

**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 Petition of Kansas Gas                      )  
Service, a Division of One Gas, Inc. for                      )     Docket No. 25-KGSG-386-TAR  
Approval by the Commission to Change its                      )  
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 its files and records, the Commission finds and concludes:

1.        On April 28, 2025, pursuant to K.S.A. 66-2201 et seq., Kansas Gas Service, a Division of One Gas, Inc. (“KGS”) filed an application seeking approval for revisions to its Gas System Reliability Surcharge (“GSRS”).<sup>1</sup> KGS seeks to recover \$7,213,949 in GSRS revenue via the monthly surcharge.<sup>2</sup>

2.        On June 24, 2025, Commission Staff (“Staff”) filed a Report and Recommendation (“Report”) regarding KGS’s application. Staff recommended the Commission approve KGS’s GSRS revenue requirement of \$7,213,949 to be collected via the monthly charges, with the following conditions:

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

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<sup>1</sup> Application for Kansas Gas Service (Apr. 28, 2025).

<sup>2</sup> KGS’s filed position was slightly lower, and the requested amount here is due to updated project totals provided by KGS. Notice of Filing of Staff’s Report and Recommendation, p.4 (June 24, 2025).

- 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.<sup>3</sup>
- 3. CURB has reviewed Staff's Report and has no objection.
- 4. The Commission adopts Staff's Report as additional findings, which is attached and incorporated in this Order.
- 5. Based on Staff's Report, the Commission finds the application is reasonable and in compliance with K.S.A. 66-2201, et. seq.

**THEREFORE, THE COMMISSION ORDERS:**

A. KGS's GSRS application is approved as set forth in Staff's Report with GSRS rates effective August 1, 2025.

B. KGS shall file a GSRS True-Up twelve (12) months after the collection of rates from this filing, and Staff will review KGS's True-Up filing to ensure that the amounts recovered via the surcharge are appropriate, with any over/under-recoveries being refunded to or recovered from customers at that time.

C. 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).

D. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further order, or orders, as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

French, Chairperson; Keen, Commissioner; ~~Knauth~~ Commissioner

Dated: 07/15/2025



Celeste Chaney-Tucker  
Executive Director

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<sup>3</sup> Staff's Report and Recommendation, p.4 (June 24, 2025).



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

Laura Kelly, Governor

## **REPORT AND RECOMMENDATION UTILITIES DIVISION**

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

**FROM:** Ashlyn Hefley, Utilities Engineer  
Daniel Buller, Regulatory Auditor  
Paul Owings, Chief Engineer  
Chad Unrein, Chief of Accounting and Financial Analysis  
Justin Grady, Director of Utilities

**DATE:** June 24, 2025

**SUBJECT:** Docket No. 25-KGSG-386-TAR – In the Matter of the Petition of Kansas Gas Service, a Division of ONE Gas, Inc. for Approval by the Commission to Change its Gas System Reliability Surcharge per K.S.A. 66-2201 through 66-2204.

### **EXECUTIVE SUMMARY:**

On April 28, 2025, Kansas Gas Service (KGS or Company) filed a petition for approval of its updated Gas System Reliability Surcharge (GSRS), which was originally based on a proposed revenue requirement of \$7,207,932, associated with \$61,841,366 of capital costs for eligible infrastructure system replacements. Staff has reviewed all exhibits, testimony and discovery responses from KGS in this docket and has made further adjustments to reflect known and measurable updates to the GSRS revenue recoveries for the year 2024. These adjustments result in a revised revenue requirement of \$7,213,949. Staff recommends the Commission approve the revised revenue requirement as filed in this Report and Recommendation. If approved, the GSRS will increase residential customer bills by \$0.71 monthly, or \$8.51 annually.

### **BACKGROUND:**

On April 28, 2025, KGS filed its request for an updated GSRS tariff schedule. This tariff was designed to allow for the adjustment of KGS's rates and charges and provide for the recovery of \$7,207,932 of the total GSRS revenue requirement associated with \$61,841,366 of capital costs for eligible infrastructure system replacements.

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 Gas Safety and Reliability Policy Act (GSR Policy Act). Staff is required to file a Report and Recommendation in this docket by June 27, 2025 (within 60 days of filing). The Commission is required to issue a Final Order in this docket within 120 days of the filing date which, in this docket, is by August 26, 2025.

### History

The Gas Safety and Reliability Policy Act was enacted by the Kansas Legislature in July 2006 and revised in 2018. The statutory provisions allow natural gas public utilities to recover costs for infrastructure system investments through a monthly customer surcharge as long as the infrastructure investments:

- 1) Do not increase revenue by directly connecting the infrastructure system to new customers.
- 2) Are in service and used and required to be used; and
- 3) Were not included in the natural gas public utility's rate base in its most recent general rate case.<sup>4</sup>

In order to be eligible for recovery, the infrastructure investments must also meet at least one of the following five criteria:

- 1) Pipeline system components installed to replace, upgrade or modernize obsolete<sup>5</sup> facilities;
- 2) 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;
- 3) Facility relocations required due to public works projects;
- 4) System security costs including allocated corporate costs incurred by a natural gas public utility; and
- 5) Investments made in accordance with the utility's safety and risk management programs.<sup>6</sup>

In addition to each project meeting the eligibility criteria above, the Act requires the infrastructure investments meet the following financial criteria in order to be recovered:

1. The annualized GSRS revenues requested are not below the lesser of \$1,000,000 or 0.5% 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;<sup>7</sup>
2. The total annualized GSRS revenues do not exceed 20% of the utility's base revenue level approved by the Commission in the natural gas public utility's most recent general rate proceeding; and

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<sup>4</sup> K.S.A. 66-2202(d)(1-3).

<sup>5</sup> "Obsolete facility" is defined as a facility: (1) Comprised of materials that are no longer produced or supported by the manufacturer; (2) that shows signs of physical deterioration; or (3) does not meet current safety codes or industry standards. K.S.A. 66-2202(h).

<sup>6</sup> K.S.A. 66-2202(f).

<sup>7</sup> K.S.A. 66-2203(a).

3. The utility has had a general rate proceeding decided or dismissed by issuance of a Commission Order within the past 60 months.<sup>8</sup>

In its review of the Application, Staff investigates the infrastructure investments included in the Application to determine if they meet the eligibility and financial criteria contained in the Act. Staff also evaluates the proposed surcharge to ensure it has been derived solely from infrastructure investments that meet the eligibility criteria. To make the determination of recommending a given project for inclusion in the GSRS, Staff reviews the projects descriptions to ensure 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. Projects satisfying the conditions are then considered an infrastructure investment eligible for the recovery of costs.

If each of the infrastructure investments included in the GSRS Application satisfy at least one of the five project criteria and all of the financial criteria, the Commission is required to approve the Application.

### **ANALYSIS:**

#### **Pipeline Safety**

KGS requests the proposed rate base of \$61,841,366 be included in the proposed surcharge. There are two groups of projects being submitted in this filing, safety related system replacements and government mandated relocation projects. Exhibits JRR-1, JRR-2, JRR-3, JRR-4 and ASC-1 are attached to the Direct Testimony of KGS witnesses Jordan Robl and Andrew Copeland, in support the proposed capital costs. Exhibit JRR-1 includes 374 projects comprised of safety related system improvements. Exhibit JRR-2 consists of 60 public improvement projects (government mandated relocation projects) that have not been fully reimbursed to the natural gas utility. Exhibit JRR-3 summarizes blanket work orders related to service line replacements and projects completed to address safety concerns and/or in conjunction with government projects. Exhibit ASC-1 includes 2 projects related to cyber security.

#### **Safety Related System Replacements**

There are seven categories of safety related projects included in JRR-1. Each category is based upon a similar code citation(s).<sup>9</sup> 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. Based on our review, Staff recommends the Commission find the total capital expenditure amount of \$23,950,780 associated with all 374 safety related projects be considered eligible for GSRS recovery.

#### **Government Mandated Relocation Projects**

There are 60 government mandated relocation projects in Exhibit JRR-2. Staff reviewed the synopsis of work and the cost associated with each project as provided by KGS. Based upon the information provided, Staff accepts the relocation projects as eligible for GSRS recovery. Staff

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<sup>8</sup> K.S.A. 66-2203(b).

<sup>9</sup> These categories include: (1) Bare Steel Main Replacement, (2) Bare Steel Service Line Replacement (3) Cathodic Protection, (4) Continuing Surveillance, (5) Physical Security, (6) Pipeline System Components, and (7) Pressure and Measurement (Obsolescence).

recommends the Commission find the total capital expenditure amount of \$6,388,113 associated with relocation projects eligible for GSRS recovery.

#### Blanket Work Orders

Exhibit JRR-3 identifies projects that have been identified as blanket service line projects and non-service line related blanket projects. KGS describes blanket work orders as work orders used to account for costs of projects that are of relatively small dollar amounts and are homogenous. There is one blanket service line work order for 1,575 lines and one non-service line related blanket summary. Staff recommends the Commission find the total capital expenditure amount of \$31,243,989 in the blanket work orders and \$258,483 in cyber security as eligible for GSRS recovery.

Based on Staff's analysis detailed above, Staff recommends the Commission find the total original cost of \$61,841,366 to be eligible for capital cost recovery through GSRS.

#### Accounting

Staff recommends approval of \$7,213,949 in GSRS revenue to be collected by KGS via the monthly surcharge. The difference between KGS's filed position and Staff's recommendation is due to updated GSRS project totals provided by KGS. The updated GSRS revenue requirement of \$7,213,949 is associated with \$61,896,041 of capital costs for eligible infrastructure system replacements.

Staff performed an audit of KGS's Application to verify that the surcharge was properly calculated and based solely on the projects included in the Application. Staff obtained work orders and journal entries in support of a random sample of projects included in the Application. During this review, Staff did not discover any improper or unnecessary expenditures. The exhibits supporting the revised revenue requirement calculation are attached to this Report and Recommendation as Staff Exhibits 1 through 5.

### **RECOMMENDATION:**

Staff recommends the Commission approve KGS's GSRS revenue requirement of \$7,213,949 to be collected via the monthly charges listed in Staff Exhibit 5, as attached to this Report and Recommendation, with the following conditions:

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

## **CERTIFICATE OF SERVICE**

25-KGSG-386-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 07/15/2025.

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/S/ KCC Docket Room

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