

**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 Application of Atmos Energy)
Corporation for Approval of the Commission for)
Gas System Reliability Surcharge per K.S.A.) Docket No. 25-ATMG-133-TAR
66-2201 through 66-2204)

ORDER ADOPTING STAFF’S REPORT AND RECOMMENDATION

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (“Commission”) for consideration and determination. Having examined its files and records, the Commission finds and concludes:

I. BACKGROUND

1. On August 19, 2024, Atmos Energy Corporation (“Atmos”) filed an Application for approval of its updated Gas System Reliability Surcharge (“GSRS”) rider which was based on a proposed revenue requirement increase of \$1,998,440 associated with \$22,775,939 of additional capital costs for eligible infrastructure system investments.¹ The GSRS tariff schedule is designed to allow for the adjustment of Atmos’ rates and charges to provide for the recovery of costs for eligible infrastructure system replacements.

2. On August 29, 2024, the Commission granted the Citizen’s Utility Ratepayer Board’s (“CURB”) Petition to Intervene and Motion for Protective Order, Discovery Order, and Order Assessing Cost.²

¹ Application of Atmos Energy Corporation for Approval of the Commission for Gas System Reliability Surcharge per K.S.A. 66-2201 through 66-2204 (Aug. 19, 2024) (“Application”).

² Order Granting the Citizen’s Utility Ratepayer Board’s Petition to Intervene, Protective Order and Discovery Order (Aug. 29, 2024).

3. On October 17, 2024, after examining Atmos' Application, Commission Staff ("Staff") filed its Report and Recommendation ("R&R") in the above-captioned docket.³

4. On November 21, 2024, Staff filed its Revised R&R to correct Staff's calculation of the incremental revenue requirement increase from \$2,659,917 to \$1,998,440 and its calculation of the amount of Government Mandated Relocation Projects that should be eligible for recovery from \$1,998,159 to \$2,034,047, also see paragraph 16.⁴

5. Staff's revised R&R ultimately recommends that the Commission approve Atmos' Application for an incremental increase of GSRS revenue requirement of \$1,998,440 to be collected via the per-customer surcharge amount, including a \$0.80 per month surcharge for the Residential class.⁵

II. LEGAL STANDARDS AND DISCUSSION

6. Pursuant to the Gas Safety and Reliability Policy Act, K.S.A. 66-2201, *et. seq.*, ("the Act") natural gas public utilities may file a petition and proposed rate schedules with the Commission to recover costs for certain "eligible infrastructure system replacement" projects through a monthly customer surcharge.⁶

7. K.S.A. 66-2202(d) defines "eligible infrastructure system replacement" as:

Natural gas public utility plant projects that: (1) Do not increase revenues by directly connecting the infrastructure replacement 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.⁷

³ Notice of Filing of Staff's Report and Recommendation (Oct. 17, 2024) ("Staff's R&R" or "R&R").

⁴ Notice of Filing of Staff's Revised Report and Recommendation (Nov. 21, 2024) ("Staff's Revised R&R").

⁵ *Id.* at p. 5.

⁶ K.S.A. 66-2203.

⁷ These criteria are referred to by Staff as "financial criteria".

8. The Act requires Staff to examine the natural gas public utility's petition to confirm the underlying costs are in accordance with the provisions of K.S.A. 66-2202 through K.S.A. 66-2204 and to confirm proper calculation of the proposed charge.⁸

9. To evaluate compliance with the Act, Staff reviews the project descriptions in the petition to ensure the projects considered for GSRS recovery satisfy at least one of the five criteria included in the definition of a "natural gas utility plant project" defined in K.S.A. 66-2202(f):

- 1) Pipeline system components installed to replace, upgrade, or modernize obsolete⁹ 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.¹⁰

10. If each of the infrastructure investments included in the GSRS Application satisfy at least one of the five project criteria and all the financial criteria contained within the Act, the Commission is required to approve the Application.¹¹ The Commission may not approve a GSRS to the extent that 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.¹²

⁸ See K.S.A. 66-2201, et. seq.

⁹ "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).

¹⁰ K.S.A. 66-2202(f). These criteria are referred to by Staff as "project criteria".

¹¹ See K.S.A. 66-2204(b)(4) ("if the Commission finds that a petition complies with the requirements of K.S.A. 66-2202 through 66-2204, and amendments thereto, the Commission shall enter an order authorizing the natural gas public utility to impose a GSRS that is sufficient to recover appropriate pretax revenue...").

¹² K.S.A. 66-2203(a).

