

SESSION OF 2026

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR HOUSE
BILL NO. 2435**

As Recommended by House Committee on
Energy, Utilities and Telecommunications

Brief*

Sub. for HB 2435 would amend the Gas Safety and Reliability Policy Act, which is the law governing the Gas System Reliability Surcharge (GSRS). The bill would allow gas utilities to recover growth-related capital investments through the GSRS, make adjustments to the timing of certain Kansas Corporation Commission (KCC) proceedings, and raise the cap on monthly charges to residential customers. The bill would also make technical and conforming changes.

Investment Projects

The bill would allow natural gas infrastructure investment projects that could increase revenues by directly connecting to new customers to be considered eligible infrastructure system investments under the GSRS.

The bill would add “any other investment plant, facilities, or equipment, excluding allocated corporate costs” to the definition of natural gas utility plant projects.

KCC Proceedings

The bill would reduce the time the KCC is allowed to complete a GSRS docket from 120 days to 90 days.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <https://klrd.gov/>

The bill would also change the restriction on how often a natural gas utility may change its rates through the GSRS from once every 12 months to once every calendar year.

Charges to Residential Customers

The bill would increase the cap on the monthly GSRS charge from \$0.80 to \$1.35 per residential customer over the:

- Base rates in effect for the initial filing of a GSRS; or
- Monthly charge established in the most recent filing of a GSRS for any subsequent filing of a GSRS.

[*Note:* Continuing law provides that natural gas utilities are prohibited from collecting GSRS for longer than 60 months. The utilities are required to bring a new general rate proceeding to the KCC within that time frame, and the KCC's decision on such proceeding would effectively reset the GSRS by incorporating the charges into the new base rate.]

Background

The bill was introduced by the House Committee on Energy, Utilities and Telecommunications at the request of a representative of Kansas Gas Service.

House Committee on Energy, Utilities and Telecommunications

In the House Committee hearing on January 22, 2026, **proponent** testimony was provided by a representative of Kansas Gas Service, who stated that the bill would address the regulatory lag between the deployment of new infrastructure and the recovery of costs. They discussed how the bill is similar to how electric utilities are permitted to

recover costs in Kansas and similar to legislation passed in Texas in 2025.

Written-only proponent testimony was provided by representatives of Black Hills Energy, the Kansas Department of Commerce, and the Kansas Economic Development Alliance.

Opponent testimony was provided by representatives of the Citizens' Utility Ratepayer Board (CURB), KCC, and Kansans for Lower Electric Rates (KLER). The conferees generally stated that gas utilities already have statutory mechanisms to recover costs at their disposal, such as the GSRS. Opponents raised concerns that the bill would run counter to the current ratemaking framework and would increase natural gas rates for customers.

Written-only opponent testimony was provided by representatives of AARP Kansas and Americans for Prosperity–Kansas.

In the second House Committee hearing on February 12, 2026, regarding the proposed substitute, **proponent** testimony was provided by a representative of Kansas Gas Service, who discussed the proposed substitute and its use of the GSRS to address regulatory lag and stabilize rates following growth-related investments. The conferee stated that other stakeholder groups were part of discussions in creating the proposed substitute.

Neutral testimony was provided by a representative of KCC, who stated the organization would no longer oppose the legislation if the proposed substitute were adopted.

Written-only neutral testimony was provided by a representative of KLER.

Opponent testimony was provided by a representative of CURB, who stated that the legislation would increase customers' rates for projects that are not transparent. The conferee questioned how economic development would justify rate recovery, as it is unclear if there are any potential high-demand customers who could only be served by gas utilities and would be swayed to come to Kansas provided the gas utility make a growth-related investment.

Written-only opponent testimony was provided by a representative of AARP Kansas.

No other testimony was provided.

The House Committee amended the bill to remove provisions that would have allowed natural gas utilities to use Plant In Service Accounting, and replaced them with provisions amending law on the GSRS that would:

- Allow for the inclusion of growth-related capital expenditures;
- Adjust the time frame for certain KCC proceedings; and
- Increase the cap on monthly rates per residential customer.

The House Committee recommended a substitute bill be passed incorporating the amendments.

Fiscal Information

According to the fiscal note provided by the Division of the Budget on the bill, as introduced, CURB indicates that enactment of the bill would increase annual expenditures beginning in FY 2027 by \$10,000 to retain outside subject matter experts ("SMEs") to provide technical assistance to review filings outside of general rate cases. CURB anticipates

up to an additional \$10,000 in SME expenditures based on hourly rates for services and estimated workload. CURB notes that it does not utilize the State General Fund for its operations. Instead, CURB is funded through quarterly assessments made to jurisdictional utilities for the work performed by the agency. In turn, the utilities recover those expenses from ratepayers through utility bills. If CURB does incur additional expenses for work on new types of cases, those costs would be assessed to the utility and recovered from the pertinent utility customers.

The KCC indicates enactment of the bill would not have a fiscal effect on its operations.

The League of Kansas Municipalities indicates that enactment of the bill may have a fiscal effect on cities who own and operate natural gas utilities. The Kansas Association of Counties indicates that the enactment of the bill would not have a fiscal effect on operations.

Any fiscal effect associated with the bill is not reflected in *The FY 2027 Governor's Budget Report*.

Gas Safety and Reliability Policy Act; Gas System Reliability Surcharge; natural gas; energy; utilities; rates; rate recovery