1</sup> See Application to Increase the Cap Placed on Accounting Authority Order, p. 2 (Jan. 3, 2025) ("Application").

1 All other terms in the 2017 *Unanimous Settlement Agreement* (“2017 Agreement”)  
2 will remain in place.  
3

4 **Q. Describe the relevant points from the 2017 *Application for Accounting Order* (“2017**  
5 ***Application*”) and CURB’s responsive testimony in this docket.**

6 A. In the 2017 Application, KGS requested a ten-year amortization period for the AAO.<sup>2</sup>

7 In her 2017 Direct Testimony, CURB witness Andrea Crane recommended that all  
8 environmental work costs should be recovered from the Company’s shareholders, not  
9 ratepayers.<sup>3</sup> She argued that costs relating to remediation of MGP sites are not necessary  
10 for the provision of prospective natural gas service — current ratepayers should not be  
11 responsible for costs related to the provision of past service that was provided nearly a  
12 century ago (the last of the relevant MGP sites were closed in 1930).<sup>4</sup> She recommended  
13 that *if* the KCC found some recovery from ratepayers was appropriate, then it should limit  
14 deferral to 50% of remediation costs so that ratepayers do not pay more than the Company’s  
15 shareholders.<sup>5</sup>  
16

17 **Q. Describe the relevant points from the 2017 Agreement.**

18 A. The parties eventually reached a unanimous settlement agreement which was approved by  
19 the Commission on November 21, 2017. The 2017 Agreement set the cap of net deferred

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<sup>2</sup> Application for Accounting Order, ¶20(b) (Apr. 11, 2017) (“2017 Application”).

<sup>3</sup> Direct Testimony of Andrea Crane, p. 28 (Sep. 8, 2017) (“Crane Direct”)

<sup>4</sup> Crane Direct, p. 17.

<sup>5</sup> Crane Direct, p. 28.

costs at \$15 million for prudent environmental work costs incurred after January 1, 2017, to be amortized over 15-years.<sup>6</sup> KGS was allowed to seek a different amortization period for each separate tranche of MGP Costs provided the amortization period did not result in ratepayers paying greater than the net present value of 60% of MGP Costs.<sup>7</sup>

The 15-year amortization period agreed upon in the 2017 Agreement was longer than the period initially proposed by KGS.

Additionally, CURB reserved the right to challenge any request to increase the cap and reserved its right to argue that any additional costs should be paid entirely by the Company's shareholders.<sup>8</sup>

**Q. Briefly summarize KCC Staff's response to the Application.**

A. KCC Staff's Report and Recommendation ("R&R") in response to the Application was filed on April 25, 2025. KCC Staff recommended that the Commission approve KGS's request to increase the AAO cap for MGP environmental work costs from \$15 million to \$32 million.<sup>9</sup> KCC Staff supports the continued recovery of the MGP environmental costs over a 15-year recovery period without the accumulation of a return or inclusion in rate base. KCC Staff pointed out that this effectively resulted in a net present value disallowance of approximately 40% of MGP costs.<sup>10</sup>

<sup>6</sup> Unanimous Settlement Agreement, ¶¶ 9–10 (Oct. 12, 2017). ("2017 Agreement").

<sup>7</sup> 2017 Agreement, ¶ 9.

<sup>8</sup> 2017 Agreement, ¶ 10.

<sup>9</sup> Report and Recommendation, p. 5 (April 25, 2025) ("Staff R&R").

<sup>10</sup> Staff R&R, p. 5.

