

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

In the Matter of the Application of Kansas )  
Gas Service, a Division of ONE Gas, Inc. )  
for Approval of an Accounting Order to )  
Track Expenses Associated with the ) Docket No. 17-KGSG-455-ACT  
Investigating, Testing, Monitoring, )  
Remediating, and Other Work Performed )  
at the Manufactured Gas Plant Sites )  
Managed by Kansas Gas Service. )

**CURB'S RESPONSE TO STAFF'S REPORT AND RECOMMENDATION**

COMES NOW, the Citizens' Utility Ratepayer Board ("CURB") submits its Response to the Report and Recommendation ("R&R") filed by the Staff of the Kansas Corporation Commission ("Staff" and "Commission," respectively) in the above-captioned docket on April 24, 2025. In support thereof, CURB states as follows:

1. On April 11, 2017, Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS") filed an application seeking approval of an Accounting Authority Order ("AAO") to accumulate, defer, and recover costs incurred after January 1, 2017, associated with KGS' obligation to perform remediation and other work on specific natural gas manufacturing facilities and nearby properties ("MGP Sites"), performed under a Consent Order with the Kansas Department of Health and Environment ("KDHE") in KDHE Case No. 94-E-0172.<sup>1</sup>

2. The parties (KGS, Staff, and CURB) reached a Unanimous Settlement Agreement ("Agreement") and, on November 21, 2017, the Commission issued its order approving the Agreement. As stipulated in the Agreement, the Commission issued an AAO covering all MGP Sites and all cash expenditures made by KGS, relating to all MGP costs. Expenditures relating to

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<sup>1</sup> Application for Gas Service Accounting Order (April 11, 2017).

the MGP Costs covered by the AAO were limited to \$15 million net of insurance recoveries under the AAO.

3. As part of the Agreement, CURB reserved the right to challenge any request to increase the cap and to reassert any arguments posed in this docket with respect to any such requested increase, including the assertion that any such increase should be borne entirely by shareholders of KGS.<sup>2</sup>

4. On January 3, 2025, KGS filed an Application for approval to increase the \$15 million cap to \$32 million, based on updated cost estimates for environmental work at these MGP sites. This increase of \$17 million represents the currently identified environmental reserve from each MGP Site, which totals \$14,652,221, and additional costs net of insurance proceeds of \$2,350,378. KGS explains that it is only seeking to increase the AAO cap, and not to alter any of the other provisions of the Agreement.

5. On April 24, 2025, Staff filed its R&R in this docket. Staff recommends that the Commission approve KGS' request to raise the AAO cap with no other changes to the terms of the agreement.<sup>3</sup> To evaluate whether a 15-year amortization period would still result in an approximate 40% disallowance, Staff performed an updated net present value analysis reflecting KGS' most recent Weighted Average Cost of Capital from the 24-KGSG-610-RTS Docket. The result was a 59/41 sharing of these costs between ratepayers and shareholders.<sup>4</sup> Staff is supportive of the requested increase in the AAO cap in order to ensure that the ratemaking treatment established in the Agreement remains.

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<sup>2</sup> Order Approving Unanimous Settlement Agreement, pp. 5-6, ¶12 (November 21, 2017).

<sup>3</sup> Notice of Filing of Staff's Report & Recommendation, p. 5 (April 24, 2025). ("Staff's 2025 R&R")

<sup>4</sup> Id.

## **CURB RESPONSE**

6. If the Commission elects to approve the proposed AAO cap increase, CURB believes that the Commission should reconsider the cap on the percentage that ratepayers are exposed to costs to perform environmental work at the MGP Sites to a 50/50 split because the requested increase to the AAO cap is more than double what was approved in the Agreement. CURB reasserts its previously filed positions and arguments contained in the direct, cross-answering, and testimony in support of the Agreement by Andrea Crane and incorporates by reference those documents in this response. Previously, CURB indicated strong opposition to KGS's initial request to recover the costs to remediate MGP Sites from ratepayers and recommended that the Company's shareholders bear those costs because KGS knew of the liability associated with the sites before it moved forward with acquiring ownership.<sup>5</sup> Specifically, CURB argued that these MGP Sites were used to serve customers from generations ago, that costs were not known or measurable, and that these costs do not go towards the provision of natural gas service for present-day customers. While CURB was opposed to ratepayers bearing any of the MGP costs, it proposed a 50/50 split with shareholders if the Commission authorized recovery from ratepayers.<sup>6</sup>

7. To CURB, generational inequity and cost uncertainty concerns supported the position that ratepayers should not be burdened with any of these costs. CURB believes that these considerations are still relevant today. KGS's history behind the acquisition of the MGP Sites and the responsibility of performing environmental work remains largely unchanged in the record. Negotiation efforts resulted in cost sharing and reporting mechanisms based on a 15-year