11. K.S.A. 66-2204(e)(1) provides that a monthly charge resulting from a GSRS may not increase a residential customer's bill more than \$0.80 per month. The statutory application of the GSRS results in a monthly increase of \$0.80 per month, or \$9.60 annually for residential customers.

12. CURB had the opportunity to review the R&R and has no objection to Staff's recommendations.¹³

III. ANALYSIS

13. Atmos' Application requests that additional capital expenditures of \$22,775,939 be included in the proposed surcharge for recovery if costs associated with the completion of 24 identifiable safety related projects, 15 projects associated with road relocation or public improvements, and 20 functional or bundled projects.¹⁴ Atmos provided a list of projects for which it sought to receive recovery in Exhibit 5, attached to the Direct Testimony of witness Kathleen R. Ocanas.¹⁵ Staff reviewed Exhibit 5, as well as Atmos' responses to Staff discovery requests, and determined that broadly, the infrastructure investments can be categorized into two groups: investments defined as safety related system improvements; and investments related to government mandated relocation projects that have not been fully reimbursed to Atmos.¹⁶

14. Staff performed an audit of Atmos' Application to verify that the 24 safety related system improvements satisfy the requirements of K.S.A. 66-2201, *et. seq.* Staff determined that each project fits into one of the criteria listed in K.S.A. 66-2204.¹⁷ Therefore, Staff recommended

¹³ Communication between CURB Counsel and Staff Counsel is available upon request.

¹⁴ Staff's Revised R&R, p. 3.

¹⁵ *Id.*

¹⁶ *Id.*, pp. 3-4.

¹⁷ *Id.*, p. 4.

that all 24 safety related projects totaling \$6,060,256 be considered eligible for capital cost recovery through the GSRS.¹⁸

15. Staff performed an audit of Atmos' Application to verify that the 20 functional or bundled system replacement projects satisfy the requirements of the Act. Staff determined that each project fits into one of the criteria listed in K.S.A. 66-2204.¹⁹ Therefore, Staff recommended that all 20 functional or bundled system replacement projects totaling \$14,681,645 be considered eligible for capital cost recovery through the GSRS.²⁰

16. Finally, Staff performed an audit of Atmos's Application to verify that the 15 government mandated relocation projects satisfy the requirements of the Act. Staff determined that each of these projects fit into one of the criteria listed in K.S.A. 66-2204.²¹ Therefore, Staff recommended that all 15 government mandated relocation projects totaling \$2,034,037 be considered eligible for capital cost recovery through the GSRS.²²

17. Staff's audit of Atmos's Application ultimately recommends that the Commission approve Atmos's net incremental GSRS revenue request of \$1,998,440 associated with \$22,775,939 of additional capital costs for eligible infrastructure system investments, as defined in K.S.A. 66-2202. The Commission finds that Staff's audit of Atmos's original proposed revenue increase relating to the GSRS filing of \$2,659,917 confirmed that this amount was properly adjusted to \$1,998,440, consistent with the statutory requirements of the Kansas Gas Safety and Reliability Act.²³

¹⁸ *Id.*

¹⁹ Staff's Revised R&R, p. 4.

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *See* K.S.A. 66-2201 *et. seq.*

18. Upon review of the record as a whole, the Commission finds the recommendations contained in Staff's November 21, 2024, revised R&R to be reasonable and adopts the same.

19. Atmos' GSRS, along with Staff's recommendations, is approved, resulting in an incremental GSRS revenue requirement of \$1,998,440. The surcharge shall be collected via the monthly charges listed on Exhibit 2 of Atmos Witness Kathleen R' Ocanas's Direct Testimony. The Commission finds that Atmos should file an updated tariff reflecting such rates.

20. In accordance with K.S.A. 66-2204(b)(4), the Commission finds there is sufficient evidence to approve the proposed GSRS.²⁴

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

(A) Atmos' Gas System Reliability Surcharge is approved. Atmos may collect the proposed incremental revenue increase of \$1,998,440 as described in Staff's revised R&R.

(B) Atmos' Gas System Reliability Surcharge shall be collected via the monthly charges listed in Exhibit 2 of Atmos Witness Kathleen R. Ocanas's Direct Testimony.

(C) Atmos is directed to file an updated tariff reflecting such rates.

(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).

²⁴ See fn. 11.

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner.

Dated: 12/17/2024



Lynn M. Retz
Executive Director

CRM/MKH

CERTIFICATE OF SERVICE

25-ATMG-133-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 12/17/2024.

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/S/ KCC Docket Room

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