**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 Adjustment of	**)**	**Docket No. 24-KGSG-610-RTS**
its Natural Gas Rates in the	**)**	
State of Kansas	**)**	

REDACTED

DIRECT TESTIMONY

PREPARED BY

KATIE L. FIGGS

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

July 1, 2024

Contents

I. Introduction and Qualifications

Q. Would you please state your name and business address?

A. My name is Katie L. Figgs. My business address is 1500 Southwest Arrowhead Road, Topeka, Kansas, 66604.

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

A. I am employed by the Kansas Corporation Commission (KCC or Commission) as a Managing Auditor.

Q. Would you please describe your educational background and professional experience?

A. I received a Bachelor's of Business Administration with an emphasis in Accounting from Washburn University in May of 2011. I began employment with the Commission as an Auditor in August 2012, advanced to Senior Auditor in November 2016, and then promoted to my current position in August 2020.

Q. Have you ever testified before this Commission?

A. Yes. I have filed testimony before the Commission in Docket Nos. 14-ATMG-320-RTS, 15-WSEE-115-RTS, 16-ATMG-079-RTS, 18-WSEE-328-RTS, 18-KGSG-560-RTS, 19-EPDE-223-RTS, and 23-EKCE-775-RTS. I have also filed testimony for Applications by Rural Local Exchange Carriers to increase their cost-based Kansas Universal Service Fund payments for Docket Nos. 12-LHPT-875-AUD, 13-JBNT-437-KSF, 13-PLTT-678-KSF, 14-S&TT-525-KSF, 15-MRGT-097-AUD, 15-TWVT-213-AUD, 17-RNBT-555-KSF, 19-GNBT-505-KSF, 20-UTAT-032-KSF, 20-BLVT-218-KSF, 22-CRKT-087-KSF, 22-COST-546-KSF, and 24-TTHT-343-KSF.

II. Executive Summary

Q. What were your responsibilities in the review of the natural gas distribution rate case filing made by Kansas Gas Service, a Division of ONE Gas, Inc. (ONE Gas, KGS or Applicant) in Docket No. 24-KGSG-610-RTS (24-610 Docket) filed on March 1, 2024?

A. My responsibilities as the lead auditor were to analyze, audit, and review KGS's Rate Case Application. I examined the Company's filing for accuracy and adherence to regulatory accounting principles and issued discovery regarding my assigned sections of the Application. Also, I am supporting selected Staff adjustments to KGS's pro forma income statement in an effort to ensure that the resulting rates are just and reasonable. My duties were carried out under the direction of the Chief of Accounting and Financial Analysis, Chad Unrein.

Q. What is the purpose of your testimony?

A. In summary, I recommend that the Commission:

- Annualize KGS and Corporate Payroll Expense based on updated data through April 30, 2024, and adjust 401(k) contributions, profit sharing contributions, and payroll taxes accordingly;
- Update and normalize Workers' Compensation Expense through April 30, 2024;
- Update Medical Reserve Expense to reflect actual costs incurred as of April 30, 2024;
- Update KGS's Pension and Postretirement (OPEB) Expense to reflect actual expense recorded through April 30, 2024;
- Update the amortization of KGS's Pension and OPEB Tracker 1 balance to reflect actual balances as of April 30, 2024, and to recognize the amount of Pension and OPEB Expense for Tracker 1 included in the cost of service;
- Update KGS's share of Corporate Pension, Postretirement, and Medical Benefits Expense adjustment to reflect actual expense recorded through April 30, 2024;

- Remove Executive Incentive Compensation based on financial performance metrics for Short-Term Incentive and Long-Term Incentive Compensation;
- Update Interest Expense based on the thirteen-month average of Customer Deposits to correspond with Staff's adjustment to Customer Deposits (Staff witness Ian Campbell sponsors Staff Adjustment No. RB-9);
- Remove Severance Expense Staff considers inappropriate for ratepayer recovery;
- Remove a portion of Relocation Expense Staff considers inappropriate for ratepayer recovery;
- Adjust Rate Case Expense to reflect the most recent information available; and
- Remove various Corporate Miscellaneous Expenses inappropriate for ratepayer recovery.

Q. Please provide the list of Staff witnesses and a brief description of the testimony they are sponsoring.

A. **Bill Baldry**: Mr. Baldry sponsors testimony on selected rate base and income statement adjustments, including excess deferred income taxes, accumulated deferred income taxes, lease expense, and Staff's position regarding the Tracker mechanism treatment due to Internal Revenue Service (IRS) issuing a private letter ruling.

Daniel Buller: Mr. Buller sponsors testimony on selected rate base and income statement adjustments, including plant-in-service, accumulated depreciation, and depreciation expense.

Ian Campbell: Mr. Campbell sponsors testimony on selected rate base and income statement adjustments, including corporate accumulated deferred income taxes, materials and supplies, prepayments, stores expense, gas storage expense, customer advances and deposits, dues, donations, and sponsorships.

Lana Ellis: Ms. Ellis sponsors testimony related to Staff's rate design.

Andria Jackson: Ms. Jackson sponsors testimony on selected rate base and income statement adjustments, including accumulated deferred income taxes, net operating loss, Brehm storages costs, Manufactured Gas Plant (MGP) costs, Distrigas allocation, and Cyber Security Tracker.

Kristina Luke-Fry: Ms. Luke-Fry sponsors testimony related to Staff Schedules and Staff's class cost of service study.

Adam Gatewood: Mr. Gatewood sponsors testimony on Staff's recommended rate of return on rate base for KGS, including the appropriate capital structure, cost of equity, and cost of debt to use for this proceeding.

Robert Glass: Dr. Glass sponsors testimony regarding Staff's weather normalization and customer annualization adjustments.

Roxie McCullar: Ms. McCullar sponsors testimony on Staff's recommendation for depreciation rates.

Chad Unrein: Mr. Unrein sponsors testimony related to KGS's requested performance based ratemaking mechanism, as well as providing information to the Commission pertaining to the level of capital expenditures KGS has made in the years between KGS's last rate case and this Docket.

Q. How is the remainder of your testimony organized?

A. The remainder of my testimony is organized as follows:

(1) Overview – I provide an overview which presents some of the significant components of the rate case and how they differ for KGS's last general rate case. I also discuss the major drivers of KGS's requested rate increase.

(2) Just and Reasonable Review – I discuss Staff's revenue requirement analysis. I also present a table of Staff's adjustments to the pro forma income statement and rate base that define the differences between Staff's and KGS's recommended revenue requirement.

(3) Income Statement – I discuss and support my adjustments to KGS's pro forma income statement.

(4) Conclusion – I provide a summary of my recommendations in this Docket and an outline of the Staff exhibits I am sponsoring.

III. Overview

Q. Please provide an overview of KGS.

A. KGS is a natural gas public utility that was formed in 1997 when ONEOK, Inc. (ONEOK), purchased natural gas assets from Western Resources. In January 2014, ONEOK separated its natural gas distribution business to create ONE Gas, one of the largest publicly traded, 100 percent-regulated natural gas utilities in the United States. KGS is the largest natural gas distribution utility in Kansas, providing natural gas to approximately 648,000 customers located in over 360 communities.

Q. Please provide an overview of the rate case request as filed by KGS.

A. KGS's Application, filed March 1, 2024, requests a gross revenue requirement increase of $93,103,156 or 29.41 percent increase in its natural gas service rates. The net rate impact of this request for customers results in a $58,073,667 increase after rebasing the amounts currently collected through the Gas System Reliability Surcharge (GSRS).[1] This increase is supported by pro forma revenues of $336.44 million, pro forma expenses of $299.97 million, and a pro forma rate base of $1,395.35 million. KGS has requested a 10.25 percent return on equity and a 7.8849 percent overall rate of return (after tax weighted average cost of capital).

The table below summarizes KGS's current rate case request and compares the requests from the last two KGS general rate cases, Docket Nos. 16-KGSG-491-RTS (16-491 Docket) and 18-KGSG-560-RTS (18-560 Docket).

KGS Pro Forma Rate Base, Revenue, Expenses, Income (in Millions)			
Description	**16-491 Docket**	**18-560 Docket**	**24-610 Docket**
Net Plant	$1,166.36	$1,296.95	$1,690.39
Net Rate Base	$902.97	$1,016.08	$1,395.35
Total Operating Revenue	$287.93	$299.61	$336.44
Total Operating Expense	$243.62	$254.78	$299.97
Operating Income	$44.31	$44.84	$36.47

Q. What are the primary drivers of KGS's requested rate increase?

A. According to KGS testimony, there are several major drivers behind KGS filing this rate case, including: (1) significant investment in KGS's distribution system since its last rate case resulting in changes to rate base, depreciation, proposed weighted average cost of

[1] The $58,073,667 net revenue increase (includes $15,209,005 of Ad Valorem tax expense) is the result of offsetting the $93,103,156 requested increase by $35,029,489 already being recovered from ratepayers through the GSRS.

capital, and Ad Valorem expense; (2) increases in operations and maintenance (O&M) expense, that continue to rise, such as employee wages and benefits and costs for materials and supplies; (3) a proposal to establish an authorized Return on Equity (ROE) of 10.25 percent; (4) a proposal to implement a performance-based ratemaking mechanism, the Annual Performance-based Rate Adjustment (APRA), that would provide for an annual review and adjustment of the Company's cost of operations and actual return on equity; (5) proposes to implement a two-part A/B rate plan separating residential customers into two subclasses based on usage levels to provide customers more options to control their bills; and (6) a proposal to update depreciation rates based on the 2023 Depreciation Rate Study conducted by Foster Associates, Inc.; (7) a proposal to allow a portion of financially based executive and officer incentive compensation be included in the cost of service; and (8) a proposal to resume collecting disconnection and reconnection charges that were suspended as part of the Knock and Collect Waiver Pilot Program, approved June 19, 2020, in Docket No. 15-GIMX-344-GIV (15-344 Docket).

Q. What is the total rate impact of KGS's proposed revenue requirement?

A. While KGS requests an overall revenue requirement increase of $93.1 million, the net impact to customers equates to $58.1 million as a result of rebasing the amount currently collected from customers associated with the GSRS. Staff has also presented its revenue increase in the same manner. The net result being as follows:

Net Rate Impact		
Description	**KGS**	**Staff**
Base Revenue Requirement Increase	$93,103,156	$66,717,969
Percentage Increase in Base Rates	29.41%	21.07%
GSRS Rebased	$35,029,489	$35,029,489
Net Revenue Increase to Customers	$58,073,667	$31,688,480[2]
Net Percentage Increase	18.34%	10.01%

Q. What test year did KGS use in its Application before the Commission?

A. KGS's revenue requirement schedules are based on a historical test year of the 12-months ending September 30, 2023.

Q. Did Staff use the same test year or perform substantive updates to the test year used by KGS?

A. Yes, Staff accepted KGS's test year and has made adjustments where appropriate to reflect known and measurable changes to the test year through April 30, 2024. This approach is consistent with Staff's audit practices in nearly every major rate case before the Commission for more than ten years. Updating the test year gives the Commission the ability to set rates for KGS that are based on the most current, ongoing costs of service for its utility operations.

Q. What are the results of Staff's revenue requirement analysis?

A. Staff recommends KGS be granted a revenue requirement increase of $66.72 million, a net increase to ratepayers of $35 million, which is comparable to KGS's proposed net revenue requirement increase (with GSRS rebased) of $31.69 million. I have presented a table below

[2] Staff's calculation of Net Revenue Increase to Customers includes $15,209,005 of Ad Valorem tax expense.

that captures the major differences between KGS's and Staff's revenue requirement analysis (the following amounts are presented in millions).

Description	KGS's Application	Staff's Filed Position
Total Revenue Increase	$93.10	$66.72
Pro Forma Rate Base	$1,395.35	$1,403.19
Operating Income	$36.47	$52.96
Return on Equity (ROE)	10.25%	9.60%
Rate of Return (ROR)	7.8849%	7.5305%

Q. Please explain how Winter Storm Uri effected KGS.

A. The consequence of sub-zero temperatures during Winter Storm Uri was increased demand for natural gas causing wholesale natural gas prices to surge up to 100 to 200 times higher than normal. In response to Winter Storm Uri, the Commission issued an Emergency Order in Docket No. 21-GIMX-303-MIS: (1) directing all jurisdictional utilities to do everything necessary to ensure natural gas and electricity continued to be provided to customers in Kansas,[3] (2) authorizing every jurisdictional electric and natural gas utility to defer extraordinary costs related to Winter Storm Uri to a regulatory asset account,[4] and (3) directing the jurisdictional utilities to develop a plan to minimize the Winter Event's financial impact on their ratepayers.[5]

As a result, in Docket No. 21-KGSG-332-GIG, KGS submitted its plan to minimize the financial impact of the Winter Event on customers by proposing to apply for a Financing Order, seeking authorization to issue Securitized Utility Tariff Bonds to finance the Winter Event's Qualified Extraordinary Costs.[6] The Commission approved the

[3] Emergency Order, Docket No. 2l-GIMX-303-MIS, Feb. 15, 2021, ¶ 3.
[4] *Id.*, ¶ 4.
[5] *Id.*, ¶ 5.
[6] Kansas Gas Service Company, a Division of ONE Gas, Inc. Plan to Minimize the Financial Effects of the 2021 Winter Weather Event, Docket No. 21-KGSG-332-GIG (Jul. 30, 2021) (Financial Plan).

Financial Plan Settlement in its entirety, emphasizing: (1) it was in the public interest for Kansas Gas Service to incur extraordinary costs during the Winter Event, (2) it is in the public interest to recover these costs, and (3) the plan implemented by this Application will result in just and reasonable rates.[7]

In accordance with the financial plan approved by the Commission, KGS filed an application for a Financing Order in Docket No. 22-KGSG-466-TAR. One of the settlement provisions approved by the Commission included in Exhibit A, states the following:

> …Kansas Gas Service will study whether its residential customer class would benefit by being separated into multiple subclasses similar to the rate choice options approved for Oklahoma Natural Gas, a division of ONE Gas, Inc. Kansas Gas Service will present the results of this study during Kansas Gas Service's next general rate proceeding. In addition, and provided that Kansas legislation has been enacted authorizing the Commission to approve a low-income relief (or similar) tariff, the Joint Movants will work with each other to determine whether, and to what extent, a generic investigation into energy burden in Kansas could be conducted to benefit the Commission in its regulation of rates, including determining whether low-income rate relief is feasible and ways in which the same could be structured.[8]

KGS adhered to the settlement provision requested by the Commission by providing the Company's general data related to low-income customers, founded on information provided by the Income Energy Assistance Program (LIEAP) and the United States Department of Housing and Urban Development (HUD).

