

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on February 9, 2006 in Room 526-S of the Capitol.

Committee members absent:

Committee staff present: Athena Andaya, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Bruce Kinzie, Revisor of Statutes' Office
Diana Lee, Revisor of Statutes' Office
Ann McMorris, Committee Secretary
Leeann Hirshfield, Intern for Sen. Emler

Conferees appearing before the committee:

Others in attendance: See attached list

Continuation of hearing on
SB 414 - Enacting the gas safety and reliability policy act.

Steve Johnson, Kansas Gas Service, explained the proposed amendments to **S.B. 414**, which would clarify how charges are made and limit the charge to 40 cents per customer, per month, per year. (Attachment 1)

Committee questioned representatives from KCC and CURB on the various changes and asked for further explanation on how the rate is determined and if refunds are made if there is an overcharged rate.

Chairman closed the hearing on **SB 414**.

Chairman indicated further discussion and possible action on **SB 414** would be scheduled for Wednesday, February 15.

Chairman announced that further discussion and possible action on **SB 463** would be placed on the agenda for Monday, February 13.

Approval of Minutes

Moved by Senator Reitz, seconded by Senator Apple, minutes of the meetings of the Senate Utilities Committee held on February 7, 2006 and February 8, 2006 be approved. Motion carried.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 1

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: FEBRUARY 9, 2006

Name	Representing
Tom Stephens	Atmos Energy Corp,
Dan Low	KCC
Kimberly Lefeur	Aquila
Harry Berg	Midwest Energy
Steve Johnson	Kansas Gas Service
Brad Dixon	" " "
John DeCoursey	" " "
Dan Sprung	Curb
David Rowe	San Francisco
Anne Spiess	ATIA
Tim Garbner	at & t

SENATE BILL No. 414

By Committee on Utilities

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9 AN ACT concerning public utilities; relating to natural gas; enacting the
10 gas safety and reliability policy act.

11 *Be it enacted by the Legislature of the State of Kansas:*

12 Section 1. This act may be cited as the gas safety and reliability
13 policy act.

14 Sec. 2. For the purposes of this act:

15 (a) "GSRS" means gas system reliability surcharge;

16 (b) "appropriate pretax revenues" means the revenues necessary to
17 produce net operating income equal to:

18 (1) The natural gas public utility's weighted cost of capital multiplied
19 by the net original cost of eligible infrastructure system replacements,
20 including recognition of accumulated deferred income taxes and accu-
21 mulated depreciation associated with eligible infrastructure system re-
22 placements which are included in a currently effective GSRS;

23 (2) recover state, federal and local income or excise taxes applicable
24 to such income;

25 (3) recover depreciation expenses;

26 (c) "commission" means the state corporation commission;

27 (d) "eligible infrastructure system replacement" means natural gas
28 public utility plant projects that:

29 (1) Do not increase revenues by directly connecting the infrastruc-
30 ture replacement to new customers;

31 (2) are in service and used and required to be used;

32 (3) were not included in the natural gas public utility's rate base in
33 its most recent general rate case; and

34 (4) replace or extend the useful life of an existing infrastructure;

35 (e) "natural gas public utility" shall have the same meaning respec-
36 tively ascribed thereto by subsection (a) of K.S.A. 66-1,200, and amend-
37 ments thereto;

38 (f) "natural gas utility plant projects" may consist only of the
39 following:

40 (1) Mains, valves, service lines, regulator stations, vaults and other
41 pipeline system components installed to comply with state or federal
42 safety requirements as replacements for existing facilities that have worn
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1 out or are in deteriorated condition:

2 (2) main relining projects, service line insertion projects, joint encap-
3 sulation projects and other similar projects extending the useful life or
4 enhancing the integrity of pipeline system components undertaken to
5 comply with state or federal safety requirements; and

6 (3) facilities, relocations required due to construction or improve-
7 ment of a highway, road, street, public way or other public work by or on
8 behalf of the United States, this state, a political subdivision of this state
9 or another entity having the power of eminent domain provided that the
10 costs related to such projects have not been reimbursed to the natural
11 gas public utility;

facility

12 (g) "GSRS revenues" means revenues produced through a GSRS ex-
13 clusive of revenues from all other rates and charges.

