

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

In the Matter of the Application of Atmos)
Energy Corporation for Approval of its System) Docket No. 26-ATMG-002-TAR
Integrity Program Plan Tariff.)

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

The Staff of the State Corporation Commission of the State of Kansas (Staff and Commission, respectively) hereby submits its Report and Recommendation, dated September 9, 2025, regarding the Application of Atmos Energy Corporation (Atmos).

On July 1, 2025, Atmos filed its System Integrity Program (SIP) providing a list of projects anticipated to be completed within year six (CY2026) of the SIP program. During the discovery process, the Year Six SIP calls for replacing 11.3 miles of bare steel piping and 720 services in 4 towns in Kansas. The total cost of the Year Six SIP is estimated to be \$11.3 million.

Staff has reviewed the details for the proposed pipe replacement projects for 2026, and recommends the Commission approve the Year Six SIP investment by November 1, 2025.

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/ Ahsan Latif

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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
Paul Owings, Chief Engineer
Justin Grady, Director of Utilities

DATE: September 9, 2025

SUBJECT: Docket No. 26-ATMG-002-TAR - In the Matter of the Application of Atmos Energy Corporation for Approval of its System Integrity Program Plan Tariff.

EXECUTIVE SUMMARY

In the Docket 19-ATMG-525-RTS, the Commission approved a five-year System Integrity Plan (SIP) tariff for Atmos Energy Corporation (Atmos). On November 7, 2024, Atmos, Staff and the Citizens' Utility Ratepayer Board (CURB) filed a Joint Motion to Renew Atmos' SIP Tariff for an additional seven years.¹ The tariff requires the Commission to review and approve the Plan's objectives and goals for the seven-year period and to approve the SIP projects for the pending year. On May 22, 2025, the Commission approved the seven-year SIP extension.²

On July 1, 2025, Atmos filed its Year Six SIP providing a list of projects anticipated to be completed within year six (CY2026) of the SIP program. During the discovery process, the Year Six SIP calls for replacing 11.3 miles of bare steel piping and 720 services in 4 towns in Kansas. The total cost of the Year Six SIP is estimated to be \$11.3 million. All of the projects selected for pipe replacement in year six of the SIP are currently operated as low pressure systems. This type of system is defined as distribution piping operating on ounces of pressure where the gas pressure in the distribution main is substantially the same as the pressure at the customer's appliance.

Staff has reviewed the details for the proposed pipe replacement projects for 2026, and recommends the Commission approve the Year Six SIP investment.

¹ See Docket 19-ATMG-525-RTS, Joint Motion to Renew System Integrity Plan Tariff, p. 1

² See Docket 19-ATMG-525-RTS, Order Granting Joint Motion to Renew System Integrity Plan Tariff p. 4

Background

As noted in the Commission's Order approving the SIP Pilot Program³, all parties agreed that Atmos should increase its pace of replacing obsolete infrastructure. Docket No. 15-GIMG-343-GIG (15-343 Docket) recognized that bare steel piping posed the highest risk to safety because of the material's relative length of service and proclivity to corrosion. Consequently, the Commission found that accelerated programmatic replacement of bare steel gas lines was in the public interest and necessary.⁴ Because replacing bare steel gas piping in Kansas will take decades to complete, the prioritization of replacement projects is a major facet of any pipe replacement project.

Because of a national safety concern related to over-pressurization of low pressure gas systems⁵, Atmos has developed its list of projects for the seven-year SIP program by applying its risk ranking methodology only to piping systems which do not have service pressure regulators installed at the meter of each customer. Historically, low-pressure systems have been demonstrated to be at risk from operator error or upstream pressure regulation failure that places high pressure gas directly into the customer's appliances. In many cases, this type of error/failure has resulted in multiple house fires simultaneously occurring. Low pressure systems are also more difficult to leak survey because the ounces of pressure in the gas piping do not provide enough pressure to drive the leak to the surface where it can be detected with conventional leak detection equipment. Leaks of this nature under hard surfaces such as pavement can be difficult to discover until a substantial amount of gas has accumulated in the area surrounding the pipeline.

In Docket No. 18-ATMG-316-CPL (18-316 Docket), Atmos provided the factors that it used to prioritize bare steel pipe replacement.⁶ The Atmos ranking tool originally combined two factors: the likelihood of the pipe leaking; and the safety consequence of a leak. The likelihood of leaking is based primarily on ten years of leakage history per mile of bare steel, while the consequence of a given failure is based on a variety of factors determined by Atmos Subject Matter Experts. The combination of the likelihood and consequence factors yields a risk ranking for a given segment of piping. In John M. Willis' rebuttal testimony from Docket No. 23-ATMG-359-RTS (23-359 Docket), Atmos agreed to modify the model to place a greater weight on the risk associated with bare steel service lines.⁷ The model now separates the likelihood of the pipe leaking into two factors: number of service line leaks within a selected study area and the number of leaks per mile of main in the study area with a greater factor weight on the service line leaks.

On October 31, 2024, the Commission approved Atmos' Year Five SIP projects, which consisted of \$7.7 million to replace obsolete piping in the cities of Linwood, Edwardsville, Yates Center, Sedan, and Olathe to be completed in 2025. Through the discovery process, Staff requested an update on progress of the Year Five SIP projects.⁸ As of August 2025, the cost to date for the

³ See Docket 19-ATMG-525-RTS, Order on Atmos Energy Corporation's Application for a Rate Increase filed February 24, 2020

⁴ See Docket 15-GIMG-242-GIG, Final Order filed September 12, 2017

⁵ For background on the safety concerns related to low pressure systems, see report and safety recommendation published by the National Transportation Safety Board related to the natural gas incident in Merrimack Valley, Massachusetts, September 13, 2018. <https://www.nts.gov/investigations/AccidentReports/Reports/PA1902.pdf>

⁶ See Docket 18-ATMG-316-CPL, Submittal of Plan of Atmos Energy Corporation filed April 24, 2018

⁷ See Docket 23-ATMG-359-RTS, Rebuttal Testimony of John M. Willis on Behalf of Atmos Energy filed February 10, 2023.

⁸ See response to Staff Data Request 3

Linwood project was \$1.5 million with an estimated completion date of September 9, 2025. An additional 350 feet of natural gas main was added to this project increasing the cost by \$12,075 and adding 15 extra days of work. The cost to date for the Edwardsville project is \$26,512 and the estimated completion date is October 7, 2025. The cost to date for Yates center is \$1.4 million with an expected completion date of August 11, 2025. The Sedan project has a cost to date of \$1.6 million with an estimated completion date of November 7, 2025. The Olathe project cost to date is \$16,668 and the estimated completion date is December 31, 2025. Based on the current project status, Staff finds that Atmos's progress is reasonable on SIP Year Five projects.

Analysis

The proposed projects for Year Six are low pressure systems in Chetopa, Caney, Olathe, and Coffeyville. The Chetopa project plans to replace 3.16 miles of bare steel and 136 services for an estimated cost of \$2.8 million. The Caney project plans to replace 3.2 miles of bare steel and 184 service lines for an estimated cost of \$4.2 million. In the Year-Five filing, Atmos postponed the Caney project due to issues with the towns water distribution system.⁹ Through the discovery process, Staff learned that Atmos has been given approval by Caney's water consultant to move forward with the planned 2026 replacement. The Olathe project plans to replace 0.56 miles of bare steel and 165 service lines for an estimated cost of \$1.6 million. The Coffeyville project plans to replace 4.37 miles of bare steel and 235 service lines for an estimated \$2.6 million. Staff finds that Atmos's Year Six SIP projects are consistent with the program and reasonable.

Recommendation

Staff recommends the Commission approve the Year Six SIP Plan by November 1, 2025, which is pursuant to the timeline in the approved SIP tariff.

⁹ See Docket 19-ATMG-525-RTS, Notice of Filing of Staff's R&R on October 1, 2024

CERTIFICATE OF SERVICE

26-ATMG-002-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff R&R was served via electronic service this 9th day of September, 2025, to the following:

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