

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

Before Commissioners: Andrew J. French, Chairperson
 Dwight D. Keen
 Annie Kuether

In the Matter of the Application of Atmos)
Energy Corporation for Adjustment of its) Docket No. 19-ATMG-525-RTS
Natural Gas Rates in the State of Kansas.)

**ORDER GRANTING JOINT MOTION TO RENEW SYSTEM INTEGRITY PLAN
TARIFF**

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings and conclusions:

1. On February 24, 2020, the Commission issued its Order on Atmos Energy Corporation's (Atmos) Application for a Rate Increase, approving a base rate revenue requirement increase of \$3,067,466, and resetting Atmos' Gas System Reliability Surcharge (GSRS) revenue requirement to zero, resulting in a net revenue reduction of \$223,953.¹ As part of that Order, the Commission signaled its willingness to approve a five-year pilot System Integrity Plan (SIP) tariff which: (1) included an annual surcharge as suggested by Citizens' Utility Ratepayer Board (CURB) and Commission Staff (Staff) for replacing obsolete pipes, primarily bare steel and cast iron, (2) is available only after its GSRS is exhausted; and (3) if Atmos accepted a three-year rate moratorium.² After exhausting its GSRS, the Commission invited Atmos to pursue a SIP containing: (1) a \$35 million cap over five years, (2) an annual surcharge, and (3) a three-year rate moratorium.³

¹ Order on Atmos Energy Corporation's Application for a Rate Increase, Feb. 24, 2020, ¶ A.

² *Id.*, ¶ 39.

³ *Id.*

2. On June 17, 2020, Atmos filed a System Integrity Plan Tariff, which represented an agreement reached with Staff and CURB on the terms and language contained in the SIP tariff.⁴ The SIP tariff is designed to provide annual rate recovery of incremental capital investment, on top of what is invested in Atmos' GSRS qualified projects, to accelerate the pace of replacement of obsolete materials in its Kansas distribution system.⁵

3. On June 25, 2020, the Commission issued an Order Approving Atmos' Weather Normalization Adjustment Tariff and Granting System Integrity Program Tariff, finding the proposed SIP conforms to the requirements for a SIP outlined by the Commission.⁶

4. On July 1, 2020, Atmos filed its 2020 System Integrity Program Plan, part of a five-year pilot program. On October 8, 2020, the Commission approved Atmos' overall SIP Plan objectives for the five-year pilot period in the proposed 2020 SIP Plan and the SIP Projects proposed for SIP Plan Year 1.⁷ Subsequently, on October 28, 2021, the Commission issued an Order Approving Atmos' System Integrity Program Plan for Year 2;⁸ on November 1, 2022, the Commission approved Atmos' Year 3 SIP subject to the other provisions in the Settlement;⁹ on October 12, 2023, the Commission approved Atmos' Year 4 SIP;¹⁰ and on October 31, 2024, the Commission approved Atmos' Year 5 SIP.¹¹

5. On November 7, 2024, Atmos, Staff, and CURB (Joint Movants) filed a Joint Motion to Renew Atmos' SIP Tariff, seeking to extend the program for an additional seven years.¹²

⁴ Compliance Filing: Weather Normalization Adjustment Tariff, June 17, 2020, ¶ 2.

⁵ Joint Motion to Renew System Integrity Plan Tariff, Nov. 7, 2024, p. 1.

⁶ Order Approving Atmos' Weather Normalization Adjustment Tariff and Granting System Integrity Plan Tariff, June 25, 2020, ¶ 4.

⁷ Order Approving Atmos' 2020 System Integrity Program Plan, Oct. 8, 2020, ¶ 11.

⁸ Order Approving Atmos' System Integrity Program Plan for Year 2, Oct. 28, 2021, ¶ 12.

⁹ Order Approving Unanimous Settlement Agreement on Atmos' System Integrity Program Plan for Year 3, Nov. 1, 2023, ¶ 14.

¹⁰ Order Approving Atmos' SIP Plan for Year 4, Oct. 12, 2023, ¶ 9.

¹¹ Order Approving Atmos' SIP Plan for Year 5, Oct. 31, 2024, ¶ 9.

¹² Joint Motion to Renew System Integrity Plan Tariff, p. 1.

The renewed Tariff would cap incremental capital expenditures that could be recovered under the SIP tariff at \$75 million over that seven-year period.¹³ The renewed Tariff would also increase the Base Safety and Reliability Capital Expenditure amount from \$22 million per year to \$28.5 million a year.¹⁴ The other filing requirements under the expiring SIP Tariff would remain the same.¹⁵

6. The Joint Movants explain Atmos' system still contains a considerable number of bare steel low pressure systems, and extending the SIP tariff and increasing its budget will support Atmos' ability to modernize these low-pressure systems over the seven-year period.¹⁶

7. The Joint Movants estimate the incremental capital expenditures between 2026 and 2032 will average \$10.71 million per year, with an approximately \$0.53 increase on residential customers' monthly bills.¹⁷

8. On May 13, 2025, Staff filed a Report and Recommendation, recommending approval of the Joint Motion to extend Atmos' SIP tariff by seven years, with a \$75 million cap on capital investment over that time frame, and a Base Capital Expenditures level of \$28.5 million.¹⁸ Staff explains it is in the public interest for Atmos to continue the replacement of obsolete infrastructure in its distribution system.¹⁹ Staff believes the SIP pilot program has worked well and is allowing Atmos to make meaningful strides in the improvement of the safety and reliability of its natural gas distribution system.²⁰ Thus, Staff believes the extension is in the public interest and will result in just and reasonable rates.²¹

¹³ *Id.*, ¶ 3.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*, ¶ 4.

¹⁷ *Id.*, ¶ 6.

¹⁸ Staff Report and Recommendation, May 13, 2025, p. 2.

¹⁹ *Id.*, p. 4.

²⁰ *Id.*, p. 2.

²¹ *Id.*, p. 4.

9. Atmos, Staff, and CURB all support extending Atmos' SIP tariff to 2032. The Commission agrees with Staff's Report and Recommendation. There is no evidence in the record opposing extending Atmos' SIP tariff. The Commission agrees with Staff's conclusion that the SIP pilot program has worked well and has enabled Atmos to improve the safety and reliability of its natural gas distribution system. Staff advises that by extending the SIP program to 2032, Atmos will be able to remove all identified low-pressure projects from its distribution system.²² The Commission recognizes the value to public safety resulting from removing low-pressure projects from Atmos' distribution system. Thus, the Commission finds it is in the public interest to enable Atmos to continue replacing obsolete infrastructure in its distribution system. Since under the SIP tariff, Staff, CURB, and the Commission will continue to have strong oversight over Atmos' SIP expenditures,²³ the Commission finds extending the SIP tariff will result in just and reasonable rates.

10. The Commission approves the Joint Motion to Renew System Integrity Plan Tariff, and extends the SIP tariff to 2032.

THEREFORE, THE COMMISSION ORDERS:

- A. The Joint Motion is granted. Atmos' SIP Tariff is extended until 2032.
- B. 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).²⁴

²² *Id.*

²³ *Id.*

²⁴ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 05/22/2025.



Celeste Chaney-Tucker
Executive Director

BGF

CERTIFICATE OF SERVICE

19-ATMG-525-RTS

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 05/22/2025.

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