[7] Order Approving Unanimous Settlement Agreement on Kansas Gas Services' Financial Plan, 21-332 Docket, p. 10, Ordering Clause (A) (Feb. 8, 2022) (Financial Plan Settlement Order).
[8] Exhibit A to Order Approving Unanimous Settlement Agreement, Docket No. 22-KGSG-466-TAR, ¶ 24 (Aug.18, 2022).

Q. Please explain the term "energy burden" and what that means for KGS customers.

A. Essentially, the explanation for "energy burden" is the portion of gross household income spent on energy costs (i.e. home heating and cooling). Low-income households tend to forfeit a higher percentage of income on utility bills, making their "energy burden" much higher than those earning above the state median income. Qualifying for low-income designation is based on the federal poverty level guidelines which are adjusted annually for inflation. These guidelines are presented by the number of people residing in the household and total household income.

In response, an alternative two-part A/B rate design was developed that could aide customers in controlling their natural gas bills, which is discussed in greater detail by KGS witness Paul Raab in his Direct Testimony filed in this rate case. Staff witness Lana Ellis reviewed and analyzed KGS's proposed A/B rate design and sponsors Staff's position in her Direct Testimony filed in response to KGS's current rate request.

Q. Please explain House Bill No. 2156.

A. On January 24, 2023, House Bill No. 2156 was introduced to the Legislature of the State of Kansas proposing to authorize public utilities to establish rates to benefit low-income residential customers.

Consumer Council for the Citizens' Utility Ratepayer Board (CURB), David Nickel, states the following in his written and oral testimony before the members of the House Energy, Utilities and Telecommunications Committee:

> It is important legislation, as it allows the disproportionately high energy burden facing some Kansans to be addressed. "Energy burden" refers to the percentage of gross household income spent on energy costs. Although every ratepayer has some energy burden, research shows there is a disproportionate allocation of financial

> resources among low-income households toward energy expenditures. Research also shows three distinct, but interrelated, effects of high energy burden: (a) illness and stress, (b) financial challenges, and (c) housing instability. In addition to these effects, arrearages caused by the inability of low-income households to pay their utility bills affect utilities and, ultimately, all other consumers by adding costs of collection and unrecoverable debt to the system.

On February 9, 2023, along with CURB, several other parties including KGS and KCC Staff, provided testimony concerning positions on House Bill No. 2156. Ultimately, this legislation failed to advance out of committee, and therefore after April 30, 2024, the bill was is no longer valid for consideration by the Kansas Legislature.

IV. Just and Reasonable Review

Q. Does Staff contend that Staff's revenue requirement recommendation results in just and reasonable rates?

A. Yes. The result of Staff's revenue requirement recommendation meets the balancing test set forth by the Kansas Supreme Court, which is stated in pertinent part as follows:

> The leading cases in this area clearly indicate that the goal should be a rate fixed within the 'zone of reasonableness' after the application of a balancing test in which the interests of all concerned parties are considered. In rate-making cases, the parties whose interests must be considered and balanced are these: (1) the utility's investors vs. the ratepayers; (2) the present ratepayers vs. the future ratepayers; and (3) the public interest.[9]

(1) Investors vs. ratepayers – Each Staff adjustment presented below is performed with the intention of producing a revenue requirement that is reflective of KGS's ongoing normalized operations. This affords KGS (and its investors) the opportunity to earn its

[9] *Kan. Gas and Electric Co. v. State Corp Comm'n,* 239 Kan. 483, 488 (1986).

authorized return, but not a guarantee. Also, Staff has removed expenses from the cost of service that would be inappropriate to recover from KGS ratepayers, or are more appropriately shared between ratepayers and shareholders. As discussed in Adam Gatewood's testimony, Staff's return on equity recommendation is an accurate reflection of the capital costs currently required in the market for public utility equity and is representative of a just and reasonable return on invested capital.

(2) Current vs. future ratepayers – Where possible, Staff has attempted to identify any intergenerational issues (such as the proper depreciation techniques and the amortization of non-recurring events to multiple periods) and has made recommendations that appropriately balance the interests of present and future ratepayers.

(3) Public interest generally – Generally speaking, the public interest is served when ratepayers' interests are carefully considered and balanced against the interests of management and the shareholders of the utility. This process/review includes protecting ratepayers from unreasonably high prices, discriminatory prices, and/or unreliable service. This also includes assuring that rates are not so low that the utilities that serve those ratepayers are unable to provide reliable service, remain financially stable, and attract capital on reasonable terms. Staff has carefully considered the public interest in developing its recommendations presented in this docket and asserts that the public interest will be served if its recommendations are adopted by the Commission. Staff's proposed revenue requirement increase will not adversely impact KGS's ability to provide efficient and sufficient service, as it is based on KGS's ongoing, normalized cost of service, and includes provisions such as updated plant in service balances, payroll, and pension expense for all KGS employees as of April 30, 2024, and other updated, current cost of service items.

Staff's revenue requirement allows KGS sufficient revenues and cash flows to allow it the opportunity to earn its rate of return, but not a guarantee.

Q. What accounts for the differences between Staff's and KGS's recommended revenue requirement increase?

A. Below is a table consisting of Staff's adjustments and the sponsoring witness. Although the particulars of each adjustment are different, Staff adjustments are usually made in order to correct an error present in KGS's Application, to revise a pro forma adjustment to utilize more current known and measureable data, or to remove expenses that Staff contends would not be appropriate to recover from ratepayers. These adjustments are made with the intention that the end result will be a revenue requirement that is in the public interest because it is representative of ongoing, normalized operations and will result in just and reasonable rates for all stakeholders involved. The following table presents the effect of the adjustments on Rate Base or Operating Income. For the Income Statement Adjustments presented in the table below, an increase in operating income results in a reduction of the revenue requirement, and vice versa. For instance, Staff's Adjustment No. IS-1 increases Lease Expense by $44,737, which decreases operating income by the same amount, and increases the revenue requirement accordingly.

Adj No.	Witness	Description	Amount
RB-1	Bill Baldry	Excess Deferred Income Tax (EDIT)	($1,667,556)
RB-2	Bill Baldry	EDIT for Re-Measurement	(19,618)
RB-3	Daniel Buller	Plant-in-Service	66,568,774
RB-4	Daniel Buller	Accumulated Depreciation	(33,653,099)
RB-5	Ian Campbell	Corporate ADIT	(2,493,376)
RB-6	Ian Campbell	Materials & Supplies	1,537,594
RB-7	Ian Campbell	Prepayments	435,785

RB-8	Ian Campbell	Storage Gas	(22,033,772)
RB-9	Ian Campbell	Customer Advances & Deposits	55,156
RB-10	Andria Jackson	ADIT	7,387,130
RB-11	Daniel Buller	Fort Riley Working Capital	(8,275,102)
IS-1	Bill Baldry	Lease Expense	(44,737)
IS-2	Daniel Buller	Depreciation Expense	11,845,934
IS-3	Daniel Buller	Ft. Riley Revenue and Misc. Expense	549,327
IS-4	Katie Figgs	Payroll Expense	609,834
IS-5	Katie Figgs	Insurance	(28,882)
IS-6	Katie Figgs	Workers Compensation	73,350
IS-7	Katie Figgs	Medical Reserve	(36,970)
IS-8	Katie Figgs	Incentive Compensation	1,673,613
IS-9	Katie Figgs	Corporate Benefits	36,846
IS-10	Katie Figgs	Pension & OPEB Expense	65,741
IS-11	Katie Figgs	Pension & OPEB Tracker 1	1,521,778
IS-12	Katie Figgs	Interest on Customer Deposits	(415)
IS-13	Katie Figgs	Relocation Expense	149,496
IS-14	Katie Figgs	Severance Expense	90,867
IS-15	Katie Figgs	Rate Case Expense	168,357
IS-16	Ian Campbell	Misc. Expense	339,304
IS-17	Andria Jackson	Distrigas Allocations	764,649
IS-18	Andria Jackson	Cyber Security Tracker	157,389
IS-19	Bob Glass	Weather Normalization	904,186
IS-20	Bob Glass	Customer Annualization	68,103
IS-21	Katie Figgs	Corporate Miscellaneous Expense	170,956
IS-22	Kristina Luke-Fry	Bad Debt	(4,383,431)

Q. Did Staff allocate its adjustments before inclusion in Staff's schedules?

A. Yes. Staff's adjustments were first calculated on a total company basis, then allocated to the respective division (if applicable) based upon the appropriate allocation percentage.

Q. Prior to discussing the income statement adjustments, is there anything that needs to be addressed?

A. Yes, Staff would like to explain how the Ad Valorem Tax Surcharge Rider (ATSR) effects Staff's recommended revenue requirement in this Docket. Staff is recommending a base revenue requirement increase of $66,717,969, which includes $35,029,489 currently being collected in the GSRS. This results in a net revenue increase of $31,688,480, which includes the ATSR in the amount of $15,209,005.

K.S.A. 66-117(f) allows Kansas public utilities to file annually with the Commission to update expense charged for ad valorem taxes. Accordingly, KGS submits an annual Ad Valorem Tax Surcharge Rider (ATSR) true-up filing to collect increases, or refund decreases, in the Ad Valorem tax incurred by KGS when compared to the amount included in the Company's most recent rate case docket before the Commission. In KGS's last rate case, Docket No. 18-KGSG-560-RTS, the amount of Ad Valorem tax expense approved to be collected through base rates was $21,144,627. According to the most recent KGS ATSR filing, Docket No. 24-KGSG 416-TAR, the current Ad Valorem tax assessments sum to $36,353,632,[10] which would increase the amount of ad valorem expense collected through base rates by $15,209,005.[11]

V. Income Statement Adjustments

A. Payroll Expense

Q. Please begin by discussing Staff Adjustment No. 4 to the income statement.

A. Staff Adjustment No. 4 (IS-4) to the income statement reduces KGS's operating expenses by $609,834.[12] Staff's adjustment updates payroll expense and is comprised of the following two components:

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[10] For purposes of future ATSR filings, $36,353,632 will be the new benchmark used for the time period the new rates are applicable.
[11] *See* Direct Testimony of Graham Jaynes. p. 18.
[12] *See* Exhibit KLF-1.

- **KGS payroll expense –** This component of Staff's adjustment updates and annualizes KGS payroll expense based on April 2024, annualizes KGS payroll taxes based on Staff's updated payroll expense, updates and annualizes corresponding 401(k) costs, and updates and annualizes the corresponding defined contribution retirement plan costs. The impact of Staff's adjustment to KGS payroll expense is a decrease of $141,326.[13]
- **Corporate payroll expense** – This component of Staff's adjustment, updates and annualizes corporate payroll expense based on April 2024, annualizes corporate payroll taxes based on Staff's updated payroll expense, updates and annualizes corresponding 401(k) costs, updates and annualizes corresponding profit sharing costs, and reflects updated corporate allocations. The impact of Staff's adjustment to corporate payroll expense is a decrease of $468,509.[14]

Q. How does the component of Staff's payroll adjustment related to KGS payroll expense differ from KGS's pro forma KGS payroll expense calculation included in its Adjustment IS-29?

A. KGS's payroll adjustment begins with test year payroll expense distribution and then annualizes this data to reflect the impact of terminated employees, employees transferring into and out of KGS (between KGS and ONE Gas), and new-hired employees during the test year. KGS also adjusts its test year payroll to include a full year's impact of December 2023 pay increases for non-union employees and pay increases becoming effective on or

[13] *See* Exhibits KLF-1(a) through KLF-1(e).
[14] *See* Exhibits KLF-1(f) through KLF-1(j).

around July 1, 2024, for union employees.[15] Additionally, the Company annualized payroll taxes and corresponding 401(k) and defined contribution retirement plan costs based on its payroll expense calculation.

Staff's adjustment to payroll expense is similar to KGS's. The methodology is the same, but Staff has used more up-to-date, known and measurable information in its calculation. In doing so, Staff's payroll adjustment updates KGS's annualized test year payroll expense to include employees hired, transferred, or terminated as of April 30, 2024.

Staff's calculation also updates 401(k) and defined contribution costs by using the 401(k) match and profit sharing percentages as of April 30, 2024. These updated percentages are based on the total 401(k) contributions and profit sharing expense relative to total payroll for the 12-months ending April 30, 2024, and are applied to Staff's updated payroll expense calculation.

Q. How does the component of Staff's adjustment related to corporate payroll expense differ from KGS's pro forma corporate payroll expense calculation included in its Adjustment IS-29?

A. Staff's adjustment is consistent with the methodology used by KGS, but Staff has used more up-to-date information in its adjustment. For instance, KGS's pro forma corporate payroll expense is based on annualizing the last pay period in the test year, whereas Staff's adjustment updates and annualizes employee salaries as of April 30, 2024.

[15] As stated in KGS's response to Staff Data Request No. 199: "KGS included estimated payroll costs for union wage increases that should become effective on or around July 1, 2024. As of May 17, 2024, the union contract negotiations were not finalized. KGS expects to have resolution of the contract negotiations on or around July 1, 2024, and will provide an update to this DR when the information is available."

Additionally, consistent with the approach used in its adjustment to KGS's payroll, Staff also updated the corporate 401(k) and profit sharing costs through April 30, 2024. These adjustments reflect the book amounts for 401(k) contribution and profit sharing expenses relative to total payroll for the 12-months ending April 30, 2024.

Finally, Staff's adjustment updates the Distrigas allocation factor used in the Company's adjustment from the third quarter 2023 to the second quarter 2024 Distrigas allocation factor as discussed in more detail in Staff witness Andria Jackson's Direct Testimony.

Q. Please continue by identifying and explaining the exhibits containing the components of Staff's payroll adjustment.

A. The following exhibits attached to my testimony provide support and calculation for Staff's payroll adjustment:

- **Exhibit KLF-1** – Staff's summary of KGS and corporate total payroll expense adjustment.
- **Exhibit KLF-1(a)** – Staff's summary of KGS payroll expense adjustment including FICA and Medicare taxes, 401(k) costs, and defined contribution retirement plan adjustments.
- **Exhibit KLF-1(b)** – Details Staff's adjustment to KGS's union and non-union payroll expense, by FERC account, to account for the changes in employment associated with new hires, transfers, and terminations through April 30, 2024.
- **Exhibit KLF-1(c)** – Reflects the FICA and Medicare payroll tax implications of Staff's KGS payroll adjustment.

