

**THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Dwight D. Keen

In the Matter of the Application of Atmos Energy)
Seeking Commission Approval for 2019 Ad) Docket No. 19-ATMG-228-TAR
Valorem Tax Surcharge Rider Tariff)

ORDER APPROVING AD VALOREM TAX SURCHARGE RIDER

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

I. BACKGROUND

1. On December 13, 2018, Atmos Energy (Atmos) submitted an Application for approval of its Ad Valorem Tax Surcharge Rider, including the required true-up for 2018 and its calculated 2019 surcharge to be charged/refunded to Atmos' sales and transportation customers.¹

2. On January 2, 2019, after examining Atmos' request, Staff submitted its Report and Recommendation, dated December 26, 2018, which recommended approval of Atmos' 2019 Ad Valorem Tax Surcharge Rider with conditions.² Staff's Report and Recommendation is attached hereto and hereby adopted by the Commission and incorporated into this Order by reference.

¹ Application of Atmos Energy Seeking Commission Approval of Ad Valorem Tax Surcharge Rider Adjustments for 2019 (Dec. 13, 2018).

² Staff's Report and Recommendation (Dec. 26, 2018).

II. DISCUSSION

3. Atmos is requesting to recover \$1,351,339 in the instant filing.³ Atmos provided Staff with copies of its 2018 Ad Valorem Tax statements. Staff agreed the amounts contained within Atmos' Ad Valorem Tax statements mirrored those contained within Attachments 1 and 2 of Atmos' Application in the instant filing.⁴

4. Staff determined Atmos should be allowed to collect \$1,351,339 through its Ad Valorem Tax Surcharge Rider.⁵ As discussed in Staff's Report and Recommendation, this amount is comprised of the portion of the 2018 Ad Valorem tax not included in base rates as well as an over-recovery from 2018.

5. Accordingly, Staff recommends the approval of Atmos' Ad Valorem Tax Surcharge total of \$1,351,339, with the following conditions:

- a. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem surcharge calculation; and
- b. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Atmos shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.⁶

III. FINDINGS AND CONCLUSION

6. K.S.A. 66-117(f) provides, in pertinent part:

“Whenever, after the effective date of this act, an electric public utility, a natural gas public utility or a combination thereof, files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its

³ Id.

⁴ Id.

⁵ Id.

⁶ Id. pg. 2.

books and records for ad valorem taxes, such utility shall report annually to the state corporation commission the changes in expense charged for ad valorem taxes.”

7. In Docket No. 05-ATMG-693-TAR, the Commission approved Atmos’ Ad Valorem Tax Surcharge Rider.⁷ Atmos submitted its present request in December 2018. Accordingly, the Commission finds and concludes Atmos has properly submitted its annual report to the Commission regarding changes in expense charged for Ad Valorem taxes as required by K.S.A. 66-117(f) and the Commission’s April 7, 2008, Order in Docket No. 05-ATMG-693-TAR.

8. K.S.A. 66-117(f) also provides the legal standard by which the Commission should review tariffs such as Atmos’ ad valorem tax surcharge:

“Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to substantially collect the increase in ad valorem tax expense charged on the books and records of the utility, or reduce an existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the commission shall approve such tariffs within 30 days of filing.”

9. Upon review of Staff’s Report and Recommendation and the record as a whole, the Commission finds and concludes the surcharge as calculated by Atmos and reviewed by Staff substantially collect Ad Valorem tax expense charged on the books of Atmos. Accordingly, the Commission finds and concludes substantial competent evidence exists to approve Atmos’ request in the instant proceeding, as conditioned in Staff’s Report and Recommendation.

