

**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. 24-ATMG-735-TAR
Construction of Mains and Company Service Lines)
that Reflects the Account Balances from the Annual)
Form 2 Filing Embedded Cost Analysis for 2023.)

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 14, 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. 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 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.

Staff has verified that the data supplied in Atmos' 2024 Application matches Atmos' "2023 – 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. Additionally, Staff recommends approval of the revised tariffs included in Atmos' application.

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/ Phoenix Z. Anshutz
Phoenix Z. Anshutz, #27617
Penner Lowe Law Group, LLC
245 N. Waco, Suite 125
Wichita, Kansas 67202
Phone: 316-847-8847
Email: panshutz@pennerlowe.com
Attorney for Commission Staff

REPORT AND RECOMMENDATION UTILITIES DIVISION

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

FROM: Jaren Dolsky, Rate Analyst
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director of Utilities
Jeff McClanahan, Director of Utilities

DATE: October 7, 2024

SUBJECT: Docket No. 24-ATMG-735-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 2023.

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 tariff. Staff has modified 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' updated filing with the addition of the transportation customers.

BACKGROUND:

On May 14, 2024, Atmos submitted an Application requesting Commission approval to revise its Schedule III: Schedule of Customer Advances for Construction of Mains and Company Service Lines (2023 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' 2024 Application contains a cover letter, clean and redlined tariffs, and the Kansas Embedded Cost Analysis. During Staff's review, Staff found a discrepancy between the embedded cost analysis provided and the supplemental report. The company inadvertently left out 497 transportation customers. This discrepancy has been accounted for and the company agrees to the updated imbedded cost. 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' "2023 – Atmos Energy – Supplemental Annual Report."¹ The total number of customers used in the AEC calculations is 141,221. This includes the 140,724 sales customers, and the 497 transportation customers.²

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	\$1,868	\$1,995
Services	\$1,390	\$1,436

RECOMMENDATION:

Staff has verified that the data supplied in Atmos' 2024 Application matches Atmos' "2023 – 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. Additionally, Staff recommends approval of the revised tariffs included in Atmos' application.

¹ This information is found on page 12 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.

² These customer totals can be found on page 13 of Atmos' Supplemental 2023 Annual Report. The 140,724 total is on line 9, labeled 'Total Gas Sales Revenue.' The 497 total is on line 17, titled 'Total Revenue from Transportation

CERTIFICATE OF SERVICE

24-ATMG-735-TAR

I, the undersigned, certify that a true copy of the attached Filing has been served to the following by means of electronic service on October 9, 2024.

PHOENIX Z. ANSHUTZ, ATTORNEY
PENNER LOWE LAW GROUP, LLC
245 N WACO STREET, STE 125
WICHITA, KS 67202
panshutz@pennerlowe.com

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

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

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

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
david.nickel@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

/S/ Kiley McManaman

Kiley McManaman