**Q. Briefly summarize CURB's response to KCC Staff's R&R.**

A. CURB's response to KCC Staff's R&R was filed on May 8, 2025. In its response, CURB referenced and incorporated the arguments from Ms. Crane's 2017 Direct Testimony.<sup>11</sup> CURB believes the concerns Ms. Crane raised regarding generational inequity and cost uncertainty are still relevant. CURB is also deeply concerned that the requested cap increase is more than double what was approved in 2017 and may not be the last request for an increase. However, CURB also recognizes the importance of MGP site remediation efforts. Therefore, CURB does not oppose raising the AAO cap on MGP costs to \$32 million.<sup>12</sup> However, CURB's initial position was that the Commission should limit ratepayer's share of MGP costs to 50%.<sup>13</sup>

**Q. Briefly summarize KGS's response to KCC Staff and CURB.**

A. On May 8, 2025, KGS responded to KCC Staff's R&R and CURB's Response. KGS noted that, with acknowledgment of nearly two years of lag between cost incursion and approval for recovery, the 15-year amortization period for the last tranche of \$13.5 million MGP costs is projected to result in an effective split ratio of approximately 51-49 between ratepayers and shareholders.<sup>14</sup>

<sup>11</sup> CURB's Response to Staff's Report and Recommendation, ¶6 (May 8, 2025) ("CURB Response").

<sup>12</sup> CURB Response, ¶10.

<sup>13</sup> CURB Response, ¶10.

<sup>14</sup> Response of Kansas Gas Service to Staff's Report and Recommendation and CURB's Response to Staff's Report and Recommendation, Exhibit KGS-1 (May 8, 2025).

**IV. Settlement Agreement**

**Q. Have the Parties reached a settlement on this matter?**

A. Yes. The Agreement was filed on May 30, 2025.

**Q. Who are the Parties in this docket?**

A. The Parties in this docket are KCC Staff, CURB, and KGS.

**Q. Is the Agreement a unanimous settlement agreement?**

A. Yes. All Parties are Signatories to the Agreement. The Agreement meets the criteria of a “unanimous settlement agreement” according to K.A.R. 82-1-230a(2).<sup>15</sup>

**Q. Please describe the key provisions of the Agreement.**

A. There are two primary provisions of the Agreement:

- 1) The Signatories recommend the Commission approve the Company’s request to increase the cap for MGP costs from \$15 million to \$32 million;<sup>16</sup> and
- 2) CURB reserves the right to address the sharing mechanism in any future filing where KGS seeks to increase the cap for MGP environmental costs under the AAO.<sup>17</sup>

All other terms of the 2017 Agreement remain unchanged. Since the Agreement is

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<sup>15</sup> “Unanimous settlement agreement” means an agreement that is entered into by all parties to the proceeding or an agreement that is not opposed by any party that did not enter into the agreement.

<sup>16</sup> Unanimous Settlement Agreement, ¶9 (May 30, 2025) (“Agreement”).

<sup>17</sup> Agreement, ¶10.

1 unanimous, the Parties agree to waive the remaining portion of the procedural schedule in  
2 this docket and allow the Agreement to be reviewed and decided by the Commission on an  
3 administrative basis.<sup>18</sup>

4  
5 **V. Evaluation**

6 **Q. What criteria does the Commission generally consider when reviewing unanimous**  
7 **settlement agreements?**

8 A. Generally, the Commission will accept a unanimous settlement agreement if the following  
9 three criteria are met: 1) the agreement is supported by substantial competent evidence; 2)  
10 the agreement will result in just and reasonable rates or charges; and 3) the results of the  
11 agreement are in the public interest.<sup>19</sup>

12  
13 **A. Substantial Competent Evidence**

14 **Q. Is the Agreement supported by substantial competent evidence on the record?**

15 A. Yes, I believe the Agreement is supported by substantial competent evidence. The record  
16 contains thorough documentation prepared by well-qualified and competent professionals.  
17 In response to the application to increase the cap by \$17 million, there are documents that  
18 break out the costs assessed to ratepayers over the course of the amortization period and a

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<sup>18</sup> Agreement, ¶11c.

<sup>19</sup> In Docket No. 08-ATMG-280-RTS, the Commission developed a five-factor test for review of non-unanimous settlement agreements. More recent Commission Orders have used a three-factor test for review of unanimous settlement agreements (e.g., Order Approving Unanimous Settlement Agreement, ¶17–18, Docket No. 21-BHCG-418-RTS [Dec. 30, 2021]).



1 calculation of the sharing ratio between ratepayers and shareholders that evidence  
2 compliance with the 2017 Agreement.

