



PUBLIC HEARING

Kansas Gas Service

Docket No.18-KGSG-560-RTS

Thursday, October 4, 2018

Washburn Institute of Technology
Main Conference Center, Building A
5724 SW Huntoon
Topeka, KS 66604

Agenda

6:00 p.m. Meeting Convenes
Presentations by
Kansas Gas Service
CURB
KCC Staff
Formal Public Comments Session

The hearing will be streamed live on the KCC website:

<http://kcc.ks.gov>

A recording of the hearing will be available on the site beginning October 11, 2018

Information for Residential Customers



Safety is our top priority. The Kansas Gas Service rate increase proposal reflects system investments and operating costs necessary to maintain the safety and reliability of our natural gas distribution system.

Our Current Rate Increase Proposal

Kansas Gas Service's request, if approved, represents a net base rate increase of \$42.7 million. Kansas Gas Service is already recovering \$2.9 million from customers through the Gas System Reliability Surcharge (GSRS), resulting in a total base rate increase of \$45.6 million. Upon implementation of new base rates, the GSRS charge will be reset to zero. If approved, this request would increase the average residential customer's natural gas bill by \$5.67 per month.

In addition to recovering significant investments in the company's natural gas pipeline distribution system and changes in operating and maintenance expenses, this filing was made to pass through the benefits of the corporate income tax cuts associated with the new federal legislation that went into effect earlier this year.

Since its last adjustment in base rates in January 2017, Kansas Gas Service has invested approximately \$179 million in its natural gas distribution system and non-gas operating expenses have increased by about \$20 million. None of these costs are reflected in our current base rates.

Kansas Gas Service is also requesting a Revenue Normalization Adjustment that is designed to ensure that the company collects the amount of revenue set by the Kansas Corporation Commission from residential, general sales and small transport customers, regardless of customer usage.

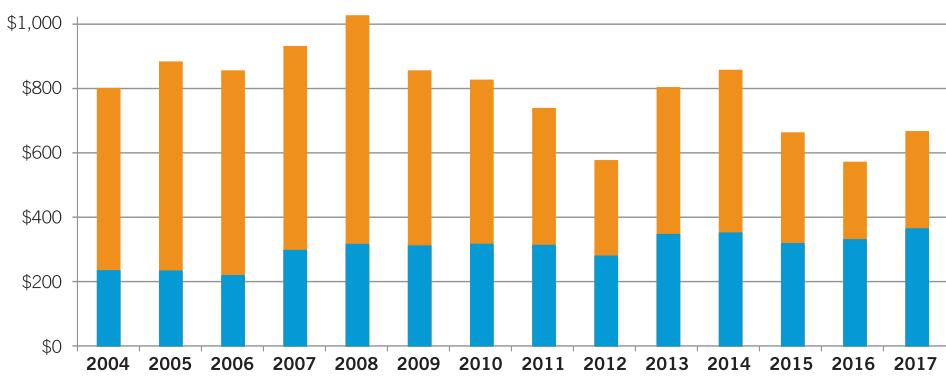
Cost of Natural Gas

The portion of the bill associated with the cost of gas, which represented 42 percent of the average residential bill in 2017, is not impacted by this filing. The cost of gas used by our customers continues to be passed through directly to the customer with no markup.

Kansas Gas Service customer bills have been relatively stable in the last several years. The decline in the cost of gas has contributed to customers experiencing a significant reduction in their bills. This year, we have continued to see historically low natural gas costs and many experts expect this trend to continue, at least in the short term.

