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WRITTEN TESTIMONY - OPPONENT

SB 396

Senate Committee on Utilities
February 14, 2018

Chairman Olson and members of the committee, thank you for the opportunity to provide written comments on behalf of Kansas Gas Service in opposition to SB 396.

Kansas Gas Service is the state's largest investor-owned, regulated natural gas utility. Kansas Gas Service is headquartered in Overland Park. We provide natural gas service to approximately 635,000 customers across the state.

The amendment proposed in SB 396 recommends an overly simplistic approach to a rather complex issue. No matter the industry, tax issues on their own are complex matters. As a regulated utility, Kansas Gas Services' taxes are one of many intricate pieces of the information thoroughly reviewed by the Kansas Corporation Commission (KCC), and intervenors during the rate making process. The KCC reviews and weighs all the information presented and gathered with the goal of balancing the interests and needs of the utility's customers, the utility's investors and those of the utility itself in the process of establishing just and reasonable rates. Because the weighing of the relationships between interested parties, costs and revenues are such important components in the determination of just and reasonable rates, Kansas Gas Service believes that singling out a single element as recommended in SB 396, will likely create unintended consequences.

Kansas Gas Service suggests that the KCC and its Staff already have the tools and jurisdiction required to address important issues of this nature. A perfect example is the fact that just prior to the passing of the current Tax Reform Act, Commission Staff submitted a filing recommending the Commission open a general docket affecting all regulated utilities to begin the process of isolating any potential savings reasonably due back to our customers. This process resulted in a Commission Order which established the process for the utilities, Commission Staff and intervenors to use in the review of the impact of the Tax Reform on a utility-by-utility basis. The Commission's Order required that utilities accrue in a deferred revenue account the amount estimated as tax savings until further review of the amount to be refunded can be completed. The Commission's Order also set the interest rate to be applied to any refunds due to the customers to 1.68%, which is the same rate the Commission has previously ordered to be applied to customer deposits. Thus, the Commission's Order established not only a reasonable process, but a just and

reasonable interest rate for our customers to compensate them for the time necessary for a complete review.

The proposed amendments are reactive in nature and serve only to place an unnecessary burden on the Commission, its Staff and the utilities to meet a 150-day deadline which fails to take the Commissions' staffing and calendar into consideration and also fails to create a process for proper review and determination of the correct refund amounts. Further the recommendation of a 5% interest rate is unreasonably punitive under the circumstances. The bill is unnecessary since the Commission is already addressing the issue and needs no further authority to address the issue.

In conclusion, Kansas Gas Service reiterates it opposes Senate bill 396 and recommends the complex and complicated issue of rate determinations to include refund amounts remain solely in the hands of the Commission. If the bill moves forward, Kansas Gas Service would be agreeable to working with other interested parties to develop language to address our concerns.