10. Moreover, the Commission finds and concludes Atmos’ request to update its Ad Valorem Tax Surcharge Rider should be approved. Atmos shall be permitted to recover its Ad Valorem tax expense \$1,351,339. Atmos shall be permitted to collect revenues necessary to account for this increase in Ad Valorem tax expense via a surcharge in the amount of \$0.0847/Mcf or \$0.0085/Ccf, subject to the conditions contained within Staff’s Report and

⁷ Order, Docket No. 05-ATMG-693-TAR, p. 3 (Mar. 18, 2005).

concludes a surcharge in the amount of \$0.0847/Mcf or \$0.0085/Ccf will result in revenues sufficient to substantially collect the increase in Ad Valorem tax expense charged to Atmos, and will therefore result in just and reasonable rates. The Commission finds and concludes Atmos' surcharge will be applied to bills in a reasonable manner.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Atmos' request to recover \$1,351,339 via its Ad Valorem Tax Surcharge Rider is approved.

B. Atmos shall be permitted to recover revenues necessary to account for this increase in Ad Valorem tax expense via a surcharge in the amount of \$0.0847/Mcf or \$0.0085/Ccf, subject to the conditions contained within Staff's Report and Recommendation and as detailed in paragraph 5 of this Order. Atmos shall submit an Ad Valorem Tax Surcharge Rider indicating a surcharge of \$0.0847/Mcf or \$0.0085/Ccf prior to collecting this surcharge.

C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁸

D. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chairman, Emler, Commissioner, Keen, Commissioner

Dated: 01/08/2019



Lynn M. Retz
Secretary to the Commission

PZA

⁸ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

STATE OF KANSAS



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REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Dwight D. Keen

FROM: Kristina Luke Fry, Managing Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: December 26, 2018

SUBJECT: Docket No. 19-ATMG-228-TAR – In the Matter of the Application of Atmos Energy Seeking Commission Approval for 2019 Ad Valorem Tax Surcharge Rider Tariff.

EXECUTIVE SUMMARY:

Staff recommends approval of Atmos Energy's (Atmos) 2019 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the period of February 2019 through January 2020 and is in addition to the Ad Valorem tax that was included in base rates during the calendar year of 2018.¹ Atmos' proposed Ad Valorem Tax Surcharge Rider factor would increase Kansas residential customers' bills by \$0.60 per month, or \$7.16 annually, based on an average annual usage of 846 Ccf.

BACKGROUND:

On December 13, 2018, Atmos filed its 2019 Ad Valorem Tax Surcharge request with the Kansas Corporation Commission (Commission). The surcharge request was filed in accordance with K.S.A. 66-117(f), which provides for a utility to collect increases (or refund decreases) in its Ad Valorem taxes above (below) amounts currently embedded in base rates. The statute also requires a Commission Order within 30 days of the filing date which, in this Docket, is by January 12, 2019. Atmos is requesting to recover \$1,351,339 in its filing.

ANALYSIS:

The Commission derives its authority to review Ad Valorem tariffs from K.S.A. 66-117(f), which states in part:

¹ The current base rates were established in March 2016 in Atmos' most recent rate case (Docket No. 16-ATMG-079-RTS (16-079 Docket)).

Whenever, after the effective date of this act, an electric public utility, a natural gas public utility or a combination thereof, files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the state corporation commission the changes in expense charged for ad valorem taxes... Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to substantially collect the increase in ad valorem tax expense charged on the books and records of the utility, or reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the [C]ommission shall approve such tariffs within 30 days of the filing.

Staff Analysis

Atmos provided Staff with copies of its 2018 Ad Valorem tax statements. Staff agreed the amounts in the Ad Valorem tax statements to the Ad Valorem Tax Surcharge total for 2018 shown in Attachments 1 and 2 of the Application.

Based on Staff's analysis, Atmos should be allowed to collect \$1,351,339 through its Ad Valorem Tax Surcharge Rider. This amount is composed of the portion of the 2018 Ad Valorem tax not included in base rates of \$1,479,520 and \$128,181 that Atmos over-recovered during 2018, resulting in a rate of \$0.0847 per Mcf or \$0.0085 per Ccf. Staff's recommendation will be collected through Atmos' Ad Valorem Tax Surcharge Rider.

RECOMMENDATION:

Staff recommends the Commission approve Atmos' Ad Valorem Tax Surcharge total of \$1,351,339 with the following conditions:

1. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem Tax Surcharge calculation.
2. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Atmos shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.

CERTIFICATE OF SERVICE

19-ATMG-228-TAR

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of electronic service on 01/08/2019.

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