

Before the Senate Utilities Committee  
Testimony of Steve Johnson  
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Kansas Gas Service  
SB 360  
February 3, 2004

Chairman Clark and Members of the Committee,

Thank you for the opportunity to address your committee this morning as a proponent of SB 360, a bill which allows the timely recovery of capital investments using a process that is fair and efficient for the utility, its regulators and its customers, while still allowing the State Corporation Commission the ability to exert its full authority in setting rates for the consumer.

You have already heard testimony from Atmos and Aquila, who, as regulated utilities, have outlined the advantages of using this mechanism. This bill provides voluntary participation and continued oversight by the Kansas Corporation Commission and the Citizens Utility Ratepayers Board.

Kansas Gas Service is in agreement with these points and would like to reiterate their importance. We think this bill fosters good business practices, reduces the need for frequent rate cases, allows for extensive review by our regulators, minimizes the amount of time and expense needed for auditing a utility during a rate case and levelizes the rate impact for our customers. The expenditures included for recovery would only be those that are necessary to serve our customers safely and efficiently while expanding our system to meet the needs of our growing customer base.

The primary benefit of the legislation is to insure that public utilities will be making timely additions and replacements to their infrastructure, and for KGS, our natural gas distribution systems. A gas utility's rate base continually grows because of its investment in infrastructure and safety-related equipment. As far as the other costs that we would incur, which are not covered by this bill, it is likely that these costs, such as salaries and benefits would also increase. Although there may be a small increase in load, it is not the primary reason we add piping to our existing system. This is especially true in light of the fact that more efficient appliances are continually replacing the gas appliance stock our customers use. This bill provides regulatory measures that protect against a utility over earning. Finally, Kansas would join other states in adopting this practice. Texas recently approved similar legislation; Missouri passed legislation applying to gas and water services; and, Alabama has also used this mechanism to control ongoing utility investment and expenses, this reducing rate shock.

Thank you for the opportunity to address you today and I will be available for questions.

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