

Gas Safety and Reliability Surcharge; SB 279

SB 279 amends the Gas Safety Reliability Policy Act (Act). Specifically, the bill makes changes related to definitions used throughout the Act, cost recovery for infrastructure expenses, and gas safety reliability surcharges (GSRS).

Definitions

The bill makes changes to the following definitions:

- “Appropriate pretax revenues” is changed to mean the revenues necessary to produce net operating income equal to the natural gas public utility’s weighted cost of capital last approved by the Kansas Corporation Commission (KCC) multiplied by the net original cost of eligible infrastructure system investments, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system investments that are included in a currently effective GSRS;
- References to “replacements” are changed to “investments,” such as in the definition of “eligible infrastructure investments,” which means natural gas public utility plant projects that do not increase revenues directly connecting the infrastructure investments to new customers, are in service and used and required to be used, and were not included in the natural gas public utility’s rate base in its most recent general rate case;
- “Meters” are added to the list of pipeline system components that may be installed under the definition of “natural gas utility plant projects”; such projects include infrastructure installed to replace, upgrade, or modernize obsolete facilities, including, but not limited to, installation to comply with state or federal safety requirements replacing existing facilities;
- “Natural gas utility projects” is clarified to state that projects extending the useful life or enhancing the integrity of pipeline system components include, but are not limited to, projects undertaken to comply with state or federal safety requirements; and
- System security costs, including allocated corporate costs incurred by a natural gas public utility and investments made in accordance with the utility’s safety and risk management programs, are added to the definition of “natural gas utility projects.”

The bill adds the following definitions:

- “Obsolete facility” means a facility composed of materials that are no longer produced or supported by the manufacturer, that shows signs of physical deterioration, or does not meet current safety codes or industry standards. The

definition also includes the cost-effective replacement of other facilities that are not considered obsolete when the replacement of such is done in conjunction with the replacement of an obsolete facility; and

- “System security” means capital expenditures to protect a utility’s capital assets, including both physical assets and cyber assets, such as networks, computers, servers, operating systems, storage, programs, and data, from attack, damage, or unauthorized use and access.

Cost Recovery and GSRS

The bill allows natural gas public utilities to recover costs for eligible infrastructure system investments; previous law allowed recovery for eligible infrastructure system replacements. The bill also changes the amount of a GSRS that may be approved by the KCC to an amount that results in GSRS revenues exceeding 20.0 percent of the utility’s base revenue as determined in the most recent general rate proceeding; previous law allowed GSRS revenues to exceed no more than 10.0 percent of a utility’s base revenue level. In determining a utility’s pretax revenue, the KCC considers factors involving eligible infrastructure system investments rather than eligible infrastructure system replacements.

The bill raises the cap on the GSRS monthly charge from \$0.40 to \$0.80 per residential customer over the base rates in effect for the initial filing and each filing thereafter. KCC approval of the GSRS is not binding on any KCC decision in determining rates to be applied to eligible infrastructure system investments or regulatory assets during a subsequent general rate proceeding reviewing the reasonableness and prudence of such costs. If a natural gas public utility is disallowed to recover costs associated with eligible infrastructure system investments previously included in a GSRS, the utility is able to offset its GSRS in the future as necessary. Nothing in the bill is to be construed as limiting the authority of the KCC to review and consider the costs of infrastructure system investments or regulatory assets during any general rate proceeding of any natural gas public utility.