

KUB

Gas Cost of Service Study

November 15, 2018



Cost of Service Studies

- Study to be conducted for each system prior to consideration of any rate actions in 2020
- Contracted with Utility Financial Solutions
- Electric study completed and presented to board in March 2018
- Gas study recently completed
- Water and wastewater studies scheduled for spring 2019

Cost of Service Methodology

- Determine revenue requirements
- Divide requirements into gas supply and distribution costs
- Categorize costs into customer, energy, and demand
- Allocate costs to each rate class
- Compare results with projected revenues

Gas Cost of Service Summary Results

Rate Class	Cost of Service	Projected Revenues	% Change	Customers in Class
Residential	\$65,973,820	\$60,406,095	9.2%	93,000
Small Commercial	\$23,603,035	\$28,479,239	-17.1%	9,000
Med-Large Commercial	\$ 7,870,233	\$ 8,705,664	- 9.6%	250
Large – Non-Standard	\$11,509,853	\$11,365,943	1.3%	<30
Total	\$108,956,941	\$108,956,941	0.0%	

Gas Cost of Service Results Rate Analysis

Rate Class	Current Basic Service Charge	Cost of Svc Basic Service Charge	Cost of Service Demand	Cost of Service Commodity
Residential	\$ 10.15	\$ 21.25	\$ -	\$0.8166
Small Commercial	\$ 27.00	\$ 38.61	\$ -	\$0.7569
Med-Large Commercial	\$ 170.00	\$ 256.19	\$ 5.00	\$0.3591
Large Interruptible	\$ 500.00	\$976.92	\$ 8.77	\$0.3521
Transport – Interruptible	\$ 650.00	\$1,298.17	\$ 9.07	\$0.3572
Transport – Firm	\$ 650.00	\$1,298.17	\$ 3.04	\$ -

Components of Basic Service Charges

■ Minimum System Costs

- Based on minimum system design
- Costs required to enable customer to use one unit of natural gas

■ Direct Customer Costs

- Meter O&M
- Meter reading
- Billing
- Services
- Customer services

Residential Basic Service Charge Components

Distribution Customer Costs (Mains)	\$ 13.39
Meter Operations & Maintenance (O&M)	\$ 3.37
Meter Reading	\$ 0.97
Billing	\$ 0.81
Services	\$ 2.10
Customer Service	\$ 0.61
Basic Service Charge – Cost of Service	\$ 21.25
Current KUB Basic Service Charge	\$ 10.15

Key Findings from Gas Study

- Gas cost of service results similar to electric
 - Residential paying below cost of service
 - Commercial classes paying above cost of service
- KUB's cost of service typical of other natural gas utilities
- All basic service charges well below cost of service
- KUB capital investment in gas system above average

KUB Residential Gas Bills Are Competitive



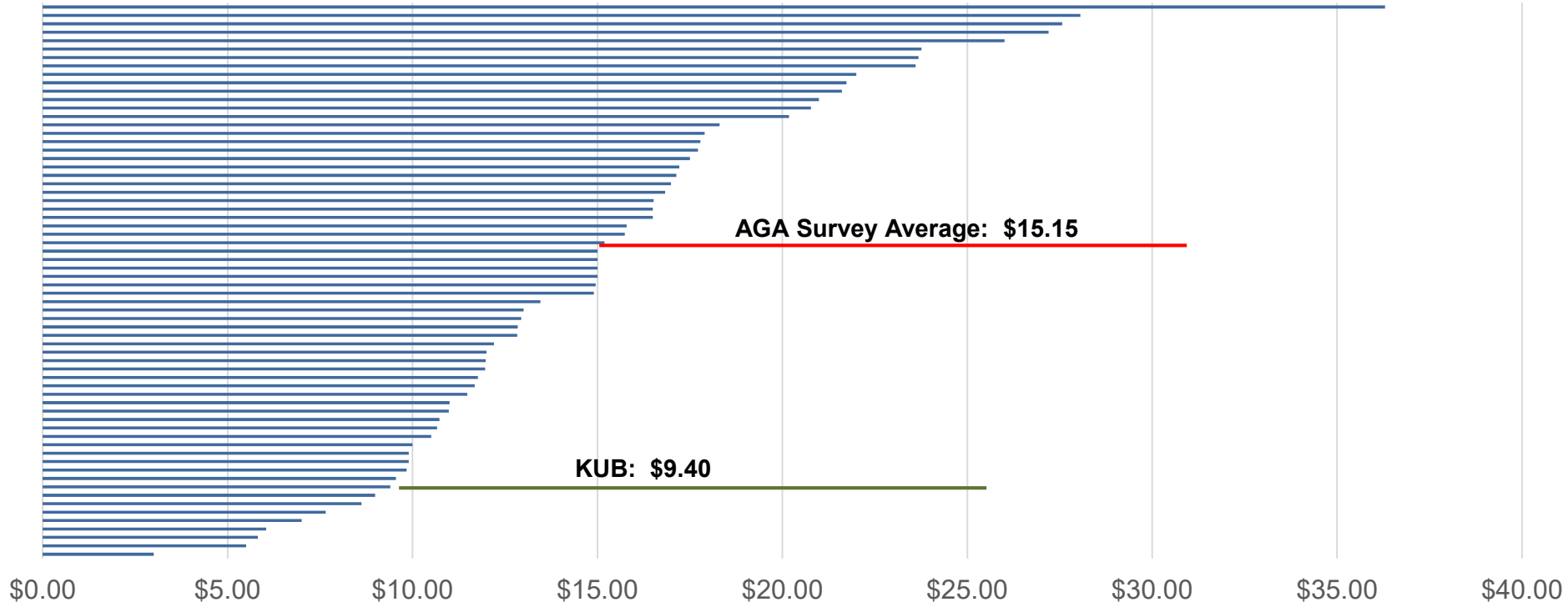
Usage	\$49.33	\$48.99	\$52.59	\$54.94	\$56.94	\$55.87
Basic Service Charge	\$6.00	\$9.40	\$6.00	\$5.00	\$3.50	\$5.00

■ Basic Service Charge ■ Usage

FY18 normalized – 12 month average bill

National Survey Shows KUB Residential Basic Service Charge Among Lowest in Nation

American Gas Association – June 2018



KUB