- **Exhibit KLF-1(d)** – Calculates Staff's changes and updates to KGS 401(k) costs.
- **Exhibit KLF-1(e)** – Calculates Staff's changes and updates to KGS defined contribution retirement plan costs.
- **Exhibit KLF-1(f)** – Staff's summary of corporate payroll expense adjustment including employee taxes, 401(k) costs, and profit share plan adjustments.
- **Exhibit KLF-1(g)** – Contains a high level summary calculation of the portion of Staff's adjustment related to the updating of base pay through April 30, 2024, allocated on a causal basis and through Distrigas.
- **Exhibit KLF-1(h)** - Reflects the FICA and Medicare payroll tax implications of Staff's corporate payroll adjustment.
- **Exhibit KLF-1(i)** – Calculates Staff's corporate 401(k) adjustment related to the annualization of base pay for the 12-months ending April 30, 2024.
- **Exhibit KLF-1(j)** – Calculates Staff's corporate profit share adjustment related to the annualization of base pay for the 12-months ending April 30, 2024.

B. Insurance

Q. Please continue by discussing Staff Adjustment No. 5 to the income statement.

A. Staff Adjustment No. 5 (IS-5) to the income statement increases operating expenses by $28,882.[16] Staff's adjustment updates KGS's insurance expense to actual amounts

[16] *See* Exhibit KLF-2.

recorded for twelve-months ending April 30, 2023. The types of insurance expense included in Staff's adjustment are related to property insurance, auto liability insurance, workers' compensation insurance, and excess liability insurance. KGS's pro forma adjustment included in the Application annualizes these costs based on the updated policies issued to KGS. Staff's adjustment updates these costs based on known and measurable amounts recorded during the update period.

C. Workers' Compensation

Q. Please continue by discussing Staff Adjustment No. 6 to the income statement.

A. Staff Adjustment No. 6 (IS-6) to the income statement decreases operating expenses by $73,350.[17] This adjustment normalizes workers' compensation expense by using a three-year average ending April 30, 2024. Staff calculated this adjustment in the same manner as KGS's pro forma Adjustment IS-19 but relies on updated known and measurable information.

Q. Why did Staff use a three-year average in its calculation of workers' compensation?

A. In determining the level of expense to include in its adjustment, Staff analyzed various time periods of workers' compensation expense. First, Staff reviewed the annual expense levels for the three-years ending September 30, 2023, which KGS used in its pro forma Adjustment IS-19. KGS averages the expenses related to workers' compensation claims

[17] *See* Exhibit KLF-3.

over three years to reflect the amount that should be included in base rates. Staff also reviewed the annual expense levels for the three-years ending April 30, 2024.

After analyzing the different time periods of annual expense, Staff decided to use a three-year average ending April 30, 2024. Due to the annual amounts fluctuating, the use of a three-year average results in a more normalized level of expense rather than using the year-ending April 30, 2024. In addition, updating the average through April 30, 2024, provides a more updated level of expense consistent with other Staff adjustments. Therefore, Staff concludes that using the updated three-year expense average is most representative of future, on-going normal operations.

D. Employee Medical Reserve

Q. Please continue by discussing Staff Adjustment No. 7 to the income statement.

A. Staff Adjustment No. 7 (IS-7) increases operating expenses by $36,970.[18] This adjustment updates the medical reserve estimate based on accruals booked by the Company for the twelve months ending April 30, 2024. KGS's pro forma Adjustment No. IS 20 related to medical reserve expense is based on accruals for January through September 2023 recorded on the Company's books and a three month forecasted accrual for October through December 2023.

[18] *See* Exhibit KLF-4.

Q. Please explain what "employee medical reserve estimate" means.

A. KGS's medical reserve plan is a self-insured plan.[19] When an employee and their dependents receive medical care, there is a time lag between the day medical care is provided and the day the plan's Third Party Administrator (TPA) receives the medical claim, processes the claim, and pays for the claim. The employee medical reserve estimate is an estimate of the dollar amount of health claims that have been incurred, but have not yet been paid by the TPA. Staff's adjustment updates the employee medical reserve estimate to actual known and measurable expense as of April 30, 2024.

E. Incentive Compensation

Q. Please continue by discussing Staff Adjustment No. 8 to the income statement.

A. Staff Adjustment No. 8 (IS-8) decreases operating expenses by $1,673,613.[20] This adjustment reflects Staff's policy recommendation to remove from KGS's cost of service 70 percent of executive and officer short-term incentive (STI) compensation that is financial performance-based,[21] 50 percent of executive and officer equity compensation expense associated with restricted stock units, and 100 percent of executive equity compensation expense associated with performance-based units.[22]

[19] *See* Response to Staff Data Request No. 61.
[20] *See* Exhibit KLF-5.
[21] *See* Exhibit KLF-5(a).
[22] *See* Exhibit KLF-5(b).

Q. Please describe ONE Gas' executive compensation philosophy.

A. As stated in ONE Gas' 2024 Proxy Statement: "We provide executive compensation programs designed to attract, engage, motivate, reward and retain highly effective executives who drive our success and who are leaders in our industry. We pay for performance in order to align the long-term interests of our executive officers with those of our stakeholders while also rewarding behaviors that drive collaboration, reliability and safety within our culture."[23]

Q. Please describe the components of ONE Gas' overall market-based compensation program.

A. ONE Gas' market-based compensation program is applicable to all non-bargaining employees and includes a combination of components; fixed and variable.

The fixed component is provided in the form of base pay and is "…designed to compensate employees based on the skills and competencies required for their position, proficiency level, experience, consistent performance level, and the overall value of the employee brings to the position."[24] Base pay is reviewed annually, to stay competitive, resulting in pay increases being effective in December. Staff addresses this component of compensation above in Staff Adjustment IS-4 concerning payroll expense.

ONE Gas relies on recent market studies to design the two programs included in the variable component of compensation. One of the programs, identified as ONE Gas' "STI Plan", includes the Annual Employee Incentive Plan and the Annual Officer Incentive Plan. The other program is ONE Gas' long-term incentive (LTI) program, also identified

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[23] ONE Gas, Inc. (2024). *Schedule 14A (Definitive Proxy Statement)*. p. 43.
[24] *See* Direct Testimony of Megan Gough, p. 11.

as the Equity Compensation Plan. According to the Company, the metrics of these programs, "…are designed to encourage productive employee behavior that leads to favorable safety, operational, and financial results for the benefit of customers."[25]

Q. Please describe the short-term incentive plan in more detail.

A. The STI plan provides for an annual cash incentive based on certain performance criteria that are established each year by ONE Gas' Board of Directors' Executive Compensation Committee. While all regular, full-time active non-bargaining unit employees are eligible to participate in the Company's Annual Employee Incentive Plan, Staff's adjustment relates to the portion of ONE Gas and KGS officer and executive STI compensation included in the test year. According to its Proxy Statement, ONE Gas' Annual Officer Incentive Plan "(a)ligns executives' efforts with the interests of stakeholders through key measures of the Company's financial and operational performance."[26] To coincide with this goal, the Company's STI awards are granted based on the achievement of specific key safety and business measures, along with individual accomplishments.

In 2023, the STI plan was based on diluted earnings per share (EPS), emissions reduction rate (ER), days away restricted or transferred incident rate (DART), preventable vehicle incident rate (PVIR), and emergency response time rate (ERT). In addition to the financial and operational measures, an individual performance modifier ranging from 0 to 125 percent was also used to recognize each individual's performance against established goals and objectives.[27] The performance criteria generated the following payout of awards:

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[25] *See* Direct Testimony of Megan Gough, p. 12.
[26] *Ibid* p. 46.
[27] The calculation of an executive's STI amount is determined is as follows: Base Salary x STI Target Opportunity Percentage x Company Performance Modifier x Individual Performance Modifier.

Earnings per Share	70%
Emissions Reduction Rate	7.5%
Days Away Restricted or Transferred Incident Rate	7.5%
Preventable Vehicle Incident Rate	7.5%
Emergency Response Incident Rate	7.5%[28]

Q. Why does Staff propose to eliminate 70 percent of the expense related to officer and executive STI compensation?

A. The payout metrics related to the STI plan are primarily financially based, with a 70 percent weighting for earnings per share. The incentive to grow earnings per share benefits shareholders much more directly than ratepayers and could even incent behavior that is detrimental or harmful to ratepayers over time. In effect, as earnings increase outside of a rate case, the amount of STI expense KGS incurs increases. This growth in earnings between rate cases benefits shareholders more than customers. If the STI plan is successful at incenting the growth of earnings per share between rate cases, then shareholders will be handsomely rewarded and should pay for the expense necessary to produce that benefit. Therefore, Staff removed the portion of the payout that was based on financial metrics.

Q. Please continue by describing in more detail the components of the Equity Compensation Plan subject to Staff's adjustment.

A. The Equity Compensation Plan offers various types of long-term incentive (LTI) equity awards to qualifying executives and certain key non-officer employees. During the test year, ONE Gas granted two forms of LTI compensation: restricted stock units (RSUs) and

[28] ONE Gas, Inc. (2024). *Schedule 14A (Definitive Proxy Statement)*. p. 47.

performance stock units (PSUs).[29] The ONE Gas Board of Directors' Executive Compensation Committee oversees this plan and approves all LTI grants and awards on an annual basis. As stated in its Proxy Statement, ONE Gas' executive LTI compensation is designed to "promote retention, increase long-term equity ownership, and further promote the alignment of our executives' interest with those of our shareholders."[30]

Restricted stock units vest solely with the passage of time and only become viable if the officer remains employed with the Company three years from the vesting period. The performance-based units vest three years from the date of grant, subject to the following payout percentages based on ONE Gas' Total Stockholder Return (TSR) performance relative to its peer group during the same three-year period.

TSR Performance:	**Payout Percentage**:
Below 25th Percentile	0%
25th Percentile	50%
50th Percentile	100%
75th Percentile	150%
90th Percentile	200%

Q. Please explain why Staff is eliminating one-half of the restricted stock units expense.

A. The restricted stock units vest after three years of service with the Company. This assists in the retention of qualified executives and encourages executives to perform in a way that is conducive to the long-term health and growth of the Company. Ratepayers and stockholders benefit when the Company maintains its viability and grows over the long

[29] Restricted stock units represent the right upon vesting to receive one share of ONE Gas common stock for each restricted stock unit granted after three years of employment following the grant date. Performance stock units represent the right upon vesting to receive a percentage of the performance units granted in shares of ONE Gas common stock three years from the date of grant.

[30] ONE Gas, Inc. (2024). Schedule 14A (Definitive Proxy Statement). p. 50.

term. Since both parties benefit, it is reasonable for ratepayers and stockholders to share equally in this portion of executive compensation.

Q. Please explain why Staff is proposing to eliminate 100 percent of the expense related to the performance-based units?

A. Staff recommends eliminating 100 percent of the expense associated with the performance-based portion of the LTI plan because the award is provided in the form of performance-based units in which the criteria used to establish the payout amount is solely financial in nature. Staff's concern with this portion of the plan is similar to the concern expressed above regarding the STI plan in which the participants are focused purely on shareholder returns to the potential detriment of ratepayers. This is a consequence of designing a plan which causes participants to focus solely on financial performance measures instead of concentrating on a broad range of financial and operational measures more likely to benefit ratepayers and shareholders alike. Staff believes having participants focusing on a single financial measure, TSR, results in an over-weighting of a participant's focus on the financial aspects of KGS's business compared to operational functions. Performance-based restricted stock units clearly benefit shareholders more directly than ratepayers (if ratepayers receive any direct benefit at all); therefore, this component should be funded entirely by shareholders.

Q. Please explain how the Commission has historically treated executive incentive compensation.

A. Staff examined the elements of ONE Gas' incentive compensation packages awarded during the test year. The recommendations made by Staff were under the framework approved by the Commission in KCP&L's rate case Docket No. 10-KCPE-415-RTS (10-415 Docket). In that case, Staff recommended, and the Commission ordered, a disallowance from rates of 50% of time-based restricted stock expense, and 100% of performance-based restricted stock expense. The Commission Order in that case stated the following:

> In examining employee incentive compensation programs, the Commission will consider how criteria are weighted between operational and financial measures. Incentive compensation awards tied to the Company's financial interests will improve the profitability of the company and, as a result, benefit shareholders more than ratepayers.[31]

In approving Staff's recommendation in the case, the Commission found the following:

> The Commission approves allowances of executive incentive compensation plan expenses as recommended by Staff and agreed to by KCPL. The Commission finds Staff's rationale for its adjustments properly balances the interests of ratepayers and shareholders. The incentive programs developed by KCPL provide measurable incentives. To the extent these incentives cause executives to focus singularly on financial aspects of the business rather than operational, shareholders should be responsible for those payouts. The Commission allows the inclusion of executive incentive in operating expenses as recommended by Staff.[32]

Since the Commission's decision in the 10-415 Docket, Staff has analyzed incentive compensation expenses in accordance with this framework in every investor-

[31] *Order: 1) Addressing Prudence; 2) Approving Application, in Part; & 3) Ruling on Pending Requests,* Docket No. 10-KCPE-415-RTS, p. 46 (Nov. 22, 2010).
[32] *Ibid*, pp. 50-51.

owned utility rate case to come before the Commission. Likewise, in Docket No. 19-ATMG-525-RTS (19-525 Docket), the Commission again reaffirmed the decision regarding incentive compensation in its Order which states:

> The Commission concludes there is no reason to revisit its prior decisions on incentive compensation. Likewise, the Commission concludes there is no reason to revisit its decision announced in the 10-415 Docket to disallow incentive programs that focus on the financial aspect, rather than operational aspects. Accordingly, the Commission reaffirms its intent to disallow the costs of management incentive programs that focus on financial criteria. The Commission adopts Staff's recommendation to remove 100% of Atmos's short term Management Incentive Plan expenses, 50% of the time lapse portion of the Long Term Incentive Plan, and 100% of the expense associated with the Performance Based portion of the Long Term Incentive Plans allocated to Atmos's Kansas operations. Pursuant to K.S.A. 77-415(b), the Commission designates this paragraph as precedential.[33]

In KGS's last rate case before the Commission, Docket No. 18-KGSG-560-RTS (18-560 Docket), Staff testified that "KGS's executive incentive compensation should be analyzed consistent with the decision in the 10-415 and 12-764 Dockets because the facts and circumstances of those cases are essentially the same as presented before the Commission in this case."[34] In this Docket, KGS contends the "facts and circumstances" differ from those of previous rate cases.

