

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

In the Matter of the Application of Atmos Energy's     )  
Schedule III - Schedule of Customer Advances for     )     Docket No. 25-ATMG-399-TAR  
Construction of Mains and Company Service Lines     )  
that Reflects the Account Balances from the Annual     )  
Form 2 Filing Embedded Cost Analysis for 2024.     )

**NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and files its Report and Recommendation regarding Atmos Energy's ("Atmos") May 7, 2024, application to revise its Schedule III: Schedule of Customer Advances for Construction Mains and Company Services Lines tariff ("Application").

Atmos requests Commission approval to revise its Schedule III: Schedule of Customer Advances for Construction of Mains and Company Service Lines ("Schedule III"). Under Section E of this tariff, the new proposed average embedded cost per customer ("AEC") becomes effective beginning on the date of Commission approval. The AEC for mains is the cost of Kansas distribution plant in service divided by the average number of customers. Similarly, the AEC for services is the cost-of-service lines, meters, and meter installations of Kansas distribution plant in service divided by the average number of customers. Once the AEC is established, it serves as a basis for both advances due from customers and developers seeking a main or service line extension and refunds to those customers and developers as new meters are installed and service is taken by other customers on the newly constructed line.

Staff has verified that the data supplied in Atmos' 2025 Application matches Atmos' "2024 – Atmos Energy – Supplemental Report" and determined that the updated AEC calculations for both the Mains and Services are correct. Therefore, Staff recommends approval of Atmos' proposed changes to its Schedule III, contingent upon Atmos correcting page 2 of the tariff (Schedule III) to include account 380 in Section B.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Patrick J. Hurley

Patrick J. Hurley, #17638

Chief Litigation Counsel

Kansas Corporation Commission

1500 S.W. Arrowhead Road

Topeka, Kansas 66604

Phone: 785-271-3301

Email: [Patrick.Hurley@ks.gov](mailto:Patrick.Hurley@ks.gov)

Attorney For Commission Staff

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

**TO:** Andrew J. French, Chairperson  
Dwight D. Keen, Commissioner  
Annie Kuether, Commissioner

**FROM:** Justin Prentiss, Senior Rate Analyst  
Janet Buchannon, Deputy Director of Utilities  
Jeff McClanahan, Director of Utilities

**DATE:** May 19, 2025

**SUBJECT:** Docket No. 25-ATMG-399-TAR – In the Matter of the Application of Atmos Energy's Schedule III - Schedule of Customer Advances for Construction of Mains and Company Service Lines that Reflects the Account Balances from the Annual Form 2 Filing Embedded Cost Analysis for 2024.

**EXECUTIVE SUMMARY:**

Atmos Energy (Atmos) filed an application with the Kansas Corporation Commission (Commission) to revise its Schedule III: Schedule of Customer Advances for Construction of Mains and Company Service Lines. Staff have verified Atmos' proposed average embedded cost per customer (AEC) calculations for both gas mains (Mains) and company service lines, meters, and meter installations (Services) and recommends Commission approval of Atmos' filing. Furthermore, Staff noticed that one of the accounts used in the calculation for service lines is not currently listed on the tariff in error. Staff recommend Commission approval of the correction of the tariff as well.

**BACKGROUND:**

On May 7, 2025, Atmos submitted an application requesting Commission approval to revise its Schedule III: Schedule of Customer Advances for Construction of Mains and Company Service Lines (2025 Application). Under Section E of this tariff, the new AEC becomes effective beginning on the date of Commission approval.

The AEC for Mains is the cost of the Kansas distribution plant in service divided by the average number of customers. Similarly, the AEC for Services is the cost-of-service lines, meters and meter installations of Kansas distribution plant in service divided by the average number of customers. Once the AEC is established, it serves as a basis for both advances due from customers or developers seeking a main or service line extension and refunds to those customers and

developers as new meters are installed and service is taken by other customers on the newly constructed line.

**ANALYSIS:**

Atmos’ 2025 Application contains a cover letter, clean and redlined tariffs, and the Kansas Embedded Cost Analysis. Staff reviewed Atmos’ Kansas Embedded Cost Analysis to confirm that the plant account balances, and the number of customers used in the AEC calculations matched the data reported in Atmos’ “2024 – Atmos Energy Corporation – Supplemental Annual Report.”<sup>1</sup> The total number of customers used in the AEC calculations is 141,915. This includes the 141,415 sales customers, and the 500 transportation customers.<sup>2</sup>

Staff have determined that the revised AEC calculations for both Mains and Services are correct. Table 1 below shows the changes to the AEC values contained in the Schedule III tariff.

**Table 1: Average Embedded Costs**

	Existing AEC	Proposed (Revised) AEC
Mains	\$1,995	\$2,155
Services	\$1,436	\$1,547

Staff noticed an error in the proposed tariff change on page 2. The calculation for the average embedded cost for services does not currently list account 380. While this error did first appear a few years ago in 2022, the calculation has consistently been correctly performed. The company said it will correct the language error with the compliance filing.

**RECOMMENDATION:**

Staff has verified that the data supplied in Atmos’ 2025 Application matches Atmos’ “2024 – Atmos Energy Corporation – Supplemental Annual Report” and determined that the updated AEC calculations for both the Mains and Services are correct. Therefore, Staff recommends approval of Atmos’ proposed changes to its Schedule III. Additionally, Staff recommends approval of the revised tariffs included in Atmos’ application.

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<sup>1</sup> This information is found on page 12 of Atmos’ Supplemental 2024 Annual Report. Federal Energy Regulatory Commission (FERC) Accounts for the cost of Mains – 374, 375, 376, 378, 379 and 387. FERC Accounts for the cost-of-Service Line, Meter, and Meter Installation – 380, 381, 382, 383, 384 and 385.

<sup>2</sup> These customer totals can be found on page 13 of Atmos’ Supplemental 2024 Annual Report. The 141,415 total is on line 9, labeled ‘Total Gas Sales Revenue.’ The 500 total is on line 17, titled ‘Total Revenue from Transportation.’

## **CERTIFICATE OF SERVICE**

25-ATMG-399-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing Staff's R&R was served via electronic service this 21st day of May, 2025, to the following:

JAMES G. FLAHERTY, ATTORNEY  
ANDERSON & BYRD, L.L.P.  
216 S HICKORY  
PO BOX 17  
OTTAWA, KS 66067-0017  
jflaherty@andersonbyrd.com

JOSEPH R. ASTRAB, CONSUMER COUNSEL  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
joseph.astrab@ks.gov

TODD E. LOVE, ATTORNEY  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
todd.love@ks.gov

SHONDA RABB  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
shonda.rabb@ks.gov

DELLA SMITH  
CITIZENS' UTILITY RATEPAYER BOARD  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
della.smith@ks.gov

PATRICK HURLEY, CHIEF LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD RD  
TOPEKA, KS 66604  
patrick.hurley@ks.gov

*Ann Murphy*

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Ann Murphy