

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

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

In the Matter of the Petition of Kansas Gas)
Service, a Division of ONE Gas, Inc. for)
Approval by the Commission to Change its) Docket No. 23-KGSG-281-TAR
Gas System Reliability Surcharge per K.S.A.)
66-2201 through 66-2204)

ORDER APPROVING GAS SYSTEM RELIABILITY SURCHARGE

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (“Commission”). Having examined the pleadings and record, the Commission makes the following findings and conclusions:

I. BACKGROUND

1. On August 26, 2022, pursuant to K.S.A. 66-2201 *et seq.*, Kansas Gas Service, a Division of ONE Gas, Inc., (“Kansas Gas Service” or “KGS”) filed a Petition and supporting testimony and exhibits seeking Commission approval for revisions to its Gas System Reliability Surcharge (“GSRS”) tariff,¹ which was originally approved by the Commission in Docket 09-KGSG-199-TAR.² The GSRS is a statutory mechanism through which a natural gas public utility may recover costs for infrastructure system investments via a monthly customer surcharge. In its instant Petition, KGS requested to recover \$27,213,963 of total GSRS revenue requirement, which would result in a revenue requirement increase of \$7,845,281 associated with \$78,993,911 of additional capital costs for eligible infrastructure system replacements.³

¹ Kansas Gas Service Application to Change GSRS Rate Schedules (Aug. 26, 2022) (“Petition”).

² Order Approving Kansas Gas Service Application, Docket 09-KGSG-199-TAR (Dec. 18, 2008).

³ See Notice of Filing of Staff’s Report and Recommendation, p. 1 (Oct. 25, 2022) (“Staff’s R&R” or “R&R”).

2. On August 26, 2022, the Citizens' Utility Ratepayer Board ("CURB") filed a Petition for Intervention and Motion for Protective Order and Discovery Order.⁴ The Commission subsequently granted CURB's Petition and Motions.⁵

3. On October 25, 2022, Staff of the Kansas Corporation Commission ("Staff") filed its Report and Recommendation on KGS's Petition.⁶ For the Safety Related System Replacement Projects, Staff reviewed the synopsis of work and pipeline code compliance citation provided by KGS for each identified project.⁷ Staff recommended the Commission find \$1,396,317 associated with six projects to be considered ineligible, as described in the R&R.⁸

4. Upon review of all testimony, exhibits, and discovery responses, Staff made adjustments that result in a revised revenue requirement increase of \$7,676,805 associated with \$77,535,300 in additional approved capital investment.⁹ Staff recommended the Commission approve its revised revenue requirement.¹⁰ If approved, the GSRS as revised by Staff will increase residential customer bills by \$0.78 monthly, or \$9.36 annually.¹¹

5. On October 31, 2022, KGS filed a response to Staff's R&R.¹² In its response, KGS stated that it accepted Staff's recommendations, but preserved its right to seek recovery of similar projects as those Staff excluded in the future.¹³ KGS further stated it had conferred with CURB prior to the filing of its response, and CURB did not object to KGS's acceptance of Staff's total

⁴ Pleading/Motion for Citizens' Utility Ratepayer Board 23-KGSG-281-TAR (Aug. 26, 2022) ("CURB Petition").

⁵ Order Granting CURB's Petition to Intervene, Protective Order, and Discovery Order (Sep. 13, 2022).

⁶ Notice of Filing of Staff's Report and Recommendation, p. 1 (Oct. 25, 2022).

⁷ *See id.*, p. 3

⁸ *See id.*

⁹ *Id.*, p. 1.

¹⁰ *Id.*

¹¹ *Id.*

¹² Response of Kansas Gas Service to Commission Staff's Report and Recommendation (Oct. 31, 2022) ("KGS Response").

¹³ *See id.*, p. 2.

GSRS revenue requirement or allocation.¹⁴ Staff has discussed its R&R with CURB, who has authorized Staff to report it does not object to the recommendations contained within Staff's R&R.