14 Sec. 3. (a) Notwithstanding any other provisions of chapter 66 of the
15 Kansas Statutes Annotated, and amendments thereto, beginning July 1,
16 2006, a natural gas public utility providing gas service may file a petition
17 and proposed rate schedules with the commission to establish or change
18 GSRS rate schedules that will allow for the adjustment of the natural gas
19 public utility's rates and charges to provide for the recovery of costs for
20 eligible infrastructure system replacements. The commission may not ap-
21 prove a GSRS to the extent it would produce total annualized GSRS
22 revenues below the lesser of \$1,000,000 or 1/2% of the natural gas public
23 utility's base revenue level approved by the commission in the natural gas
24 public utility's most recent general rate proceeding. The commission may
25 not approve a GSRS to the extent it would produce total annualized GSRS
26 revenues exceeding 10% of the natural gas public utility's base revenue
27 level approved by the commission in the natural gas public utility's most
28 recent general rate proceeding. A GSRS and any future changes thereto
29 shall be calculated and implemented in accordance with the provisions of
30 sections 2 through 4, and amendments thereto. GSRS revenues shall be
31 subject to a refund based upon a finding and order of the commission to
32 the extent provided in subsections (e) and (h) of section 4, and amend-
33 ments thereto.

34 (b) The commission shall not approve a GSRS for any natural gas
35 public utility that has not had a general rate proceeding decided or dis-
36 missed by issuance of a commission order within the past 60 months,
37 unless the natural gas public utility has filed for or is the subject of a new
38 general rate proceeding.

39 (c) In no event shall a natural gas public utility collect a GSRS for a
40 period exceeding 60 months unless the natural gas public utility has filed
41 for or is the subject of a new general rate proceeding; except that the
42 GSRS may be collected until the effective date of new rate schedules
43 established as a result of the new general rate proceeding, or until the

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1 subject general rate proceeding is otherwise decided or dismissed by issuance of a commission order without new rates being established.

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3 Sec. 4. (a) At the time that a natural gas public utility files a petition with the commission seeking to establish or change a GSRS, it shall submit proposed GSRS rate schedules and its supporting documentation regarding the calculation of the proposed GSRS with the petition and shall serve commission staff and the citizens utility ratepayer board with a copy of its petition, its proposed rate schedules and its supporting documentation.

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10 (b) (1) When a petition, along with any associated proposed rate schedules, is filed pursuant to the provisions of sections 2 through 4, and amendments thereto, the commission shall conduct an examination of the proposed GSRS;

shall

14 (2) the staff of the commission may examine information of the natural gas public utility to confirm that the underlying costs are in accordance with the provisions of sections 2 through 4, and amendments thereto, and to confirm proper calculation of the proposed charge. The staff may submit a report regarding its examination to the commission not later than 60 days after the petition is filed. No other revenue requirement or ratemaking issues may be examined in consideration of the petition or associated proposed rate schedules filed pursuant to the provisions of sections 2 through 4, and amendments thereto;

shall

23 (3) the commission may hold a hearing on the petition and any associated rate schedules and shall issue an order to become effective not later than 120 days after the petition is filed; and

26 (4) if the commission finds that a petition complies with the requirements of sections 2 through 4, and amendments thereto, the commission shall enter an order authorizing the natural gas public utility to impose a GSRS that is sufficient to recover appropriate pretax revenue, as determined by the commission pursuant to the provisions of sections 2 through 4, and amendments thereto.

32 (c) A natural gas utility may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every 12 months.

once

35 (d) In determining the appropriate pretax revenue, the commission shall consider only the following factors:

37 (1) The net original cost of eligible infrastructure system replacements. The net original cost shall be defined as the original cost of eligible infrastructure system replacements less associated retirements of existing infrastructure;

40 (2) the accumulated deferred income taxes associated with the eligible infrastructure system replacements;

43 (3) the accumulated depreciation associated with the eligible infra-

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1 structure system replacements;

2 (4) the current state, federal and local income tax or excise rates;

3 (5) the natural gas public utility's actual regulatory capital structure
4 as determined during the most recent general rate proceeding of the
5 natural gas public utility;

6 (6) the actual cost rates for the natural gas public utility's debt and
7 preferred stock as determined during the most recent general rate pro-
8 ceeding of the natural gas public utility;

9 (7) the natural gas public utility's cost of common equity as deter-
10 mined during the most recent general rate proceeding of the natural gas
11 public utility;

12 (8) the current depreciation rates applicable to the eligible infrastruc-
13 ture system replacements; and

14 (9) in the event information pursuant to paragraphs (5), (6) and (7)
15 are unavailable and the commission is not provided with such information
16 on an agreed-upon basis, the commission shall utilize the average of the
17 recommendations contained in the testimony submitted by the natural
18 gas public utility and commission staff during the most recent general
19 rate proceeding of the natural gas public utility to determine the capital
20 structure, recommended cost rates for debt and preferred stock and rec-
21 ommended cost of common equity to determine the average weighted
22 cost of capital.