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<sup>5</sup> Direct Testimony of Andrea C. Crane on Behalf of CURB, p. 17, Ins. 1-13. (September 8, 2017). ("Crane Direct Testimony")

<sup>6</sup> Cross-Answering Testimony of Andrea C. Crane on Behalf of CURB, p. 6, Ins. 10-20. (September 18, 2017).

amortization period and limits on cost recovery from ratepayers, specifically the AAO cap and 60/40 split with shareholders. Still, CURB expressed that the specific AAO cap and amortization period provided significant safeguards against unknown financial impacts as costs are incurred, and that changes to either should be sufficiently supported by evidence of the public interest to modify those terms.<sup>7</sup>

8. Although the number of MGP Sites has not increased since the original Agreement, nearly half of the twelve sites are awaiting site inspections and creation of a Corrective Action Plan.<sup>8</sup> KGS reports already exceeding the current AAO cap and may even exceed the proposed cap once site studies are completed and more information is made available.<sup>9</sup> The requested \$17 million increase to the cap is troubling for CURB because the increase is more than twice what CURB had agreed to and relied upon to enter into the Agreement in the face of significant cost uncertainty. However, the record did not indicate that cost increases would balloon at this rate and with the present status of the work completed so far. Doubling the AAO cap with the expectation that there may be subsequent requests for more increases deteriorates the cap's mitigating effect on ratepayers' bills. The initial AAO cap was designed to account for unknown future costs to complete environmental work based on estimates and concerns for the magnitude of these costs. CURB is concerned that increasing the cap by \$17 million would open the door to significant financial impacts for ratepayers and effectively negate the safeguarding benefits.

9. CURB recognizes the importance of the site remediation efforts and KDHE's responsibility in managing hazards stemming from manufactured gas facilities. KGS is performing

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<sup>7</sup> Andrea Crane Testimony in Support of Settlement Agreement on Behalf of CURB, p. 8, Ins. 13-21. (October 12, 2017).

<sup>8</sup> See Direct Testimony of Emma L. Romi on Behalf of Kansas Gas Service, p. 9-10. Ins 1-23; 1-3. (January 3, 2025).

<sup>9</sup> Direct Testimony of Janet L. Buchanan on Behalf of Kansas Gas Service, p. 13, Ins. 11-22. (January 3, 2025).

work in response to KDHE guidance. Notwithstanding CURB's assertion that KGS willingly accepted the risk and responsibilities associated with environmental remediation when KGS acquired the properties, CURB understands that actual costs will be affected, in part, by KDHE's evaluations and recommendations, which may not necessarily consider ratepayer impacts. Additionally, the process of inspecting, evaluating, and exchanging reports and recommendations between the Company and KDHE involves long periods of time between remediation phases and fluctuating cost estimates. In these regards, the preservation of other safeguards, such as a longer amortization period, treatment of insurance proceeds, cost sharing with shareholders, and regulatory review of cost overruns and project updates is important to mitigate financial impacts. However, because of the magnitude of this increase and the potential for additional requests, CURB believes that these conditions warrant a reconsideration of the 60% cap on ratepayer responsibility. If the cost overruns are truly unavoidable in the course of performing environmental work, then the Commission should be mindful of dollar amounts being passed onto ratepayers in its consideration of cost-sharing, rather than just the percentage itself.

10. CURB is supportive of the Agreement provisions establishing a cap on costs and ratepayer exposure, treatment of insurance proceeds, and reporting framework and recommends that those be maintained. However, because the magnitude of costs is gradually becoming clearer to parties, CURB believes that a 50/50 split with shareholders will maintain the mitigating benefits of the caps while ensuring meaningful contributions to the costs from each group. The context behind these MGP Sites and consideration of generational inequity support an adjustment to the cost-sharing framework at this time.

**WHEREFORE**, CURB respectfully recommends that the Commission order a 50/50 split of MGP costs as a condition to approving the request to increase the AAO cap by \$17 million, and maintaining the other provisions of the Agreement, as deemed appropriate.

Respectfully submitted,



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## VERIFICATION

STATE OF KANSAS

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SS:

COUNTY OF SHAWNEE

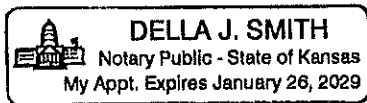
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I, Todd E. Love, of lawful age and being first duly sworn upon my oath, state that I am an attorney for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.

*[Handwritten signature]*

Todd E. Love

SUBSCRIBED AND SWORN to before me this 7<sup>th</sup> day of May, 2025.



Cheryl S.  
Notary Public

My Commission expires: 01/26/2029

**CERTIFICATE OF SERVICE**

17-KGSG-455-ACT


I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 8<sup>th</sup> day of May, 2025, to the following:

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