II. LEGAL STANDARDS AND DISCUSSION

6. The Gas Safety and Reliability Policy Act, ("the Act") codified in K.S.A. 66-2202 through 66-2204, allows natural gas public utilities to recover the revenue requirement associated with certain infrastructure projects through a monthly customer surcharge. K.S.A. 66-2204 requires Staff to examine information from the utility and confirm that the underlying costs are in accordance with the statutory provisions of the Act, and to confirm proper calculation of the proposed charge.¹⁵ If the Commission finds the utility's Petition complies with the statutory requirements of the Act, the Commission is required to approve the GSRS and shall enter an order authorizing the natural gas public utility to impose a GSRS that is sufficient to recover appropriate revenue.¹⁶

7. To be eligible for GSRS recovery, the infrastructure investments must meet at least one of the following five criteria listed in K.S.A. 66-2202(f):

- a. Pipeline system components installed to replace, upgrade, or modernize obsolete facilities;
- b. Projects extending the useful life or enhancing the integrity of pipeline system components, for example, projects undertaken to comply with state or federal safety requirements;
- c. Facility relocations required due to public works projects;
- d. System security costs including allocated corporate costs incurred by a natural gas public utility; and
- e. Investments made in accordance with the utility's safety and risk management programs.¹⁷

¹⁴ See *id.*

¹⁵ See K.S.A. 66-2204(b)(2).

¹⁶ See K.S.A. 66-2204(b)(4).

¹⁷ See K.S.A. 66-2202(f)(1-5).

8. Additionally, K.S.A. 66-2203(a) places financial conditions on the natural gas public utility:

- a. The Commission may not approve a GSRS to the extent it would produce total annualized GSRS revenues below the lesser of \$1,000,000 or 1/2% of the natural gas public utility's base revenue level approved by the commission in the natural gas public utility's most recent general rate proceeding; and
- b. The Commission may not approve a GSRS to the extent it would produce total annualized GSRS revenues exceeding 20% of the natural gas public utility's base revenue level approved by the Commission in the natural gas public utility's most recent general rate proceeding.

9. Finally, K.S.A. 66-2203(b) states that the Commission shall not approve a GSRS for any natural gas public utility that has not had a general rate proceeding decided or dismissed by issuance of a Commission Order within the past 60 months, unless the natural gas public utility has filed for or is the subject of a new general rate proceeding.

10. Staff notes the statute was modified in 2018 and expanded the scope of projects allowed to be included in the Act. The 2018 change also increased the cap on the monthly surcharge to customers from \$0.40 to \$0.80 per residential customer over the base rates in effect for the initial filing of a GSRS.

III. FINDINGS AND CONCLUSIONS

11. Staff reviewed the project descriptions within KGS's Petition to ensure that the replaced facilities do not support increased revenues by connecting to new customers, are in service and used and required to be used, and were not included in KGS's rate base in its most recent general rate case.¹⁸ Staff also evaluated the GSRS Application to ensure that it meets the financial criteria prescribed in K.S.A. 66-2203(a).¹⁹

¹⁸ See K.S.A. 66-2202(d)(1-3).

¹⁹ See K.S.A. 66-2203(a).

12. Staff recommended the Commission approve Staff's revised GSRS revenue requirement, to be collected via the per customer surcharge listed in Staff Exhibit 6, as attached to its R&R, with the following conditions:

a. KGS shall file a GSRS True-Up twelve months after the collection of rates from this filing; and

b. Staff will review KGS's True-Up filing to ensure that the amounts recovered via the surcharge are appropriate and any over/under-recoveries will be refunded to or recovered from customers at that time.²⁰

13. Having reviewed Staff's R&R, the Commission adopts Staff's analysis and recommendations regarding KGS's Petition and incorporates Staff's R&R into this Order by reference.

14. Pursuant to K.S.A. 66-2204, the Commission concludes KGS may recover GSRS revenues upon the filing of an updated GSRS tariff reflecting such rates, and in a manner consistent with Staff's R&R and this Order.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. KGS may collect the revised GSRS Revenue Requirement of \$27,045,487 resulting from the incremental increase of \$7,676,805 as described in Staff's R&R.

B. KGS shall file a GSRS True-Up twelve months after the collection of rates from this filing.

C. Staff shall review KGS's True-Up filing to ensure that the amounts recovered via the surcharge are appropriate and any over/under recoveries will be refunded to or recovered from customers at that time.

²⁰ R&R, p. 5.

D. 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).²¹

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 11/22/2022



Lynn M. Retz
Executive Director

CRM

²¹ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

CERTIFICATE OF SERVICE

23-KGSG-281-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 11/22/2022.

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