23 (e) (1) The monthly GSRS charge shall be allocated among the natu-
24 ral gas public utility's classes of customers in the same manner as costs
25 for the same type of facilities was allocated among classes of customers
26 in the natural gas public utility's most recent general rate proceeding. If
27 that allocation is not available or determinable, the commission shall uti-
28 lize the average of the recommendations contained in the testimony sub-
29 mitted by the natural gas public utility and the commission staff regarding
30 class allocation of costs;

31 (2) at the end of each twelve-month calendar period the GSRS is in
32 effect, the natural gas public utility shall reconcile the differences be-
33 tween the revenues resulting from a GSRS and the appropriate pretax
34 revenues as found by the commission for that period and shall submit the
35 reconciliation and a proposed GSRS adjustment to the commission for
36 approval to recover or refund the difference, as appropriate, through ad-
37 justments of the GSRS charge.

38 (f) (1) A natural gas public utility that has implemented a GSRS pur-
39 suant to the provisions of sections 2 through 4, and amendments thereto,
40 shall file revised rate schedules to reset the GSRS to zero when new base
41 rates and charges become effective for the natural gas public utility fol-
42 lowing a commission order establishing customer rates in a general rate
43 proceeding that incorporates in the utility's base rates, subject to subsec-

. A GSRS shall be charged to customers as a monthly fixed charge and not based on volumetric consumption. Such charge shall not increase more than \$.40 per residential customer per month over the base rates in effect for the initial filing of a GSRS. Thereafter, each filing shall not increase more than \$.40 per residential customer per month over the most recent filing of a GSRS

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1 tions (h) and (i), eligible costs previously reflected in the currently effective GSRS;

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3 (2) upon the inclusion in a natural gas public utility's base rates subject to subsections (h) and (i) of eligible costs previously reflected in a GSRS, the natural gas public utility shall immediately thereafter reconcile any previously unreconciled GSRS revenues as necessary to ensure that revenues resulting from the GSRS match as closely as possible the appropriate pretax revenues as found by the commission for that period.

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9 (g) A natural gas public utility's filing of a petition or change to a GSRS pursuant to the provisions of sections 2 through 4, and amendments thereto, shall not be deemed to be a rate increase for purposes of K.S.A. 66-117, and amendments thereto.

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13 (h) Commission approval of a petition, and any associated rate schedules, to establish or change a GSRS pursuant to the provisions of sections 2 through 4, and amendments thereto, shall in no way be binding upon the commission in determining the ratemaking treatment to be applied to eligible infrastructure system replacements during a subsequent general rate proceeding when the commission may undertake to review the reasonableness and prudence of such costs. In the event the commission disallows, during a subsequent general rate proceeding, recovery of costs associated with eligible infrastructure system replacements previously included in a GSRS, the natural gas public utility shall offset its GSRS in the future as necessary to recognize and account for any such over collections.

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22 (i) Nothing in this section shall be construed as limiting the authority of the commission to review and consider infrastructure system replacement costs along with other costs during any general rate proceeding of any natural gas public utility.

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29 Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

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www.kansasgasservice.com
Kansas Gas Service

PO BOX 3535
 Topeka, KS 66601-3535

Amount Due		\$128.03
Current Charges Due		02-28-06
Amount Due After Due Date		\$130.59
Account Number		510510510 1401401 04
RATE	Residential	
Active Deposit	NONE	Statement Date 02-02-06

JANE DOE
 1000 PARK PLACE
 TOPEKA, KS 66600

Previous Balance	\$140.00	
Payments Received	<u>140.00</u> CR	
Balance Forward		\$0.00

Service Charge	\$8.95	
Delivery Charge	15.53	
Weather Normalization	2.00	
Cost of Gas	92.86	
Franchise Fee	5.98	
City Tax	1.26	
County Tax	<u>1.45</u>	
Current Charges		<u>128.03</u>
Total Current Charges Due 02-28-06		128.03
Total Amount Due		\$128.03

Meter Number	Service Period		Number of Days	Meter Readings			Mcf Billed	WNA/Mcf	Cost of Gas/Mcf
	From	To		Previous	Present	Constant			
02020202020	12-28-05	01-30-06	33	7515	7601	1.0000	8.600	\$0.2320000	\$10.7968000



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Account Number	510510510 1401401 04
Amount Due	\$128.03
Current Charges Due	02-28-06
Amount Due After Due Date	\$130.59
Total Enclosed \$	

JANE DOE
 1000 PARK PLACE
 TOPEKA, KS 66600

KANSAS GAS SERVICE
 PO BOX 22158
 TULSA, OK 74121-2158

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510510510 1401401 04

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