3  
4 **B. Just and Reasonable Rates/Charges**

5 **Q. Will the Agreement result in just and reasonable rates/charges?**

6 A. Yes, I believe that, if approved, the Agreement will result in just and reasonable rates.

7 In 2017, to the extent that the KCC determined that some recovery from ratepayers  
8 was appropriate, CURB recommended that any such recovery be limited to 50%. The  
9 Commission determined that a split of MGP costs between ratepayers and shareholders  
10 was appropriate at that time. KCC Staff is currently recommending continuing to split  
11 MGP costs with the same 15-year amortization period that was unanimously agreed upon  
12 and approved in 2017, which continues to be more favorable for ratepayers compared to  
13 KGS's initial 2017 proposal of a 10-year amortization period.

14 CURB recognizes that with a 15-year amortization period, no specific split ratio  
15 has been agreed upon — the effective ratio is dependent upon the Company's cost of capital  
16 at any given time. However, with the consideration of lag between investment and  
17 recovery, the current projected ratio is nearly 50-50.

18 CURB does have concerns that this request increase to the “cap” may not be the  
19 last, but the Agreement preserves CURB's right to address the sharing mechanism in any  
20 future filing where KGS seeks to increase the cap or change the amortization period for  
21 MGP costs under the AAO.

**C. Public Interest**

**Q. Is the Agreement in the public interest?**

**A.** Yes, I believe approval of the Agreement is in the public interest.

CURB recognizes the importance of MGP site remediation efforts and KDHE's responsibility in managing hazards stemming from MGP facilities. Although CURB is not fond of expenses that do not contribute to the provision of efficient and sufficient services for existing customers, the reality is that another government agency tasked with promoting public health and environmental remediation is directing this work. KGS's compliance with directives from KDHE is not something that the Company can ignore or negotiate now that KGS has accepted responsibility for these properties. Facilitating the timely and comprehensive remediation of these areas is in the public interest of all Kansans, and not just KGS customers.

The Agreement provides an amortization period for MGP costs that sufficiently mitigates the financial impact upon ratepayers. The unanimous Agreement will also reduce regulatory costs and will eliminate the litigation risk inherent in continuing to litigate these issues before the Commission. However, the Agreement will preserve CURB's ability to rebut additional cap increases and to preserve fair cost-sharing methods between ratepayers and shareholders.

**VI. Conclusion**

**Q. Please summarize your comments.**

1     A.     CURB supports the Agreement because it meets the Commission's standard criteria for  
2           approval of unanimous settlement agreements: 1) it is supported by substantial competent  
3           evidence; 2) it will result in just and reasonable rates or charges; and 3) it is in the public  
4           interest. Thus, the Commission should approve the Agreement, thereby approving the  
5           Company's request to increase the cap for MGP costs from \$15 million to \$32 million.

6

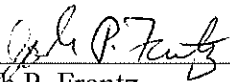
7     **Q.     Does this conclude your testimony?**

8     A.     Yes.

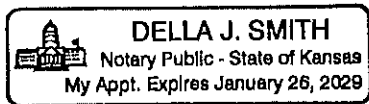
**VERIFICATION**

STATE OF KANSAS                     )  
  )  
COUNTY OF SHAWNEE            )       ss:

I, Josh P. Frantz, of lawful age and being first duly sworn upon my oath, state that I am a Senior Regulatory Analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Josh P. Frantz

SUBSCRIBED AND SWORN to before me this 5<sup>th</sup> day of June, 2025.



  
\_\_\_\_\_  
Notary Public

My Commission expires: 01-26-2029.

**CERTIFICATE OF SERVICE**

17-KGSG-455-ACT

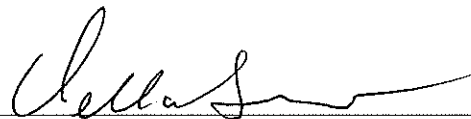
I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 5<sup>th</sup> day of June, 2025, to the following:

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A handwritten signature in black ink, appearing to read 'Della Smith', written over a horizontal line.

Della Smith  
Senior Administrative Specialist