

**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 Application of Atmos)
Energy's Schedule III – Schedule of Customer)
Advances for Construction of Mains and) Docket No. 22-ATMG-506-TAR
Company Service Lines that Reflects the)
Account Balances from the Annual Form 2)
Filing Embedded Cost Analysis for 2021)

ORDER APPROVING TARIFF REVISIONS

NOW, the above-captioned 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 May 9, 2022, Atmos Energy Corporation (Atmos) filed an Application with the Commission requesting approval of revisions to its tariff labeled Schedule III: Schedule of Customer Advances for Construction of Mains and Company Service Lines.¹ Specifically, Atmos sought to modify the Average Embedded Cost (AEC) per customer figures for both mains and services (including service lines, meters and meter installations) from \$1,662.00 to \$1,198.00 and \$1,750.00 to \$1,303.00, respectively.² The AEC figures are used by Atmos to calculate advances due from customers or developers seeking line extensions. They are also used to determine refunds to customers and developers who pay for line extensions when other customers subsequently take service on the lines they paid to extend.

¹ Application (May 9, 2022).

² *Id.*

2. Atmos also made a minor clerical revision that changes “imbedded” to “embedded” in the tariff.³ This revision has no change in meaning.

II. Legal Standards and Discussion

3. The Commission holds full power, authority and jurisdiction to supervise and control Atmos as a natural gas public utility pursuant to K.S.A. 66-1,201. The Commission holds jurisdiction over Atmos’ rates and terms of service under K.S.A. 66-1,202. All tariff revisions requested by Atmos pertaining to jurisdictional service must be approved by the Commission pursuant to K.S.A. 66-117.⁴

4. Commission Staff (Staff) reviewed Atmos’ Revised Application and submitted a report and recommendation (R&R) to the Commissioners dated May 10, 2022, attached hereto as Exhibit A and made a part hereof by reference. CURB has had an opportunity to review the R&R and has no objection.⁵

5. Staff verified that the data supplied in the revised Application matched Atmos’ Supplemental 2021 Annual Report and determined that the updated AEC calculations for both the mains and services were correct. Therefore, Staff recommends approval of Atmos’ revised proposed changes to its Schedule III.

III. Findings and Conclusion

6. The Commission finds Staff’s findings and recommendation to be reasonable.

7. The Commission adopts Staff’s Report and Recommendation dated May 10, 2022, which is attached hereto as Attachment A, and made a part hereof by reference.

³ *Id.*

⁴ Tariffs are those terms and conditions which govern the relationship between the utility and its customers. *Sw. Bell Tel. Co. v. State Corp. Comm’n of State of Kan.*, 233 Kan. 275, 377 (1983).

⁵ CURB’s statement that it has no objection to the R&R was provided to Staff via e-mail on May 13, 2022. A copy of the e-mail exchange is on file with Staff.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Atmos' requested tariff revisions filed May 9, 2022, are approved.

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).⁶

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 05/24/2022



Lynn M. Retz
Executive Director

JRJ

⁶ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Dwight D. Keen, Chair
Susan K. Duffy, Commissioner
Andrew J. French, Commissioner

FROM: Justin Prentiss, Senior Rate Analyst
Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance
Jeff McClanahan, Director of Utilities

DATE: May 10, 2022

SUBJECT: Docket No. 22-ATMG-506-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 2021.

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. Atmos changed “imbedded” to “embedded” in the tariff, which Staff views as a minor clerical revision. Staff has 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.

BACKGROUND:

On May 9, 2022, Atmos submitted an Application requesting Commission approval to revise its Schedule III: Schedule of Customer Advances for Construction of Mains and Company Service Lines (2022 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 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' 2022 Application contains a cover letter, clean and redlined tariffs, and the Kansas Embedded Cost Analysis. Staff notes that Atmos has changed the spelling of imbedded to embedded, which has no change in meaning, but is an alternate spelling often used by Staff.¹ Staff reviewed Atmos' Kansas Embedded Cost Analysis in order to confirm that the plant account balances and the number of customers used in the AEC calculations matched the data reported in Atmos' "2021 – Atmos Energy Corporation – Supplemental Annual Report."² The total number of customers used in the AEC calculations is 138,871. This includes the 138,381 sales customers, and the 490 transportation customers.³

Staff has 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	\$1,662	\$1,750
Services	\$1,198	\$1,303

RECOMMENDATION:

Staff has verified that the data supplied in Atmos' 2022 Application matches Atmos' "2021 – Atmos Energy Corporation – 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. Additionally, Staff recommends approval of the revised tariffs included in Atmos' application, which contain the clerical revision discussed above.

¹ Staff generally uses the spelling embedded such as "Embedded Class Cost of Service."

² This information is found on page 10 of Atmos' Supplemental 2021 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.

³ These customer totals can be found on page 13 of Atmos' Supplemental 2021 Annual Report. The 138,381 total is on line 9, labeled 'Total Gas Sales Revenue.' The 490 total is on line 17, titled 'Total Revenue from Transportation.'

CERTIFICATE OF SERVICE

22-ATMG-506-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 05/24/2022.

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/S/ DeeAnn Shupe

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