

3. On September 17, 2003, the Commission approved a settlement agreement in the KGS rate case in which the parties agreed the GTI funding issue was more appropriately dealt with in a Commission general investigation, in a separate docket.

4. On January 5, 2004, the Commission approved a settlement agreement in the Atmos rate case in which the parties agreed the GTI funding issue was more appropriately dealt with in a Commission general investigation, in a separate docket.

5. Kansas law provides the Commission with authority to review and authorize rate and tariff changes. K.S.A. 66-101b, 66-117. Pursuant to K.S.A. 66-101 and 66-1,201, the Commission has full power, authority and jurisdiction to supervise and control the electric and natural gas public utilities operating in Kansas and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction. K.S.A. 66-101g and 66-1,207 state that the provisions of the Kansas Public Utilities Act and all grants of power, authority and jurisdiction made to the Commission should be liberally construed and all incidental powers necessary to carry into effect the provisions of this act are expressly granted and conferred upon the Commission.

6. GTI is a non-profit organization established to manage cooperative research and development programs in the gas industry. GTI has been funded by a FERC approved surcharge on natural gas transported over interstate pipelines. FERC decided to discontinue this charge at the end of 2003 and has left it for State Commissions to decide if they will fund GTI and, if so, the mechanism used to fund GTI.

7. In view of the policy change at FERC and in order to adopt a consistent approach to this matter, the Commission finds it appropriate to review the reasonableness of funding the GTI through rates. As an initial matter, the Commission solicits comments

from all interested parties on the issues involved in this matter. The Commission is interested in receiving comment from the industry, customer groups and any other interested persons. This should include comment on the following issues:

- Whether or not a GTI surcharge would be in the public interest, including:
 - a. As a matter of public policy, should the Commission allow surcharges to finance research and development (R&D) programs that may not be Kansas specific?
 - b. As a matter of public policy, should the Commission allow surcharges to fund R&D programs that may or may not also receive funding from other states?
 - c. If R&D yields benefits to non-funding states, is it in the public interest for Kansas consumers to pay for those programs? Should the Commission only allow support for R&D where all potential beneficiaries contribute funding?
 - d. If a segment of society benefits from these R&D programs, but is unwilling to contribute, is there a feasible way to induce those segments to pay for the benefits they receive?
 - e. What support is there to show that Kansas consumers will benefit from R&D research?
 - f. Should the surcharge generally match the value of benefits delivered by such programs? Should the Kansas R&D surcharge generally match the value of benefits delivered to Kansas consumers?
 - g. Given the history of GTI's R&D programs, explain how those programs have provided a benefit to utility customers. What evidence exists to demonstrate this benefit?

- h. Is there evidence to demonstrate that Kansas customers are willing to pay for this surcharge?
- i. Provide comments on other issue(s) related to the question of public interest,
- Questions regarding how a surcharge would be set up and how it would work, including:
 - j. What role, if any, should the Commission play in determining the selection of research programs and their design? For example, should the GTI provide a list of potential research programs from which the funding states could make their preferences known? How might differences in funding preferences be reconciled?
 - k. How often should the Commission review and approve GTI's R&D programs?
 - l. How will the surcharge amount be determined?
 - m. Should the amount of money collected through a surcharge be subject to an annual true-up?
 - n. What support should the utility or GTI be required to provide for the calculation of actual surcharge amounts?
 - o. How often should the benefits to utility customers be quantified and the process of funding GTI be reviewed?
 - p. If the benefits to utility customers do not exceed the contributions to GTI in a particular year, how long should GTI be given to demonstrate a benefit before consideration is given to elimination of the surcharge?

- q. How should the surcharge appear on the customer bill? Should it show up as a separate charge?
- r. Should reports be filed with the Commission and, if so, what areas should be addressed (i.e., R&D progress reports and related total costs) and how often should these reports be submitted,
- s. Provide comment on other issue(s) related to this area.

The Commission requests that gas utility's comments on the inclusion of GTI costs in rates be filed by May 28, 2004.

8. The Commission also directs Staff to begin its investigation of this matter, through discovery, informal workshops with interested parties or other suitable procedures. Staff should provide the Commission with a report, containing a discussion of its recommendation and the reasoning behind its recommendation. This report shall be filed by August 13, 2004.

9. The Commission makes all Kansas jurisdictional natural gas utilities parties to this docket. In addition, the Commission makes the Citizens' Utility Ratepayer Board (CURB) a party to this docket, as the statutorily created agency authorized under K.S.A. 66-1223 to represent the interests of Kansas residential and small commercial ratepayers in utility proceedings. Also, the Commission makes GTI a party to this docket. If either CURB or GTI desires to comment on the above listed questions, the Commission requests those comments to be filed by May 28, 2004.

10. Pursuant to K.S.A. 66-1502, the Commission finds that expenses reasonably attributable to this investigation will exceed \$100 and hereby assesses the expenses against all jurisdictional gas utilities. These expenses shall be assessed

