

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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)

APPLICATION

Atmos Energy ("Atmos Energy" or "Company"), pursuant to K.S.A. 66-2201, *et seq.*, submits for filing a new tariff sheet reflecting updated surcharge rates in the Gas System Reliability Surcharge Rider ("GSRS"), which is designed to allow for the adjustment of Atmos Energy's rates and charges to provide for the recovery of costs for eligible infrastructure system replacements. In support of its Application, Atmos Energy states as follows:

1. Atmos Energy is a natural gas public utility operating and duly authorized to transact business in the State of Kansas as a foreign corporation. Atmos Energy holds appropriate certificates from the Kansas Corporation Commission ("Commission") to transact business as a natural gas public utility and is now and has been engaged in the purchase, transmission, sale and distribution of natural gas in the State of Kansas in accordance with the laws of said state and the rules and regulations of this Commission.

2. Atmos Energy serves approximately 139,000 customers in 110 communities and in 32 counties in Kansas.

3. Pursuant to the Gas Safety and Reliability Policy Act, K.S.A. §§ 66-2201 through 66-2204, a utility "may file a petition and proposed rate schedules with the commission to establish or change GSRS rate schedules that will allow for the adjustment of the natural gas public utility's rates and charges to provide for the recovery of costs for eligible infrastructure system investments."

Each year a utility is required to relocate and replace certain segments of its system. The GSRS allows the utility to recover these expenses between rate cases through a surcharge.

4. K.S.A. 66-2202 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.

5. In support of the Application, Atmos Energy is filing the Direct Testimony and Exhibits of Eric Gant and Kathleen R. Ocanas. Ms. Ocanas's Exhibit 5 summarizes the projects being included in this GSRS proposal. There are three groups of projects being submitted. The first group is comprised of specific safety related system replacements. The second group consists of governmentally mandated road relocation projects which have not been reimbursed to the natural gas utility, and the third group is comprised of functional or bundled safety related system replacements. All three types of projects are eligible for inclusion in a GSRS proposal. Exhibit 5 shows the location, project description, work order number and completion date for each of the projects. It also includes the category of the applicable state or federal pipeline safety requirements relating to the replacement of the existing facilities.

6. The inclusion criteria for the safety related projects, according to K.S.A. 66-2202, is as follows: "Mains, meters, valves, service lines, regulator stations, vaults and other pipeline system components installed to replace, upgrade or modernize obsolete facilities, including, but not limited to, installation to comply with state or federal safety requirements replacing existing facilities; (2) main relining projects, service line insertion projects, joint encapsulation projects and other similar projects extending the useful life or enhancing the integrity of pipeline system components including,

but not limited to, projects undertaken to comply with state or federal safety requirements . . . and (5) investments made in accordance with the utility's safety and risk management programs."

7. The inclusion criteria for the road relocation projects, according to K.S.A. 66 2202, is as follows: "Facility relocations required due to construction or improvement of a highway, road, street, public way or other public work by or on behalf of the United States, this state, a political subdivision of this state or another entity having the power of eminent domain provided that the costs related to such projects have not been reimbursed to the natural gas public utility."

8. Only projects meeting the criteria previously mentioned are being submitted for consideration in this filing.

9. Ms. Ocanas's Exhibit 5 also includes a list of each project included in the functional or bundled type of safety related system replacements. Atmos Energy maintains a file for each of the projects and will provide access to those files to the Staff and any other party to this proceeding.

10. Pursuant to the provisions of K.S.A. 66 2204, Ms. Ocanas's Exhibit 1 shows the calculation of the proposed rate adjustment for GSRS revenue. Ms. Ocanas's Exhibit 2 shows the class allocation of the GSRS surcharge. Ms. Ocanas's Exhibit 3 shows the calculation of the change in operating income. Ms. Ocanas's Exhibit 4 shows the calculation of the pre-tax rate of return. Ms. Ocanas's Exhibit 5 details the specific projects and performs the calculation of depreciation, accumulated reserve and accumulated deferred income taxes. Ms. Ocanas' Exhibit 6 accumulates the investments that are retired as a result of GSRS projects and calculates the reduction in depreciation expense associated with the retirement. Ms. Ocanas's Exhibit 7 is the GSRS tariff sheet with the proposed updated surcharges based on this filing.

11. K.S.A. 66-2203 states that "the commission may not approve a GSRS to the extent 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." The proposed revenue increase relating to this GSRS filing is \$1,998,440.

12. None of the projects included in the GSRS filing were included in Atmos Energy's last rate filing (Docket No. 23-ATMG-359-RTS ("359 Docket")). These projects were completed subsequent to the March 31, 2022, test year ending period used in Atmos Energy's last general rate filing.

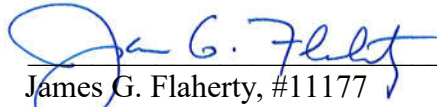
13. The pre-tax rate of return approved by the Commission in the 359 Docket of 8.7% has been used in this filing.

14. Ms. Ocanas' Exhibit 2 shows the allocation of the GSRS revenue by class. The customer class allocation is pursuant to the collaborative rate design agreed to by Atmos Energy, Staff and CURB pursuant to the Stipulated Settlement Agreement in the 359 Docket.

15. K.S.A. 66 2204(e)(1) states, "A GSRS shall be charged to customers as a monthly fixed charge and not based on volumetric consumption. Such monthly charge shall not increase more than \$.80 per residential customer over the base rates in effect for the initial filing of a GSRS. Thereafter, each filing shall not increase the monthly charge more than \$.80 per residential customer over the most recent filing of a GSRS." Consistent with this statutory requirement, the proposed GSRS Surcharge in this filing yields an additional \$0.80 per month surcharge for a residential customer.

WHEREFORE, for the reasons set forth herein Atmos Energy requests that the Commission issue an Order approving this Application and the new tariff sheet reflecting updated surcharge rates in the Gas System Reliability Surcharge Rider.

Respectfully submitted, this 19th day of August 2024.



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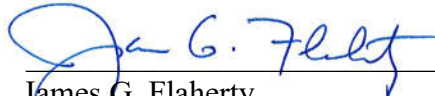
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Attorneys for Atmos Energy Corporation

VERIFICATION

STATE OF KANSAS COUNTY OF FRANKLIN, ss:

James G. Flaherty, of lawful age, being first duly sworn deposes and says that he is attorney for Atmos Energy Corporation; that he has read the above and foregoing Application; and the statements therein contained are true.


James G. Flaherty

SUBSCRIBED AND SWORN to before me this 19th day of August, 2024.



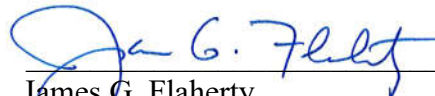


Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing Application, including a copy of the Direct Testimony of Eric Gant and the Direct Testimony of Kathleen R. Ocanas was sent via electronic mail, this 19th day of August, 2024, addressed to: Carly R. Masenthin, carly.masenthin@ks.gov and David W. Nickel, david.nickel@ks.gov.


James G. Flaherty