Declining Cost of Natural Gas Benefiting Customers

Kansas Gas Service Average Annual Residential Bill



*Excludes Franchise Fees and Sales Tax

■ KGS Non-gas portion ■ Cost of Gas

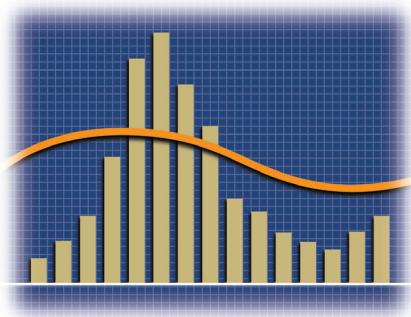
Facts at a glance:

- Kansas Gas Service, a division of ONE Gas, Inc., is the largest natural gas distribution company in Kansas.
- 1,000 employees
- 636,000 customers
- 13,000 miles of transmission and distribution pipelines
- ONE Gas provides natural gas distribution services to more than 2 million customers in Oklahoma, Kansas and Texas.

The data shown in the table to the left is not adjusted for variations in weather, which can have a significant impact on bills.



Kansas Gas Service is committed to our customers. We understand the impact rate increases can have on customers. That's why Kansas Gas Service employees work hard to manage expenses to help keep our energy costs at reasonable rates. We will continue to assist customers through offerings such as Average Payment Plan and Share The Warmth, the company's heating assistance fund, which is administered through The Salvation Army.



Average Payment Plan

Make budgeting for energy costs simple with our Average Payment Plan. The payment amount is based on a rolling 12-month average of actual usage costs, allowing your bills to be relatively stable from month to month, regardless of usage. The Average Payment Plan is available to qualifying residential and general sales customers.

Share The Warmth

Share The Warmth is a partnership between Kansas Gas Service and The Salvation Army that provides energy assistance. It helps Kansans facing financial emergencies pay their home heating costs and stay warm through the winter. The Salvation Army uses customer donations to make payments directly to the utility or fuel supplier on behalf of the person chosen to receive the aid.

Share The Warmth helps people regardless of how they heat their home. It makes no difference – the goal is to keep people warm.



Energy Saving Tips

There are steps you can take to conserve energy and save money. For tips on how to reduce your energy bill, please visit our website: www.kansasgaservice.com and click on "Save Energy & Money."

To learn more about your home's energy usage, visit the "Home Energy Calculator" link at the bottom of the page.

October 2018

The Citizens' Utility Ratepayer Board

State of Kansas
CURB

What We Are:

- We were created by the legislature in 1989 as a branch of the Kansas Corporation Commission (KCC) to advocate for residential and small business customers of the utilities regulated by the KCC; in 1991, CURB became a separate state agency with its own budget, board and staff
- Policy and guidance is provided by the five-member volunteer board, with one member from each Congressional district in Kansas and one at-large member
- Members are appointed by the Governor to four-year terms that may be renewed by the Governor
- Board meets publicly at least four times a year to make decisions and develop policy that guides staff action
- Board employs a consumer counsel, staff attorneys, a technical analyst and two administrative staffers to carry out the directives of the Board and manage the CURB office
- CURB's budget is funded by regulatory fees paid by the utilities, not tax dollars; the utilities' regulatory costs are passed through to their customers in utility rates

What We Do:

- Represent the interests of residential and small commercial customers of the regulated public utilities in proceedings at the KCC and in appellate courts
- Offer testimony at the legislature on bills that may affect utility customers
- Provide the consumers' point of view through our participation in task forces, organizations and committees that are helping to formulate and/or influence energy policy in Kansas and the nation
- Help consumers find the information they need about utility matters, energy issues and energy policy and refer them to sources of assistance and advice

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The Citizens' Utility Ratepayer Board

How you can help CURB further the goal of affordable energy for all homes and small businesses:

- Contact your legislators and let them know your opinions on utility matters
- Attend KCC public hearings in your area and testify to the KCC about your concerns
- Send comments to the KCC during the public comment periods
- Become better informed about utilities and energy matters so that the input you offer policy makers is more effective and persuasive
- Be proactive in reducing your consumption of electricity and use energy more efficiently to reduce the need to build costly generation plants
- Be proactive in reducing your consumption of natural gas, which is a finite resource that will get more expensive as supplies diminish

Subscribe to the CURBside newsletter:

- Contact CURB to receive the CURBside, a newsletter sent out via email several times a year to inform the public about utility matters and CURB's activities

How to contact CURB:

- Call: 785-271-3200
- Email: ecurb@curb.kansas.gov
- Write us: 1500 SW Arrowhead Road, Topeka, KS 66604
- Contact us through our website: <http://curb.kansas.gov/>

OVER 130 YEARS OF REGULATORY SERVICE FOR KANSAS

*from Railroads to
Electricity
Natural Gas
Oil & Gas Production
Telecommunications
Motor Carriers
Common Carriers
Energy*



SINCE 1883

Kansas Corporation Commission

Then & Now...

In 1883, the Board of Railroad Commissioners was established by the Legislature and signed into law by Governor George Glick. Under the new law, Commissioners worked to ensure safe and reliable service for the public on the developing railroads. The Commission was charged with balancing the needs of Kansans and industry in reaching reasonable rates.

The Kansas Railroad Commission was one of the first and strongest regulatory agencies in the country. The Commission's role was primarily investigatory and advisory. Only on specific complaints from governing bodies or voter petitions could Commissioners issue awards that had legal force. The act establishing the Commission was a compromise that reflected the challenge of an emerging and necessary industry in the development of the Midwest.

As electricity and telephones became part of daily life, the 1911 Public Utilities Commission replaced the Railroad Commission. The role expanded to include the regulation of telephone service, water, light, heat, and pipeline and power companies.

In 1920, the Court of Industrial Relations was created to combine regulatory tasks with the arbitration of wages, hours, and industry and labor disputes. This evolved into the Public Utilities Commission with powers of the previous Commission. In 1925, the body became the Public Service Commission.

Eight years later in 1933, the present regulatory State Corporation Commission was established. Today the Commission's

1883 – established
Board of Railroad Commissioners

1898
Court of Visitation

1901
Board of Railroad Commissioners

1911
Public Utilities Commission

1920
Court of Industrial Relations

1921
Public Utilities Commission

1925
Public Service Commission

1933 – present
State Corporation Commission

challenge is the regulation of the ever changing electric, natural gas, telecommunications, oil and gas, and transportation industries.

Only one regulatory agency which focused on public utilities has been in existence since 1883. Each form of the Commission maintained the mission of safe and reliable service to the public. The industries and issues regulated over time have changed, but the commitment to Kansans has remained the same.

Continuing to Serve the Citizens of Kansas



KANSAS CONSUMER INFORMATION

Who is the Kansas Corporation Commission and what does the Commission regulate?

- Three Commissioners: Chair Shari Feist Albrecht, Commissioner Jay Scott Emler, and Commissioner Dwight D. Keen.
- Appointed by the Governor and confirmed by the Kansas Senate.
- Serve staggered 4-year terms.

The Commission regulates public utilities including telecommunications, natural gas, electric and water companies, as well as motor carriers, oil and gas pipelines, and oil and natural gas production. The mission of the Commission is to serve the people of Kansas by regulating the State's energy infrastructure, oil and natural gas production, and commercial trucking to ensure public safety. Our vision is a Kansas served by safe, reliable, environmentally responsible, diverse energy supplied at the lowest cost and for safe travel for the motoring public.

Please note that the Commission does not regulate cell phones, internet service, most municipal utilities, or electric and natural gas cooperatives.

Why does the Commission regulate public utilities?

- Kansas law requires a public utility to obtain a certificate of convenience from the Commission.
- Regulation helps protect consumers in areas where there is not competition or a reasonable alternative is not available.
- Kansas law requires the Commission to balance the needs of the utility company and the needs of consumers to determine just and reasonable rates and terms of service for the public utility.

Regulatory Considerations

The Commission's regulatory oversight of public utilities primarily pertains to rates and terms of service. In order to ensure that customers of regulated utilities are provided sufficient and efficient service at just and reasonable rates, utilities may not change their rates without Commission approval. The Commission's primary objective is to balance the interests of the public and the utility while ensuring reliable and cost efficient service.