Q. Please explain KGS's request for recovery of executive incentive compensation.

A. Since the 18-560 Docket, the Company has endured two major events that were outside of its direct control: (1) the COVID-19 pandemic and (2) Winter Storm Uri. According to KGS, the Company's performance during these unprecedented incidents prove the financial metrics for incentive compensation benefit both ratepayers and stockholders.

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[33] *Order on Atmos Energy Corporation's Application for a Rate Increase*, 19-525 Docket, p. 17, paragraph 46 (Feb. 24, 2020).

[34] *See* Direct Testimony of Kristina Luke-Fry, Docket No. 18-KGSG-560-RTS, p. 30 (Oct. 29, 2018).

During these two events, management was able to control costs directly and "…the ability to achieve financial metrics in spite of weather emergencies and global pandemics demonstrate how managerial focus on maintaining a strong, stable, and healthy company benefits more than just shareholders."[35] Consequently, KGS proposes the customers and shareholders should share in the expense of financially-based incentive compensation for officers and executives.

Q. Does Staff agree with the Company's position regarding treatment of incentive compensation?

A. No, Staff does not agree that ratepayers should share the burden of financially-based incentive compensation. KGS's executive incentive compensation is designed to incent behaviors which are far more beneficial to, and focused on, shareholders rather than ratepayers.

The Company was irrefutably successful in navigating Winter Storm Uri by maintaining service to almost all of its residential customers within Kansas. Staff commends the Company and all of the employees for working hard during such a difficult period to provide our community with safe and reliable gas service. During its analysis, Staff certainly took this into consideration. However, Staff notes that ratepayers significantly aided KGS in achieving its EPS targets after Winter Storm Uri because the extraordinary costs associated with the storm were deferred as a regulatory asset rather than as an expense. Staff does not find any reason to justify amending the Commission's presidential order concerning recovery of financially-based incentive compensation from

[35] See Direct Testimony of Lorna Eaton, p. 10.

ratepayers. Therefore, consistent with past Commission Orders disallowing these expenses, Staff recommends removing the incentive compensation tied to financial metrics.

F. Corporate Pension, OPEB, and Medical Benefits

Q. Please continue by discussing Staff Adjustment No. 9 to the income statement.

A. Staff Adjustment No. 9 (IS-9) decreases operating expenses by $36,970.[36] Staff's adjustment updates ONE Gas' pension, OPEB, and health benefit costs allocated to KGS for twelve-month ending April 30, 2024. KGS's pro forma adjustment IS-28 reflects the known and measurable changes in expenses associated with corporate employees. Accordingly, Staff's adjustment compares the actual expenses incurred for the twelve-month ending April 30, 2024, to KGS's adjusted expenses. Staff's approach relies on actual known and measurable updated expenses therefore includes the most representative level of on-going expense in the cost of service.

Q. Are there any other changes Staff has made to corporate allocated pension, OPEB and health benefits?

A. Yes. Staff's adjustment also updates the level of costs allocated to KGS by reflecting the second quarter 2024 Distrigas allocation factor as discussed in Staff witness Andria Jackson's Direct Testimony.

[36] *See* Exhibit KLF-6.

G. Pension and OPEB Expense

Q. Please continue by discussing Staff Adjustment No. 10 to the income statement.

A. Staff Adjustment No. 10 (IS-10) decreases operating expenses by $65,741.[37] In KGS pro forma Adjustment IS-32, the Company reflects the known and measurable 2023 pension and postretirement expenses, net of capitalization, by reducing the amount by $5,795,720. This was calculated by comparing the actual 2023 total expense to the costs expensed in the test period, which were established in the last KGS rate case, Docket No. 18-KGSG-560-RTS. Staff's comparable adjustment updates the Company's pension and OPEB expenses with actual amounts based on the twelve-months ending April 30, 2024, resulting in a decrease in the amount of $5,861,460. [38] Updating pension and OPEB expense to reflect the most current known and measurable information available in the Company's base rates is appropriate because it results in rates that are more reflective of current known and measurable information. As a result, Staff recommends a decrease to pension and postretirement expense by $65,741.

Q. Why is it important to identify the dollar amounts for pension and OPEB expenses in base rates?

A. KGS will use these dollar amounts to calculate the difference between actual pension and OPEB expense in future months and the amounts included in base rates that were determined in this rate case. KGS will accumulate the difference between future actual pension and OPEB expense and the amount of pension and OPEB that are in base rates in

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[37] *See* Exhibit KLF-7.
[38] *See* Exhibit KLF-7(a).

the Tracker 1. When KGS files its next rate case, KGS will amortize the balance in the Tracker 1 and include the amortization in the Company's pension and OPEB expense. If the Tracker 1 has a positive balance, the amortization of the Tracker balance will increase the Company's pension or OPEB expense. If the Tracker 1 has a negative balance, the amortization of the Tracker 1 balance will decrease pension or OPEB expense.

Q. Please explain how the amount of expense was established in the last KGS rate case (Docket 18-560).

A. The Commission issued an accounting order, in Docket No. 10-KGSG-130-ACT, establishing a regulatory asset or liability to track the difference between the amount of pension and OPEB expense included in base rates compared to the total expense recorded according to Generally Accepted Accounting Principles (GAAP). The amount of expense established in Docket 18-560 for pension and OPEB expense were $9,020,033 and $458,420 respectively, for a total of $9,478,423.

Q. Please explain Staff's calculation of the expense to be established in the current rate case.

A. Staff's adjustment reflects the known and measurable pension and postretirement expense for twelve-months ending April 30, 2024, resulting in a balance of $3,704,406 for pension expense and a negative balance of $87,446 for OPEB expense. Staff then compares the actual balances at April 30, 2024, to the costs expensed in the test period, which were established in Docket 18-560. This results in a decrease of $5,315,594 to pension expense and a decrease of $525,866 to OPEB expense, with a total of $5,861,460.[39] As a result, Staff recommends the pension expense benchmark be established at $3,704,409. Additionally, due to the negative balance of OPEB expense, Staff recommends the OPEB expense benchmark be set at $0.[40]

H. Pension and OPEB Tracker 1

Q. Please continue by discussing Staff Adjustment No. 11 to the income statement.

A. Staff Adjustment No. 11 (IS-11) decreases operating expenses by $1,521,778.[41] Staff's adjustment updates the Tracker 1 expense by amortizing over a three-year period the Tracker 1 balance as of October 31, 2024. Staff amortized the Tracker 1 balance to this date because the new rates resulting from this Docket are set to go into effect November 1, 2024. The current amortization rates will remain in effect through October 2024.

Q. Why does Staff recommend a three-year amortization period for the Tracker 1 balance?

A. A three-year amortization period is a reasonable time frame to amortize these costs as the Commission Order in Docket 10-KGSG-130-ACT stated that these costs could be amortized over a period not to exceed five years. Given the fact that these balances are amortized over time without compensation for the time value of money during the

[39] *See* Exhibit KLF-7(a).
[40] *See* Order in Docket No. 07-GIMX-1041-GIV issued on July 14, 2010, paragraph 9 states that "when a Pension or OPEB cost is negative during a test year, then the expense level set should be $0."
[41] *See* Exhibit KLF-8.

amortization period, it is appropriate to amortize them over a relatively shorter time frame. Staff proposes that the amortization of the Tracker 1 balances from the current rate case begin in November 2024, when the new rates go into effect.

Q. What is Tracker 1?

A. In a rate case, the Commission Order specifies a certain dollar amount of pension and OPEB expense to be included in a company's base rates. The expense established in the rate case will be the amount ratepayers pay KGS until the Company's next rate case. In future years, pension and OPEB expense will be higher or lower than the amounts established in the most recent rate case. The Tracker 1 accumulates the differences between each future year's pension and OPEB expenses and the amounts set in the most recent rate case. During a future rate case, the Tracker 1 balances are amortized over a three to five-year period, and the annual amortized amount is included in pension and OPEB expenses.

I. Interest on Customer Deposits

Q. Please continue by discussing Staff Adjustment No. 12 to the income statement.

A. Staff Adjustment No. 12 (IS-12) increases operating expenses by $415.[42] Staff's adjustment revises KGS's adjustment to interest expense related to customer deposits. KGS and Staff use the same Commission-approved customer deposit interest rate for the calendar year 2024. The difference between KGS and Staff's position is the use of an

[42] *See* Exhibit KLF-9.

updated 13-month average of customer deposit balances supported by Staff witness Ian Campbell's testimony.

J. Relocation Expense

Q. Please continue by discussing Staff Adjustment No. 13 to the income statement.

A. Staff Adjustment No. 13 (IS-13) decreases operating expenses by $149,496.[43] Staff's adjustment removes 50 percent of relocation expense recorded during the test year. According to KGS's relocation policy, "A relocation package may be appropriate when an employee is required to relocate their principal residence for the Company's convenience and benefit." Staff questions the necessity and reasonableness of company provided relocation packages in the modern economy, where virtual work is more and more common. Furthermore, in most instances, KGS should be able to attract and hire local talent to run its local utility. Accordingly, in order to ensure that KGS minimizes this expense to greatest extent possible, Staff recommends that the Commission only allow KGS to recover half of this expense.

K. Severance Expense

Q. Please continue by discussing Staff Adjustment No. 14 to the income statement.

[43] *See* Exhibit KLF-10.

A. Staff Adjustment No. 14 (IS-14) decreases operating expenses by $90,867.[44] Staff's adjustment removes recorded expense associated with severance payments made to former employees during the test year. Staff views severance payments as one-time, non-recurring expenses that should not be included in the cost of service since it is not representative of on-going expenses. Additionally, Staff has already provided a fully updated and normalized payroll expense that accounts for all known information through April 30, 2024. It would therefore be improper for ratepayers to pay for both current employees of the Company, and to pay for the severance costs included in the cost of service for former employees of the Company.

L. Rate Case Expense

Q. Please continue by discussing Staff Adjustment No. 15 to the income statement.

A. Staff Adjustment No. 15 (IS-15) decreases operating expenses by $168,357.[45] The Company's Adjustment IS – 34, was made to reflect the estimated total cost of the current rate case which were then amortized over a three-year period. Staff's adjustment revises rate case expense by using actual amounts incurred for this Docket by the Company through May 22, 2023, and by Staff and CURB through June 15, 2024, normalized over three years. The Commission should accept Staff's adjustment instead of KGS's proposed adjustment because it is based on the most recent actual, known and measurable rate case expense information available prior to Staff filing its testimony compared to the

[44] *See* Exhibit KLF-11.
[45] *See* Exhibit KLF-12.

Company's estimated rate case expense amounts. As actual additional rate case costs become known as this Docket progresses, Staff does not object to a process for updating rate case costs.

M. Corporate Miscellaneous Expense

Q. Please continue by discussing Staff Adjustment No. 21 to the income statement.

A. Staff Adjustment No. 21 (IS-21) decreases operating expenses by $170,956.[46] Staff's adjustment removes various corporate expenses allocated from ONE Gas during the test year. The following describes Staff's adjustment by category of allocated miscellaneous corporate expense:

1. Entertainment – removes 100% of expenses related to entertainment for team building meetings, conference events, networking events, gala events, etc. in the amount of $3,499;[47]
2. Flowers – removes 100% of expenses related to floral arrangements sent by the Company for funerals, surgeries, births, hospitalizations, and retirements in the amount of $1,021;[48]
3. Logo items – removes 100% of expenses related to various promotional items like reusable water bottles, tumblers, notebooks, etc. engraved or embossed with company logo in the amount of $13,003;[49]

[46] *See* Exhibit KLF-13.
[47] *See* Exhibit KLF-13(a) CONFIDENTIAL.
[48] *See* Exhibit KLF-13(b) CONFIDENTIAL.
[49] See Exhibit KLF-13(c) CONFIDENTIAL.

4. Meals – removes 50% of expenses related to paid meals due to travel and training and 100% of expenses related to paid meals for working lunches, celebrations, alcohol, delivery from Doordash, etc. in the amount of $62,103;[50]
5. Miscellaneous – removes various expenses related to many different purposes in the amount of $40,932;[51]
6. Other State Rate Case expense $2,765 – removes 100% of expense related to WNSA, TGS, and TX rate case expense allocated to KGS in the amount of $2,765;[52]
7. Scholarship – removes 100% of expense related to the 2023 Scholarship Awards in the amount of $35,511;[53]
8. Tips – removes 100% of expenses related to tips paid during travel in the amount of $320;[54]
9. Travel – removes 100% of expenses related to travel for investor meetings, customer relations, intern launch week, and certain flight fees in the amount of $11,426;[55] and
10. Valet – removes 100% of expenses related to valet charges during travel in the amount of $377.[56]

Q. Please explain Staff's rationale behind the removal of the aforementioned expenses related to corporate miscellaneous expenses.

[50] See Exhibit KLF-13(d) CONFIDENTIAL.
[51] See Exhibit KLF-13(e) CONFIDENTIAL.
[52] See Exhibit KLF-13(f) CONFIDENTIAL.
[53] See Exhibit KLF-13(g) CONFIDENTIAL.
[54] See Exhibit KLF-13(h) CONFIDENTIAL.
[55] See Exhibit KLF-13(i) CONFIDENTIAL.
[56] See Exhibit KLF-13(j) CONFIDENTIAL.

A. Staff reviewed the general ledger detail provided in response to Staff Data Request No. 283 and identified the expenses that do not benefit the ratepayers, are not necessary to provide safe and reliable service, and therefore are improper to recover through rates. This adjustment removes 50% of expenses related to beverages and utensils provided in the employee breakrooms and meals during travel and removes 100% of the remaining expenses including entertainment, scholarships, valet charges, etc. Staff's adjustment to remove these expenses should not be construed as Staff alleging imprudence or disagreeing with the purpose of the expense. Staff's contention is that these expenses are unnecessary for KGS to provide efficient and sufficient service, and therefore should not be included for recovery in KGS's rates.

VI. Conclusion

Q. Please summarize your recommendations in this Docket.

A. My recommendations in this Docket are as follows:

- Annualize KGS and Corporate Payroll Expense based on updated data through April 30, 2024, and adjust 401(k) contributions, profit sharing contributions, and payroll taxes accordingly;
- Update and normalize Workers' Compensation Expense through April 30, 2024;
- Update Medical Reserve Expense to reflect actual costs incurred as of April 30, 2024;
- Update KGS's Pension and Postretirement (OPEB) Expense to reflect actual expense recorded through April 30, 2024;

- Update the amortization of KGS's Pension and OPEB Tracker 1 balance to reflect actual balances as of April 30, 2024, and to recognize the amount of Pension and OPEB Expense for Tracker 1 included in the cost of service;
- Update KGS's share of Corporate Pension, Postretirement, and Medical Benefits Expense adjustment to reflect actual expense recorded through April 30, 2024;
- Remove Executive Incentive Compensation based on financial performance metrics for Short-Term Incentive and Long-Term Incentive Compensation;
- Update Interest Expense based on the thirteen-month average of Customer Deposits to correspond with Staff's adjustment to Customer Deposits (Staff witness Ian Campbell sponsors Staff Adjustment No. RB-9);
- Remove Severance Expense Staff considers inappropriate for ratepayer recovery;
- Remove a portion of Relocation Expense Staff considers inappropriate for ratepayer recovery;
- Adjust Rate Case Expense to reflect the most recent information available; and
- Remove various Corporate Miscellaneous Expenses inappropriate for ratepayer recovery.

Q. Does that conclude your testimony?

A. Yes, thank you.

SUMMARY OF EXHIBITS

Exhibit No.	Description
KLF-1	Work paper for Payroll Expense Adjustment

KLF-1(a)	Work paper for KGS Payroll Expense
KLF-1(b)	Detail paper for update of KGS Payroll Expense through April 30, 2024
KLF-1(c)	Detail paper for FICA and Medicare Payroll Tax for KGS
KLF-1(d)	Detail paper for 401(k) Costs for KGS
KLF-1(e)	Detail paper for Defined Contribution Retirement Plan Costs for KGS
KLF-1(f)	Work paper for Corporate Payroll Expense
KLF-1(g)	Detail paper for update of Corporate Payroll Expense through April 30, 2024, allocated on Causal and Distrigas Basis
KLF-1(h)	Detail paper for FICA and Medicare Payroll Tax for Corporate
KLF-1(i)	Detail paper for 401(k) Costs for Corporate
KLF-1(j)	Detail paper for Profit Share for Corporate
KLF-2	Work paper for Insurance Expense - CONFIDENTIAL
KLF-3	Work paper for Workers' Compensation
KLF-3(a)	Detail paper for Three-Year Average of Workers' Compensation
KLF-4	Work paper for Medical Reserve
KLF-5	Work paper for Incentive Compensation - CONFIDENTIAL
KLF-5(a)	Detail paper for Short-Term Incentive Compensation - CONFIDENTIAL
KLF-5(b)	Detail paper for Long-Term Incentive Compensation - CONFIDENTIAL
KLF-6	Work paper for Corporate Pension, OPEB, and Medical Benefits
KLF-6(a)	Detail paper for Corporate Pension, OPEB, and Medical Benefits
KLF-7	Work paper for Pension and OPEB Expense
KLF-7(a)	Detail paper for Pension and OPEB Expense
KLF-7(b)	Detail paper for Pension Expense

KLF-7(c)	Detail paper OPEB Expense
KLF-8	Work paper for Pension and OPEB Tracker 1
KLF-8(a)	Summary of Pension and OPEB Tracker 1
KLF-8(b)	Detail paper of Pension and OPEB Tracker 1
KLF-9	Work paper for Interest on Customer Deposits
KLF-10	Work paper for Relocation Expense
KLF-11	Work paper for Severance Expense
KLF-12	Work paper for Rate Case Expense
KLF-13	Work paper for Corporate Miscellaneous Expense
KLF-13(a)	Detail paper for Entertainment Expense - CONFIDENTIAL
KLF-13(b)	Detail paper for Flowers - CONFIDENTIAL
KLF-13(c)	Detail paper for Logo Items - CONFIDENTIAL
KLF-13(d)	Detail paper for Meals - CONFIDENTIAL
KLF-13(e)	Detail paper for Miscellaneous - CONFIDENTIAL
KLF-13(f)	Detail paper for Other State Rate Cases - CONFIDENTIAL
KLF-13(g)	Detail paper for Scholarships - CONFIDENTIAL
KLF-13(h)	Detail paper for Tips - CONFIDENTIAL
KLF-13(i)	Detail paper for Travel - CONFIDENTIAL
KLF-13(j)	Detail paper for Valet - CONFIDENTIAL

Kansas Gas Service
Staff Adjustment to Payroll Expense
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	FERC Account	Description	Staff Pro Forma Adjustment to KGS Payroll (Direct)	Staff Pro Forma Adjustment to Corporate Payroll (Causal & Distrigas)	Staff Total Payroll Adjustment
1	813	Production Expense	$ -	$ -	$ -
2	836	Natural Gas Storage	-	-	-
3	850-867	Transmission Expense	89,863	(16,142)	73,721
4	870-894	Distribution Expense	433,034	46,069	479,103
5	901-905	Customer Accounts	(729,049)	(76,791)	(805,839)
6	907-910	Customer Service	2,085	(13,254)	(11,169)
7	911-916	Sales Expense	2,976	(364,441)	(361,465)
8	920-931	Administrative and General Expense	(105,097)	-	(105,097)
9		Subtotal O&M Payroll Adjustment	$ (306,188)	$ (424,558)	$ (730,746)
10	408.1	FICA/Medicare Taxes	(13,289)	(40,251)	(53,540)
11	926	401(k) Costs	(19,517)	(4,585)	(24,102)
12	926	Defined Contribution Retirement Plan	197,668	885	198,554
13		Subtotal Payroll Related Expenses	$ 164,862	$ (43,950)	$ 120,912
14		**Staff Adjustment to KGS Payroll Expense**			**$ (609,834)**

Sources: Exhibit KLF-1(a)
Exhibit KLF-1(f)

Kansas Gas Service
Staff Adjustment to KGS Payroll Expense
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	FERC Account	Description	KGS Pro Forma Adjustment to Payroll	Staff Pro Forma Adjustment to Payroll	Total Payroll Adjustment
1	813	Production Expense	$ 44,712	$ 44,712	$ -
2	836	Natural Gas Storage	19	19	-
3	850-867	Transmission Expense	(77,196)	12,667	89,863
4	870-894	Distribution Expense	2,604,761	3,037,795	433,034
5	901-905	Customer Accounts	89,058	(639,990)	(729,049)
6	907-910	Customer Service	13,249	15,334	2,085
7	911-916	Sales Expense	19,590	22,565	2,976
8	920-931	Administrative and General Expense	183,725	78,628	(105,097)
9		Subtotal O&M Payroll Adjustment	$ 2,877,917	$ 2,571,729	$ (306,188)
10	408.1	FICA/Medicare Taxes	220,161	206,872	(13,289)
11	926	401(k) Costs	150,638	131,121	(19,517)
12	926	Defined Contribution Retirement Plan	103,503	301,171	197,668
13		Subtotal Payroll Related Expenses	$ 474,301	$ 639,163	$ 164,862
14		**Staff Adjustment to KGS Payroll Expense**			**$ (141,326)**

Sources: KGS Pro Forma Adjustment Workpapers IS-29 Payroll Adjustment - CONFIDENTIAL
Exhibit KLF-1(b)
Exhibit KLF-1(c)
Exhibit KLF-1(d)
Exhibit KLF-1(e)

Kansas Gas Service
Staff Adjustment to KGS Payroll Expense
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

			Exempt		Hourly Non Exempt				Total Bargaining Units				Exempt	Hourly Non Exempt		Bargaining Units	
FERC Major	Check	Total - Less Other Tab O&M	Oct 2022 - Sep 2023 Total Salary	Pro Forma Salary	Oct 2022 - Sep 2023 Base Pay	Pro Forma Base Pay	Oct 2022 - Sep 2023 Overtime Pay	Pro Forma Overtime Pay	Oct 2022 - Sep 203 Base Pay	Pro Forma Base Pay	Oct 2022 - Sep 2023 Overtime Pay	Pro Forma Overtime Pay	Base Pay	Base Pay	Overtime	Base Pay	Overtime
1840	0.00	66,676.99	-	-	-	-	-	-	34,777.62	118,565.94	31,899.37	6,542.24	-	-	-	83,788.32	(25,357.13)
4264	0.00	-	-	132,475.44	-	-	-	-	-	-	-	-	132,475.44	-	-	-	-
8130	0.00	956,692.56	956,692.56	1,001,404.68	-	-	-	-	-	-	-	-	44,712.12	-	-	-	-
8360	0.00	308.48	-	-	-	-	-	-	308.48	327.08	-	-	-	-	-	18.60	-
8500	0.00	116,994.84	116,994.84	123,154.08	-	-	-	-	-	-	-	-	6,159.24	-	-	-	-
8510	(0.00)	692,263.83	111,525.00	120,876.29	-	-	-	-	464,073.83	365,175.28	116,665.00	69,457.03	9,351.29	-	-	(98,898.55)	(47,207.97)
8530	0.00	347,657.77	47,547.40	49,980.46	-	-	-	-	295,528.73	324,010.41	4,581.64	1,342.63	2,433.06	-	-	28,481.68	(3,239.01)
8560	0.00	1,643,294.08	182,992.31	185,763.93	-	-	-	-	1,370,983.64	1,482,573.93	89,318.13	81,108.14	2,771.62	-	-	111,590.29	(8,209.99)
8570	0.00	402,955.28			-	-	-	-	386,248.56	368,259.25	16,706.72	7,159.49	-	-	-	(17,989.31)	(9,547.23)
8590	0.00	128,343.54	18,521.73	19,355.21	-	-	-	-	107,414.80	145,892.12	2,407.01	1,335.33	833.48	-	-	38,477.32	(1,071.68)
8610	0.00	73,760.28	73,760.28	77,663.28	-	-	-	-	-	-	-	-	3,903.00	-	-	-	-
8620	0.00	168.48	-	-	-	-	-	-	168.48	176.95	-	-	-	-	-	8.47	-
8630	0.00	119,976.57	32,212.28	16,939.67	-	-	-	96.84	85,199.91	94,281.76	2,564.38	205.98	(15,272.61)	-	96.84	9,081.85	(2,358.40)
8640	0.00	183,317.93	29,717.28	31,237.95	-	-	-	-	139,941.83	150,613.33	13,658.82	11,651.39	1,520.67	-	-	10,671.50	(2,007.43)
8650	(0.00)	249,108.09	-	-	-	-	-	-	235,564.14	234,915.61	13,543.95	7,281.23	-	-	-	(648.53)	(6,262.72)
8700	(0.00)	1,464,419.21	1,337,996.37	1,427,992.16	125,636.76	105,792.42	786.08	1,572.55	-	-	-	-	89,995.79	(19,844.34)	786.47	-	-
8710	0.00	692,265.51	111,525.04	120,876.31	-	-	-	-	464,073.95	365,175.46	116,666.52	69,458.17	9,351.27	-	-	(98,898.49)	(47,208.35)
8740	0.00	9,421,330.87	1,047,143.91	1,152,731.89	203,718.09	206,659.20	16,514.10	6,550.36	7,293,381.20	7,721,814.10	860,573.57	999,716.33	105,587.98	2,941.11	(9,963.74)	428,432.90	139,142.76
8750	0.00	1,524,953.42	386,257.59	410,346.41	30,599.25	14,730.61	260.21	240.63	1,004,338.12	987,631.54	103,498.25	98,736.60	24,088.82	(15,868.64)	(19.58)	(16,706.58)	(4,761.65)
8760	0.00	144,578.07	-	-	-	-	-	-	132,449.98	134,574.87	12,128.09	10,934.62	-	-	-	2,124.89	(1,193.47)
8770	0.00	62,788.07	-	-	42,534.71	44,191.64	393.32	721.90	18,822.30	20,008.81	1,037.74	95.12	-	1,656.93	328.58	1,186.51	(942.62)
8780	0.00	8,916,382.07	156,752.15	392,679.26	20,196.55	94,106.95	28.63	425.28	7,395,278.56	8,492,530.55	1,344,126.18	1,815,632.41	235,927.11	73,910.40	396.65	1,097,251.99	471,506.23
8790	(0.00)	2,224,378.76	250,326.00	227,820.34	53,901.36	56,388.80	1.35	-	1,248,170.76	1,325,078.80	671,979.29	811,122.98	(22,505.66)	2,487.44	(1.35)	76,908.04	139,143.69
8800	0.00	1,403,771.36	969,883.09	1,016,509.92	37,437.73	92,620.07	113.06	57.26	393,028.80	332,575.84	3,308.68	2,012.26	46,626.83	55,182.34	(55.80)	(60,452.96)	(1,296.42)
8850	0.00	447,185.04	447,185.04	428,951.09	-	-	-	-	-	-	-	-	(18,233.95)	-	-	-	-
8870	0.00	6,158,735.46	1,099,455.29	1,170,715.31	137,448.41	199,845.63	544.96	624.53	4,291,049.28	4,605,988.47	630,237.52	512,269.25	71,260.02	62,397.22	79.57	314,939.19	(117,968.27)
8890	0.00	1,011,044.83	-	-	23,561.83	14,730.61	233.77	240.63	879,761.08	854,606.06	107,488.15	105,093.08	-	(8,831.22)	6.86	(25,155.02)	(2,395.07)
8900	0.00	8,619.80	-	-	1,691.20	1,768.26	253.68	545.76	6,457.76	6,301.08	217.16	36.13	-	77.06	292.08	(156.68)	(181.03)
8910	0.00	109,654.83	-	-	82,953.74	86,263.84	1,922.77	3,916.31	23,640.97	25,226.88	1,137.35	957.30	-	3,310.10	1,993.54	1,585.91	(180.05)
8920	(0.00)	1,014,417.95	22,499.08	23,670.16	-	-	-	-	832,843.92	874,768.89	159,074.95	91,839.08	1,171.08	-	-	41,924.97	(67,235.87)
8930	(0.00)	296,652.48	39,862.36	41,709.40	-	-	-	-	223,144.62	257,403.48	33,645.50	12,957.96	1,847.04	-	-	34,258.86	(20,687.54)
9010	0.00	79,104.14	28,467.92	115,735.47	13,400.79	-	947.57	-	33,043.83	4,844.46	3,244.03	92.94	87,267.55	(13,400.79)	(947.57)	(28,199.37)	(3,151.09)
9020	0.00	1,000,273.38	86,330.32	105,799.91	-	-	-	-	886,538.70	993,002.51	27,404.36	14,206.97	19,469.59	-	-	106,463.81	(13,197.39)
9030	0.00	4,046,143.00	1,309,375.56	1,468,213.33	330,271.40	299,104.00	9,979.29	1,920.72	2,210,885.35	1,247,822.58	185,631.40	220,043.22	158,837.77	(31,167.40)	(8,058.57)	(963,062.77)	34,411.82
9050	0.00	62,987.11	-	-	-	-	-	-	58,235.50	76,795.62	4,751.61	935.69	-	-	-	18,560.12	(3,815.92)
9080	0.00	211,970.49	211,970.49	227,304.54	-	-	-	-	-	-	-	-	15,334.05	-	-	-	-
9090	0.00	1,296.05	-	-	-	-	-	-	1,252.90	1,295.52	43.15	0.30	-	-	-	42.62	(42.85)
9120	0.00	412,593.33	412,593.33	435,158.54	-	-	-	-	-	-	-	-	22,565.21	-	-	-	-
9200	0.00	4,101,648.96	3,452,209.69	3,393,494.02	307,801.64	392,225.60	6,156.46	8,117.87	319,541.15	356,265.05	15,940.02	30,174.22	(58,715.67)	84,423.96	1,961.41	36,723.90	14,234.20
Total	**0.00**	**49,798,712.91**	**12,939,796.91**	**13,918,559.07**	**1,411,153.46**	**1,608,427.62**	**38,135.25**	**25,030.64**	**30,836,148.75**	**31,968,502.23**	**4,573,478.54**	**4,982,398.09**	**978,762.16**	**197,274.16**	**(13,104.61)**	**1,132,353.48**	**408,919.55**
									8630	0.36		0.02	8630	0.20	0.00%	0.25	(0.08)
									8740	87,550.16		4,830.85	8740	49,234.89	73.84%	61,870.05	(18,723.93)
									8750	16,953.51		935.46	8750	9,534.01	14.30%	11,980.72	(3,625.77)
									8780	648.16		35.76	8780	364.50	0.55%	458.04	(138.62)
									8870	13,413.76		740.15	8870	7,543.39	11.31%	9,479.25	(2,868.74)
FICA	**6.20%**		802,267.41	862,950.66	87,491.51	99,722.51	2,364.39	1,551.90	1,911,841.22	1,982,047.14	283,555.67	308,908.68	60,683.25	12,231.00	(812.49)	70,205.92	25,353.01
Medicare Tax	**1.45%**		187,627.06	201,819.11	20,461.73	23,322.20	552.96	362.94	447,124.16	463,543.28	66,315.44	72,244.77	14,192.05	2,860.48	(190.02)	16,419.13	5,929.33
***401k Matchin**	**5.23%**		677,303.54	728,534.57	73,863.54	84,189.40	1,996.10	1,310.17	1,614,046.41	1,673,316.81	239,388.09	260,792.03	51,231.03	10,325.86	(685.93)	59,270.41	21,403.94
****Profit Sharin**	**3.60%**	**4.00%**	465,371.82	556,742.36	50,751.26	64,337.10	1,371.51	1,001.23	1,109,003.09	1,278,740.09	164,482.34	199,295.92	91,370.54	13,585.84	(370.29)	169,737.00	34,813.59

***401k Matching Percentage Average Jan 2023 - Nov 2023**
**** Profit Sharing Percentage of 4% due to measurable quartly contributions**

Sources: KGS Pro Forma Adjustment Workpapers IS-29 Payroll Adjustment - CONFIDENTIAL
KGS Response to Staff Data Request No. 198

Kansas Gas Service
KGS Payroll Taxes
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	Description	Tax Rate	Exempt Base Pay	Non-Exempt Base Pay	Non-Exempt Premium Pay	BU Base Pay	BU Premium Pay	Total Payroll Taxes
1	Staff Adjusted Payroll		$ 13,918,559	$ 1,608,428	$ 25,031	$ 31,968,502	$ 4,982,398	
2	FICA Taxes	6.20%	862,951	99,723	1,552	1,982,047	308,909	3,255,181
3	Medicare Taxes	1.45%	201,819	23,322	363	463,543	72,245	761,292
4	Staff Adjusted Payroll Taxes							$ 4,016,473
5	Test Year Payroll Taxes							3,809,602
6	**Staff Adjustment to KGS Payroll Taxes**							**$ 206,872**

Sources: KGS Response to Staff Data Request No. 130
Exhibit KLF-1(b)

Kansas Gas Service
KGS 401(k) Costs
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	Description	Amount
1	401(k) Amount Per Book for the 12-Months Ending April 30, 2024	$ 2,748,143
2	Payroll Dollars for the 12-Months Ending April 30, 2024	52,502,918
3	401(k) Matching Percentage	5.23%
4	Total Adjusted Payroll for the 12-Months Ending April 30, 2024	$ 52,303,765
5	Staff Adjusted 401(k) Costs	2,737,719
6	Test Year 401(k) Costs	2,606,598
7	**Staff Adjustment to KGS 401(k) Costs**	**$ 131,121**

Sources: KGS Response to Staff Data Request No. 200
Exhibit KLF-1(b)

Kansas Gas Service
KGS Defined Contribution Retirement Plan
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	Description	Amount
1	Profit Share Amount Per Book for the 12-Months Ending April 30, 2024	$ 2,100,117
2	Total Payroll Dollars for the 12-Months Ending April 30, 2024	52,502,918
3	Profit Sharing Percentage	4.00%
4	Total Adjusted Payroll for the 12-Months Ending April 30, 2024	$ 52,303,765
5	Staff Adjusted Profit Sharing Costs	2,092,151
6	Test Year Profit Sharing Costs	1,790,980
7	**Staff Adjustment to KGS Defined Contribution Retirement Plan**	**$ 301,171**

Sources: KGS Response to Staff Data Request No. 201
Exhibit KLF-1(b)

Kansas Gas Service
Staff Adjustment to Corporate Payroll Expense
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	FERC Account	Description	KGS Pro Forma Adjustment to Corporate Payroll	Staff Pro Forma Adjustment to Corporate Payroll	Total Staff Adjustment to Corporate Payroll
1	850-867	Transmission Expense	$ 41,934	$ 25,792	$ (16,142)
2	870-894	Distribution Expense	73,154	119,223	46,069
3	901-905	Customer Accounts Expense	208,790	131,999	(76,791)
4	907-910	Customer Service and Information Expense	27,784	14,530	(13,254)
5	920-931	Administration and General Expense	890,165	525,724	(364,441)
6		Total Base Pay	$ 1,241,828	$ 817,269	$ (424,558)
7	408.1	Employment Taxes	35,732	(4,518)	(40,251)
8	926	401(k) Costs	81,284	76,699	(4,585)
9	926	Profit Share Plan	56,835	57,720	885
10		Total Adjustment to Corporate Payroll	$ 173,852	$ 129,901	$ (43,950)
11		**Staff Adjustment to Corporate Payroll Expense**			**$ (468,509)**

Sources: KGS Pro Forma Adjustment Workpapers IS 29 Payroll Adjustment - CONFIDENTIAL
Exhibit KLF-1(g)
Exhibit KLF-1(h)
Exhibit KLF-1(i)
Exhibit KLF-1(j)

Kansas Gas Service
Staff Adjustment to Corporate Payroll Expense
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

	KGS Adjustment				Staff's April 2024 Update				Total Staff Adjustment			
Line No.	Account No.	Total Unallocated Adjustment	Causal Allocated Adjustment	Distrigas Allocated Adjustment	Account No.	Total Unallocated Adjustment	Causal Allocated Adjustment	Distrigas Allocated Adjustment	Account No.	Total Unallocated Adjustment	Causal Allocated Adjustment	Distrigas Allocated Adjustment
1	1840	25,649	-	7,652	1840	(12,924)	-	(4,070)	1840	(38,573)	-	(11,722)
2	8500	(1,865)	(307)	(456)	8500	6,776	283	1,331	8500	8,641	590	1,788
3	8560	142,095	33,537	9,196	8560	77,359	26,284	(3,129)	8560	(64,735)	(7,253)	(12,325)
4	8610	294	150	(186)	8610	4,270	297	727	8610	3,975	146	913
5	8700	171,049	14,730	34,364	8700	400,466	47,791	66,123	8700	229,417	33,061	31,759
6	8740	46,033	(75,368)	90,195	8740	(67,480)	(106,822)	85,293	8740	(113,513)	(31,455)	(4,902)
7	8780	54,129	15,482	-	8780	57,678	16,188	-	8780	3,549	706	-
8	8800	(15,199)	(4,560)	-	8800	20,734	(4,406)	10,562	8800	35,933	154	10,562
9	8850	(3,233)	-	(1,656)	8850	19,782	-	4,528	8850	23,015	-	6,184
10	8860	(109)	-	(34)	8860	(109)	-	(34)	8860	-	-	-
11	9010	311,884	-	92,583	9010	242,009	-	66,368	9010	(69,876)	-	(26,215)
12	9050	392,662	33,643	82,565	9050	233,236	(19,026)	84,657	9050	(159,426)	(52,669)	2,093
13	9080	115,090	-	27,784	9080	98,119	-	14,530	9080	(16,971)	-	(13,254)
14	9200	3,669,257	85,987	815,139	9200	3,619,721	(142,312)	678,998	9200	(49,537)	(228,300)	(136,141)
15	9210	(7,590)	-	(2,329)	9210	(7,590)	-	(2,329)	9210	-	-	-
16	9320	(12,837)	-	(4,045)	9320	(12,837)	-	(4,045)	9320	-	-	-
17	9230	(7,151)	-	(2,187)	9230	(7,151)	-	(2,187)	9230	-	-	-
18	9302	(7,583)	(1,973)	(426)	9302	(7,583)	(1,973)	(426)	9302	-	-	-
19		4,872,577	101,322	1,148,157		4,664,476	(183,697)	996,896		(208,101)	(285,020)	(151,261)
20	Balance Sheet	25,649	-	7,652	Balance Sheet	(12,924)	-	(4,070)	Balance Sheet	(38,573)	-	(11,722)
21	Below the Line				Below the Line				Below the Line			
22	O&M	4,846,928	101,322	1,140,505	O&M	4,677,400	(183,697)	1,000,967	O&M	(169,528)	(285,020)	(139,538)
23	Total	4,872,577	101,322	1,148,157	Total	4,664,476	(183,697)	996,896	Total	(208,101)	(285,020)	(151,261)

Sources: KGS Pro Forma Adjustment Workpapers IS 29 Payroll Adjustment - CONFIDENTIAL
KGS Response to Staff Data Request No. 130

Kansas Gas Service
Corporate FICA and Medicare
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	Description	KGS	Staff	Adjustment
	NonExempt			
1	Amount of Payroll for FICA Adjustment Below Cap	$ 307,681	$ (16,770)	$ (324,451)
2	FICA 6.2%	6.20%	6.20%	6.20%
3	Total Adjustment to FICA	19,076	(1,040)	(20,116)
4	Distrigas Allocation	30.39%	29.82%	29.82%
5	**Adjustment for FICA for Allocated Payroll**	**$ 5,797**	**$ (310)**	**$ (5,999)**
6	Amount of Payroll for Medicare Adjustment	$ 307,681	$ (16,770)	$ (324,451)
7	Medicare 1.45%	1.45%	1.45%	1.45%
8	Total Adjustment to Medicare	4,461	(243)	(4,705)
9	Distrigas Allocation	30.39%	29.82%	29.82%
10	**Adjustment for Medicare for Allocated Payroll**	**$ 1,356**	**$ (73)**	**$ (1,403)**
	Exempt			
11	Amount of Payroll for FICA	$ 1,297,024	$ 1,472,488	$ 175,464
12	FICA 6.2%	6.20%	6.20%	6.20%
13	Total Adjustment to FICA	80,415	91,294	10,879
14	Distrigas Allocation	30.39%	29.82%	29.82%
15	**Adjustment for FICA for Allocated Payroll**	**$ 24,438**	**$ 27,224**	**$ 3,244**
16	Amount of Payroll for Medicare Adjustment	$ 939,769	$ 856,299	$ (83,470)
17	Medicare 1.45%	1.45%	1.45%	1.45%
18	Total Adjustment to Medicare	13,627	12,416	(1,210)
19	Distrigas Allocation	30.39%	29.82%	29.82%
20	**Adjustment for Medicare for Allocated Payroll**	**$ 4,141**	**$ 3,703**	**$ (361)**
21	**Total Staff Adjustment to Corporate Employment Taxes (Account No. 408.1)**			**$ (4,518)**

Sources: KGS Pro Forma Adjustment Workpapers IS 29 Payroll Adjustment - CONFIDENTIAL
KGS Response to Staff Data Request No. 130

Kansas Gas Service
Corporate 401(k) Costs
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	Description	Amount
1	401(k) Amount Per Book for the 12-Months Ending April 30, 2024	$ 4,035,748
2	Payroll Dollars for the 12-Months Ending April 30, 2024	73,391,317
3	401(k) Matching Percentage	5.50%
4	Payroll Annualization Adjustment for the 12-Months Ending April 30, 2024	$ 4,677,400
5	Staff Adjustment to 401(k) Costs	257,208
6	3 Year Average Distrigas Allocation	29.82%
7	**Staff Allocated Adjustment to Corporate 401(k) Costs**	**$ 76,699**

Sources: KGS Response to Staff Data Request Nos. 198 and 201
Exhibit KLF-1(g)

Kansas Gas Service
Corporate Profit Share
Income Statement Adjustment No. 4
Test Year Ended September 30, 2023

Line No.	Description	Amount
1	Profit Share Amount Per Book for the 12-Months Ending April 30, 2024	$ 3,037,109
2	Payroll Dollars for the 12-Months Ending April 30, 2024	73,391,317
3	Profit Sharing Percentage	4.14%
4	Payroll Annualization Adjustment for the 12-Months Ending April 30, 2024	$ 4,677,400
5	Staff Adjustment to Profit Share	193,562
6	Distrigas Allocation	29.82%
7	**Staff Allocated Adjustment to Corporate Profit Share**	**$ 57,720**

Sources: KGS Response to Staff Data Request Nos. 198 and 201
Exhibit KLF-1(g)

Kansas Gas Service
Staff Adjustment to Insurance Expense
Income Statement Adjustment No. 5
Test Year Ended September 30, 2023

Line No.	**Account No.**	**Description**	**Sept 2023 TYE GL Amount**	**April 2024 Policy Amount**	**Staff Pro Forma Adjustment to Insurance Expense**	**KGS Pro Forma Adjustment to Insurance Expense**	**Staff Total Adjustment to Insurance Expense**
1	9240100	Property Insurance	[redacted]				$ -
2	9250100	Auto Liability Insurance					4,077
3	9250120	Worker's Compensation Insurance					42,230
4	9250180	Excess Liability Insurance					(17,424)
5		**Staff Total Adjustment to Insurance Expense**					**$ 28,882**

Sources: KGS Adjustment Workpapers IS 18 Insurance Adjustment 2024 - CONFIDENTIAL
KGS Response to Staff Data Request No. 181 - CONFIDENTIAL

Kansas Gas Service
Staff Adjustment to Workers' Compensation
Income Statement Adjustment No. 6
Test Year Ended September 30, 2023

Line No.	Account No.	Description	Amount	Total
1		Workers' Compensation Expense (May 2021 - April 2022)	$ 525,795	
2		Workers' Compensation Expense (May 2022 - April 2023)	429,536	
3		Workers' Compensation Expense (May 2023 - April 2024)	(92,387)	
4		3-Year Average Workers' Compensation Expense	$ 287,648	
5		Test Year Workers' Compensation Expense	235,627	
6	925	Staff Pro Forma Adjustment to Workers' Compensation Expense		$ 52,021
7		KGS Pro Forma Adjustment to Workers' Compensation Expense		125,371
8	**925**	**Staff Total Adjustment to Workers' Compensation**		**$ (73,350)**

Sources: KGS Adjustment Workpaper IS 19 - Workers Compensation Adjustment
KGS Response to Staff Data Request No. 182
Exhibit KLF-3(a)

Kansas Gas Service
Staff Adjustment to Workers' Compensation
Income Statement Adjustment No. 6
Test Year Ended September 30, 2023

Line No.	Date	Amount	Date	Amount	Date	Amount
1	May-21	$ 45,547.69	May-22	$ 22,668.65	May-23	$ 18,322.92
2	Jun-21	(28,720.88)	Jun-22	(33,490.61)	Jun-23	(131,236.83)
3	Jul-21	104,224.64	Jul-22	25,748.14	Jul-23	14,682.92
4	Aug-21	(2,949.21)	Aug-22	(26,774.69)	Aug-23	-
5	Sep-21	346,929.14	Sep-22	39,815.55	Sep-23	(67,710.87)
6	Oct-21	33,294.79	Oct-22	78,388.77	Oct-23	-
7	Nov-21	(10,116.34)	Nov-22	7,401.32	Nov-23	-
8	Dec-21	(10,972.36)	Dec-22	32,789.73	Dec-23	24,918.54
9	Jan-22	(47,664.72)	Jan-23	197,105.13	Jan-24	-
10	Feb-22	57,376.83	Feb-23	14,893.44	Feb-24	-
11	Mar-22	41,741.20	Mar-23	23,851.50	Mar-24	48,636.11
12	Apr-22	(2,896.00)	Apr-23	47,138.84	Apr-24	-
13	**Total**	**$ 525,794.78**	**Total**	**$ 429,535.77**	**Total**	**$ (92,387.21)**

Sources: KGS Adjustment Workpaper IS 19 - Workers Compensation Adjustment
KGS Response to Staff Data Request No. 182

Kansas Gas Service
Staff Adjustment to Employee Medical Reserve
Income Statement Adjustment No. 7
Test Year Ended September 30, 2023

Line No.	Account No.	Description		Amount
1		May 2023	$	903,170
2		June 2023		439,611
3		July 2023		903,170
4		August 2023		903,170
5		September 2023		955,203
6		October 2023		955,203
7		November 2023		955,203
8		December 2023		704,557
9		January 2024		913,034
10		February 2024		913,034
11		March 2024		660,320
12		April 2024		913,034
13	9260190	Total Employee Medical Reserve	$	10,118,706
14		KGS Test Year Employee Medical Reserve		9,816,541
15		Change in Expense	$	302,165
16		Capitalization Ratio		63.73%
17		Staff Pro Forma Adjustment	$	192,570
18		KGS Pro Forma Adjustment		155,600
19	**9260190**	**Staff Total Adjustment to Employee Medical Reserve**	**$**	**36,970**

Sources: KGS Adjustment Workpaper IS 20 Employee Medical Reserve
KGS Response to Staff Data Request No. 184

Kansas Gas Service
Staff Adjustment to Incentive Compensation
Income Statement Adjustment No. 8
Test Year Ended September 30, 2023

Line No.	Description	Staff Total Adjustment
1	To remove 70% of Costs Related to Short-Term Incentive	$ (938,017)
2	To remove 50% of Costs Related to Officer Portion of Long-Term Incentive - Restricted Stock	(192,758)
3	To remove 100% of Costs Related to Officer Portion of Long-Term Incentive - Performance	(542,838)
4	**Staff Total Adjustment to Incentive Compensation**	**$ (1,673,613)**

Line No.		Account No.	Staff Total Adjustment by FERC Account No.
5		408.1	$ (49,418)
6		920	(321,404)
7		930.2	(1,302,791)
8	**Staff Total Adjustment to Incentive Compensation**		**$ (1,673,613)**

Sources: Exhibit KLF-5(a) - CONFIDENTIAL
Exhibit KLF-5(b) - CONFIDENTIAL

Docket No. 24-KGSG-610-RTS
Exhibit KLF-5(a)
CONFIDENTIAL

Kansas Gas Service
Short-Term Incentive Compensation
Income Statement Adjustment No. 8
Test Year Ended September 30, 2023

Line No.	FERC Account	Description	Non-Officers	Officers and Executives	Amount	Adjust STI Down to 100%	Adjusted STI	Q2 2024 Distrigas Allocation	STI Included in Test Year	Inclusion Percentage	Adjusted Incentive Compensation	STI Adjustment
		Corporate										
1	408.1	Gen Tax FICA Incentive	[redacted]									$ (27,162)
2	930.2	A&G Salaries Incentive Plan	[redacted]									-
3	930.2	A&G Empl Ben Accr 401(k) Co Match - STI	[redacted]									(437,913)
4	930.2	A&G Empl Ben Accr PSP on STI	[redacted]									(40,673)
5			[redacted]									$ (505,748)
		KGS	[redacted]									
6	408.1	Gen Tax FICA Incentive	[redacted]									$ (22,257)
7	930.2	A&G Salaries Incentive Plan	[redacted]									-
8	930.2	A&G Empl Ben Accr 401(k) Co Match - STI	[redacted]									(377,101)
9	930.2	A&G Empl Ben Accr PSP on STI	[redacted]									(32,912)
10			[redacted]									$ (432,269)
11		**Staff Adjustment to Short-Term Incentive Compensation**										**$ (938,017)**

Sources: KGS Adjustment Workpaper IS 27_Support with LTI & STI Adj - CONFIDENTIAL
KGS Adjustment Workpaper IS 27 Workpaper - CONFIDENTIAL
Response to Staff Data Request Nos. 185 and 209

Docket No. 24-KGSG-610-RTS
Exhibit KLF-5(b)
CONFIDENTIAL

Kansas Gas Service
Long-Term Incentive Compensation
Income Statement Adjustment No. 8
Test Year Ended September 30, 2023

Line No.	**FERC Account**	**Description**	**Non-Officers**	**Officers and Executives**	**Amount**	**Distrigas Allocation**	**LTI Included in Test Year**	**Inclusion Percentage**	**Adjusted Incentive Compensation**	**LTI Adjustment**
		Corporate								
1	930.2	A&G Salaries LT Incentive - Restricted Stock	[redacted]							$ (83,583)
2	930.2	A&G Salaries LT Incentive - Performance								(330,609)
3		Subtotal - Corporate LTI								$ (414,192)
		KGS								
4	9200713	A&G Salaries LT Incentive - Restricted Stock								$ (109,175)
5	9200714	A&G Salaries LT Incentive - Performance								(212,229)
6		Subtotal - KGS LTI								$ (321,404)
7		**Staff Adjustment to Long-Term Incentive Compensation**								**$ (735,595)**

Source: KGS Adjustment Workpaper IS 27_Support with LTI & STI Adj - CONFIDENTIAL
KGS Adjustment Workpaper IS 27 Workpaper - CONFIDENTIAL
Response to Staff Data Request No. 209

Kansas Gas Service
Staff Adjustment to Corporate Pension, OPEB, and Medical Benefits
Income Statement Adjustment No. 9
Test Year Ended September 30, 2023

Line No.	FERC Account	Description	KGS Allocated Pro Forma Adjustment As Filed	Staff Allocated Pro Forma Adjustment	Staff Total Adjustment
1	9260	Administrative & General Benefit - Postretirement Benefits	$ (35,139)	$ (34,635)	$ 503
2	9260	Administrative & General Benefit - Pension	275,187	278,636	3,448
3	930.2	Administrative & General Benefit - Medical Reserve	588,388	547,590	(40,797)
4	**Staff Total Adjustment to Corporate Pension, OPEB, and Medical Benefits**				**$ (36,846)**

Sources: KGS Adjustment Workpaper IS 28 Corporate Pension, OPEB, Medical Benefits
Exhibit KLF-6(a)

Kansas Gas Service
Staff Adjustment to Corporate Pension, OPEB, and Medical Benefits
Income Statement Adjustment No. 9
Test Year Ended September 30, 2023

Line No.	Account No.	Description	Allocated TYE SEPT 2023 Corporate Amount	Allocated Adjustment	Allocated Adjusted Total Amount	Adjusted Total Amount as of April 2024	Updated Adjustment
			a	b	c = a + b	d	e = d - a
1	926.0	A&G EMPL BEN ACTUARY OPEB	$ 4,318	$ (35,139)	$ (30,821)	$ (30,317)	$ (34,635)
2	926.0	A&G EMPL BEN ACTUARY ONE GAS PENSION	(401,510)	275,187	(126,322)	(122,874)	278,636
3	930.2	A&G EMPL BEN RESERVE	2,823,466	588,388	3,411,854	3,371,056	547,590
4			$ 2,426,275	$ 828,436	$ 3,254,710	$ 3,217,865	$ 791,590

Sources: KGS Adjustment Workpaper IS 28 Corporate Pension, OPEB, Medical Benefits
Response to Staff Data Request No. 186

Kansas Gas Service
Staff Adjustment to Pension and OPEB Expense
Income Statement Adjustment No. 10
Test Year Ended September 30, 2023

Line No.	Account No.	Description	KGS Pro Forma Adjustment	Staff's Pro Forma Adjustment	Staff's Total Adjustment
1		Net Change in Pension Costs	$ (5,334,307)	$ (5,315,594)	$ 18,713
2		Net Change in OPEB Costs	(461,413)	(545,866)	(84,454)
3	**9260**	**Staff Total Adjustment to Pension and OPEB Expense**			**$ (65,741)**

Sources: KGS Adjustment Workpaper IS 32 & IS 33 Pension OPEB Adjustment 2024
Exhibit KLF-7(a)

Kansas Gas Service
Staff Adjustment to Pension and OPEB Expense
Income Statement Adjustment No. 10
Test Year Ended September 30, 2023

Line No.	Dkt No.18-KGSG-560-RTS		April 2024 Pension/OPEB		Pro Forma Adjustment	
			Account 9260113		Account 9260113	
	Periodic Pension cost		**Periodic Pension cost**		**Periodic Pension cost**	
1	Net	9,020,003	Net	3,704,409	Net	(5,315,594)
			Account 9260131		**Account 9260131**	
	OPEB Cost		**OPEB Cost**		**OPEB Cost**	
2	Net	458,420	Net	(87,446)	Net	(545,866)
3					**Total Pro Forma**	**(5,861,460)**

Sources: KGS Adjustment Workpaper IS 32 & IS 33 Pension OPEB Adjustment 2024
Response to Staff Data Request No. 205
Exhibit KLF-7(b)
Exhibit KLF-7(c)

Kansas Gas Service
Staff Adjustment to Pension and OPEB Expense
Income Statement Adjustment No. 10
Test Year Ended September 30, 2023

Line No.	Month	Current Pension Accrual (GAAP)	Accumulated YTD Expense	Oklahoma Payroll %	Co 51 only Accumulated YTD Expense	YTD Expense Ratio	Co 51 Net YTD Expense	Montly Change
	April 2023	$ 503,100	$ 2,012,394	3.889%	$ 1,934,136	65.20%	$ 1,261,056	
1	May 2023	503,100	2,515,494	3.889%	2,417,671	64.72%	1,564,717	$ 303,660
2	June 2023	503,100	3,018,594	3.889%	2,901,206	64.95%	1,884,333	319,617
3	July 2023	503,100	3,521,694	3.889%	3,384,742	64.06%	2,168,265	283,932
4	August 2023	503,100	4,024,794	3.889%	3,868,277	64.02%	2,476,471	308,205
5	September 202:	503,100	4,527,894	3.889%	4,351,812	64.17%	2,792,558	316,087
6	October 2023	503,100	5,030,994	3.889%	4,835,348	64.13%	3,100,908	308,350
7	November 202:	503,100	5,534,094	3.889%	5,318,883	64.06%	3,407,276	306,368
8	December 2023	503,100	6,037,194	3.889%	5,802,418	63.52%	3,685,696	278,420
9	January 2024	528,445	528,445	4.04%	507,122	63.52%	322,124	322,124
10	February 2024	528,443	1,056,888	4.04%	1,014,242	62.87%	637,654	315,530
11	March 2024	528,443	1,585,331	4.04%	1,521,362	63.09%	959,827	322,173
12	April 2024	528,443	2,113,774	4.04%	2,028,482	63.09%	1,279,769	319,942
13							**Staff Pro Forma Pension Balance**	**$ 3,704,409**

Sources: KGS Adjustment Workpaper IS 32 & IS 33 Pension OPEB Adjustment 2024
Response to Staff Data Request No. 205

Kansas Gas Service
Staff Adjustment to Pension and OPEB Expense
Income Statement Adjustment No. 10
Test Year Ended September 30, 2023

Line No.	Month	Current OPEB Accrual (GAAP)	Accumulated YTD Expense	Oklahoma Payroll %	Co 51 only Accumulated YTD Expense	YTD Expense Ratio	Co 51 Net YTD Expense	Monthly Change
	April 2023	$ (408)	$ (1,638)	3.89%	$ (1,574)	65.20%	$ (1,026)	
1	May 2023	(408)	(2,046)	3.89%	(1,966)	64.72%	(1,273)	$ (246)
2	June 2023	(408)	(2,454)	3.89%	(2,359)	64.95%	(1,532)	(259)
3	July 2023	(408)	(2,862)	3.89%	(2,751)	64.06%	(1,762)	(230)
4	August 2023	(408)	(3,270)	3.89%	(3,143)	64.02%	(2,012)	(250)
5	September 2023	(408)	(3,678)	3.89%	(3,535)	64.17%	(2,268)	(256)
6	October 2023	(408)	(4,086)	3.89%	(3,927)	64.13%	(2,518)	(250)
7	November 2023	(408)	(4,494)	3.89%	(4,319)	64.06%	(2,767)	(248)
8	December 2023	(408)	(4,902)	3.89%	(4,711)	63.52%	(2,993)	(226)
9	January 2024	(35,298)	(35,298)	4.04%	(33,874)	63.52%	(21,517)	(21,517)
10	February 2024	(35,296)	(70,594)	4.04%	(67,745)	62.87%	(42,592)	(21,075)
11	March 2024	(35,296)	(105,890)	4.04%	(101,617)	63.09%	(64,110)	(21,519)
12	April 2024	(35,296)	(141,186)	4.04%	(135,489)	63.09%	(85,480)	(21,370)
13							**Staff Pro Forma OPEB Balance**	**$ (87,446)**

Sources: KGS Adjustment Workpaper IS 32 & IS 33 Pension OPEB Adjustment 2024
Response to Staff Data Request No. 205

Kansas Gas Service
Staff Adjustment to Pension and OPEB Tracker 1
Income Statement Adjustment No. 11
Test Year Ended September 30, 2023

Line No.	**Account No.**	**Description**	**KGS Pro Forma Adjustment**	**Staff Pro Forma Adjustment**	**Staff Total Adjustment**
1		Test Year Amortization of Deferred Pension	$ (1,834,955)	$ (1,834,955)	$ -
2		Test Year Amortization of Deferred OPEB Costs	3,165,177	3,165,177	-
3		Amortization of Deferred Pension Costs	(3,331,610)	(5,670,161)	(2,338,551)
4		Amortization of Deferred OPEB Costs	(1,348,032)	(531,259)	816,773
5	**4073**	**Staff Total Adjustment to Amorized Pension and OPEB Expense**			**$ (1,521,778)**

Sources: KGS Adjustment Workpaper IS 32 & IS 33 Pension OPEB Adjustment 2024
Exhibit KLF-8(a)

Kansas Gas Service
Staff Adjustment to Pension and OPEB Tracker 1
Income Statement Adjustment No. 11
Test Year Ended September 30, 2023

Line No.	Pension Account 1823271			OPEB Account 1823272		
1	2018	$	(3,199,005)	2018	$	2,223,695
2	2019		(2,978,736)	2019		2,876,700
3	2020		(645,547)	2020		387,259
4	2021		(566,608)	2021		(844,813)
5	2022		(4,691,764)	2022		508,896
6	2023		(7,169,262)	2023		2,703,764
7	12.31.23	$	(9,994,831)	12.31.23	$	(4,044,096)
8	2024		(7,015,652)	2024		2,450,319
9	**Estimated 2024**	**$**	**(17,010,483)**	**Estimated 2024**	**$**	**(1,593,777)**
10	**3 year amort**	**$**	**(5,670,161)**	**3 year amort**	**$**	**(531,259)**

Sources: KGS Adjustment Workpaper IS 32 & IS 33 Pension OPEB Adjustment 2024
Response to Staff Data Request No. 205
Exhibit KLF-8(b)

Kansas Gas Service
Staff Adjustment to Pension and OPEB Tracker 1
Income Statement Adjustment No. 11
Test Year Ended September 30, 2023

		Pension				OPEB			
		Accrual	Amortization		Balance	Accrual	Amortization		Balance
Line No.	Year	1823271/9260800	1823271/4073151	Change	1823271	1823272/9260801	1823272/4073152	Change	1823272
1	2009	$ 2,485,323	$ -	$ 2,485,323	$ 2,485,323	$ 840,344	$ -	$ 840,344	$ 840,344
2	2010	2,826,859.69	-	2,826,859.69	5,312,183.08	(1,306,156.35)	-	(1,306,156.35)	(465,812.02)
3	2011	4,278,722.46	-	4,278,722.46	9,590,905.54	(1,562,592.25)	-	(1,562,592.25)	(2,028,404.27)
4	2012	5,398,072.07	-	5,398,072.07	14,988,977.61	(1,024,016.83)	-	(1,024,016.83)	(3,052,421.10)
5	2013	3,728,900.13	(2,997,795.48)	731,104.65	15,720,082.26	(3,422,009.99)	610,484.28	(2,811,525.71)	(5,863,946.81)
6	2014	1,598,525.94	(2,997,795.48)	(1,399,269.54)	14,320,812.72	(3,498,593.04)	610,484.28	(2,888,108.76)	(8,752,055.57)
7	2015	3,516,273.99	(2,997,795.48)	518,478.51	14,839,291.23	(3,792,195.42)	610,484.28	(3,181,711.14)	(11,933,766.71)
8	2016	1,785,137.07	(2,997,795.48)	(1,212,658.41)	13,626,632.82	(4,723,516.69)	610,484.28	(4,113,032.41)	(16,046,799.12)
9	2017	171,668.90	(4,542,210.96)	(4,370,542.06)	9,256,090.76	(1,306,827.81)	5,454,029.40	4,147,201.59	(11,899,597.53)
10	2018	1,343,205.51	(4,542,210.96)	(3,199,005.45)	6,057,085.31	(3,230,334.35)	5,454,029.40	2,223,695.05	(9,675,902.48)
11	2019	(877,889.95)	(2,100,846.23)	(2,978,736.18)	3,078,349.13	(513,275.26)	3,389,975.00	2,876,699.74	(6,799,202.74)
12	2020	1,189,408.37	(1,834,955.00)	(645,546.63)	2,432,802.50	(2,777,917.56)	3,165,177.00	387,259.44	(6,411,943.30)
13	2021	1,268,347.46	(1,834,954.98)	(566,607.52)	1,866,194.98	(4,009,989.81)	3,165,177.03	(844,812.78)	(7,256,756.08)
14	2022	(2,856,809.27)	(1,834,955.04)	(4,691,764.31)	(2,825,569.33)	(2,656,281.16)	3,165,177.00	508,895.84	(6,747,860.24)
15	2023	(5,334,306.87)	(1,834,955.00)	(7,169,261.87)	(9,994,831.20)	(461,412.66)	3,165,177.00	2,703,764.34	(4,044,095.90)
16	2024 - Forcast	(5,180,697.22)	(1,834,955.00)	(7,015,652.22)	(17,010,483.42)	(714,857.75)	3,165,177.00	2,450,319.25	(1,593,776.65)
17		$ 15,340,742	$ (32,351,225)	$ (17,010,483)		$ (34,159,633)	$ 32,565,856	$ (1,593,777)	

** 2009 -2011 were adjusted September 2012 per Staff's testimony in docket # 12-KGSG-835-RTS

Sources: KGS Adjustment Workpaper IS 32 & IS 33 Pension OPEB Adjustment 2024
Response to Staff Data Request No. 205

Kansas Gas Service
Staff Adjustment to Interest on Customer Deposits
Income Statement Adjustment No. 12
Test Year Ended September 30, 2023

Line No.	Account No.	Description		Amount
1		April 2023	$	13,964,360
2		May 2023		13,750,467
3		June 2023		13,538,211
4		July 2023		13,448,482
5		August 2023		13,406,820
6		September 2023		13,475,640
7		October 2023		13,670,410
8		November 2023		13,813,021
9		December 2023		13,959,195
10		January 2024		14,022,479
11		February 2024		14,130,355
12		March 2024		14,076,324
13		April 2024		14,026,226
14		**13 Month Average**	**$**	**13,790,923**
15		KCC Approved Rate on 12.12.2023		5.05%
16		Staff Pro Forma Interest Expense		696,442
17		KGS Pro Forma Interest Expense		696,027
18	**9302993**	**Staff Total Adjustment to Interest Expense**	**$**	**415**

Sources: KGS Adjustment Workpapers IS 15 Interest on Customer Deposits
KGS Response to Staff Data Request Nos. 179 and 180

Kansas Gas Service
Staff Adjustment to Relocation Expense
Income Statement Adjustment No. 13
Test Year Ended September 30, 2023

Line No.	Account No.	Description	Test Year Per Book Amount	Percentage Removed	Staff's Adjustment
1	9302120	A&G Misc Employee Moving - KGS	$ 241,577	50%	$ (120,788)
2	9302120	A&G Misc Employee Moving - Corporate	57,416	50%	(28,708)
3		**Staff Total Adjustment to Relocation Expense**			**$ (149,496)**

Source: Response to Staff Data Request No. 67 Attachment B

Kansas Gas Service
Staff Adjustment to Severence Expense
Income Statement Adjustment No. 14
Test Year Ended September 30, 2023

Line No.	Account No.	Company	Date	Test Year Amount	KGS Distrigas Allocation %	Test Year Amount Allocated to KGS	Percentage Removed	Staff's Adjustment
1		KGS	April 2023	$ 15,000		$ 15,000	100%	$ (15,000)
2		KGS	December 2022	30,000		30,000	100%	(30,000)
3	9250200					$ 45,000		$ (45,000)
4		Corporate	March 2023	$ 50,000	30.98%	$ 15,490	100%	$ (15,490)
5		Corporate	August 2023	40,000	30.48%	12,192	100%	(12,192)
6		Corporate	October 2022	57,713	31.51%	18,185	100%	(18,185)
7	9250200					$ 45,867		$ (45,867)
8						**Staff Total Adjustment to Severence Expense**		**$ (90,867)**

Source: Response to Staff Data Request No. 69

Kansas Gas Service
Staff Adjustment to Rate Case Expense
Income Statement Adjustment No. 15
Test Year Ended September 30, 2023

Line No.	Account No.	Description	Amount	Total
1		KGS's Estimated Rate Case Expense Amortized over 3 years	[redacted]	
2		KGS Rate Case Expense through May 22, 2024		
3		Staff and CURB Rate Case Expense through June 2024		
4		Total Rate Case Expense		
5		3 Year Amortization Period		
6		Rate Case Amortization Expense		
7	**928**	**Staff Total Adjustment to Rate Case Expense**		**$ (168,357)**

Sources: KGS Adjustment Workpaper IS 34 Rate Case Amortization Adjustment - CONFIDENTIAL
KGS Response to Staff Data Request Nos. 46 CONFIDENTIAL and 187 - CONFIDENTIAL

Docket No. 24-KGSG-610-RTS
Exhibit KLF-13

Kansas Gas Service
Staff Adjustment to Miscellaneous Corporate Expense
Income Statement Adjustment No. 21
Test Year Ended September 30, 2023

Line No.	FERC Account	Entertainment	Flowers	Logo Items	Meals	Misc	Other State Rate Case Expense	Scholarships	Tips	Travel	Valet	Total expense removed
1	8530				(81.35)							$ (81)
2	8560				(223.70)					-		(224)
3	8700		(34.76)		(1,563.98)	(271.96)			(9.34)	(24.00)		(1,904)
4	8740				(126.96)							(127)
5	8780				(432.01)	(203.75)				(51.70)		(687)
6	8800				(861.11)	(48.72)						(910)
7	8870				(46.54)							(47)
8	9010				(73.16)					(43.12)		(116)
9	9030				(102.64)	(44.88)				(19.82)		(167)
10	9050		(10.97)		(168.68)	(211.45)						(391)
11	9080	(1.95)		(4,187.75)	(3,588.49)	(814.82)			(5.45)	(305.69)		(8,904)
12	9090					(55.55)						(56)
13	9130					(127.03)						(127)
14	9210	(3,377.83)	(934.07)	(5,040.67)	(51,426.54)	(14,349.45)	(1,338.16)		(289.25)	(8,135.07)	(376.82)	(85,268)
15	9230					(10,919.80)	(1,426.77)					(12,347)
16	9260		(4.37)	(2,025.78)	(2,101.76)	(2,831.27)		(35,510.60)		(2,830.02)		(45,304)
17	9302	(118.81)	(37.29)	(1,748.63)	(1,306.56)	(11,053.05)			(15.76)	(16.23)		(14,296)
		$ (3,499)	$ (1,021)	$ (13,003)	$ (62,103)	$ (40,932)	$ (2,765)	$ (35,511)	$ (320)	$ (11,426)	$ (377)	**$ (170,956)**

Source: KGS Response to Staff Data Request No. 283 - CONFIDENTIAL
Staff Exhibits KLF-13(a) through KLF-13(j) - CONFIDENTIAL

Exhibits
KLF-13(a) through KLF-13(j)
are
CONFIDENTIAL

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Katie Figgs, being duly sworn upon her oath deposes and states that she is a Managing Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that she 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 her knowledge, information and belief.

Katie Figgs
Managing Auditor
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 26 day of June, 2024.

Notary Public

My Appointment Expires: 4/28/25

NOTARY PUBLIC - State of Kansas
ANN M. MURPHY
My Appt. Expires 4/28/25

CERTIFICATE OF SERVICE

24-KGSG-610-RTS

I, the undersigned, certify that a true and correct copy of the above and foregoing Testimony was served via electronic service on the 1st day of July, 2024, to the following:

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24-KGSG-610-RTS

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Ann Murphy

Ann Murphy