Interests to consider:

- The public's need for reliable utility services provided at just and reasonable rates.

- The utility's interest in being fairly compensated for the services it provides (this includes infrastructure and services).

Commissioners' Duties and Obligations

- The Commissioners are essentially administrative judges who have the power to review, approve, reject, or modify an application by a utility company for rate increases or changes.
- Commission decisions are formal and are documented as orders in the dockets addressing the request or concern.
- Commissioners weigh the evidence and make a determination as to what rates are just and reasonable to both the company and ratepayers.
- While Commission orders are given great weight, their decisions are appealable to the Kansas Courts.

Parties in a Utility Rate Case

1. The Utility Companies – represent the interest of the companies.
2. Commission Staff – represents the interests of the public generally. Staff includes accountants, auditors, economists, analysts, engineers, and attorneys.



KANSAS CONSUMER INFORMATION

- Staff reviews every filing for compliance with Kansas Statutes and Commission Regulations.
 - Staff reviews the data in the filing for accuracy; analyzes the company's financial records, and recommends revenue and income adjustments based upon Kansas law and regulatory theory.
 - Staff identifies the potential impacts (positive or negative) of any actions requested by the utility on the ratepayers, the utility, and the public generally.
 - Staff works to ensure rate designs are fair to each customer class and fair to the utility.
3. Interveners – represents specific interests from certain sectors of the public. Interveners provide testimony from experts and may address issues of revenue, policy, and cost allocation/rate design.
- Citizens' Utility Ratepayer Board (CURB)
 - CURB specifically represents the interests of residential and small business ratepayers.
 - Other interested parties include:
 - Large commercial customers.
 - Third party wholesale customers.

The Process

An application for a rate increase is filed by the utility with supporting documentation and testimony. A complete copy of Kansas Gas Service's application and supporting testimony is available on the Commission's website at www.kcc.ks.gov by searching Docket Filings for Docket No. 18-KGSG-560-RTS.

- Application filed: June 29, 2018.
- Commission Staff and Interveners review the application.
- Public Hearing: October 4, 2018
- Public Comment Period thru 5:00 p.m. December 14, 2018.
- Each party prepares testimony and evidence supporting their position(s).
- Evidentiary Hearing: beginning December 11, 2018.
- Commission Order: February 25, 2019.

Public Comments

Your comments are appreciated and requested. Participating in the public hearing and providing comment during the open comment period are the only two ways for the public to participate in the formal regulatory process. Public hearings provide an opportunity for you to learn more about a utility company's proposal to change its services, rates, or practices. The hearing also allows you to provide official comment that becomes part of the record and is considered by Commissioners when deciding the outcome of the case. Public hearings are generally scheduled for major rate cases, and public comments are accepted prior to the start of the evidentiary hearing.

The Commission will accept public comments from Kansas Gas Service customers through 5:00 p.m., December 14, 2018. There are three convenient ways to submit a comment:

1. Go to the KCC website (www.kcc.ks.gov) to enter your comment. Click on the link under Your Opinion Matters.
2. Send a written letter to the Kansas Corporation Commission, Office of Public Affairs and Consumer Protection, 1500 SW Arrowhead Road, Topeka, KS 66604-4027. Be sure to reference Docket No. 18-KGSG-560-RTS.
3. Call the Commission's Public Affairs office at 1-800-662-0027 or (785) 271-3140.

Public Comments received during the comment period will be entered into the official case record and posted on the website at the end of the comment period.

Contact Us

4. Docket No. 18-KGSG-560-RTS
 - Email: public.affairs@kcc.ks.gov
 - Toll Free Helpline: (800) 662-0027
 - Phone: (785) 271-3140
 - Fax: (785) 271-3111
 - TDD Kansas Relay Center: (800) 766-3777
 - Mail: Kansas Corporation Commission
Public Affairs & Consumer Protection
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Notes: