

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

In the Matter of the Application of Atmos)
Energy for Approval of its Energy Ad Valorem) Docket No. 25-ATMG-242-TAR
Tax Surcharge; Calculation of 2025)
Adjustment.)

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 the Application of Atmos Energy (“Atmos”) proposing its 2025 Ad Valorem Tax Surcharge Rider (“ATSR”) calculation pursuant to the Commission’s March 18, 2005, Order issued in Docket No. 05-ATMG-693-TAR and K.S.A. 66-117(f). Pursuant to its Application, Atmos’s requested updated ad valorem tax surcharge rate is \$0.0505/Mcf, which is based on the total reported recoverable amount of ad valorem tax assessments of \$917,062 and which translates into an approximate increase of residential customer bills by \$0.04 per month or \$0.48 annually.

Staff has evaluated Atmos’s application including copies of Atmos’s 2024 ad valorem tax statements. Staff confirmed that there were no errors in Atmos’s ATSR workpapers. Staff believes that Atmos’s requested recovery will be applied to customer bills in a reasonable manner by increasing the surcharge rate to collect increases in Atmos’s ad valorem tax expense incurred on its books and records, in accordance with K.S.A. 66-117(f). Staff recommends that the Commission approve Atmos’s 2025 ATSR request as filed, subject to three conditions outlined in Staff’s Report and Recommendation.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and or such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Madisen K. Hane

Madisen K. Hane, #30292

Litigation Counsel

1500 SW Arrowhead Rd

Topeka, KS 66604

Phone (785) 271-3288

Email: Madisen.Hane@ks.gov

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: Bill Baldry, Senior Auditor
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director of Utilities
Jeff McClanahan, Director of Utilities

DATE: December 19, 2024

SUBJECT: Docket No. 25-ATMG-242-TAR – In the Matter of the Application of Atmos Energy for Approval of its Energy Ad Valorem Tax Surcharge; Calculation of 2025 Adjustment.

EXECUTIVE SUMMARY:

Staff recommends approval of Atmos Energy’s proposed 2025 Ad Valorem Tax Surcharge Rider (“ATSR”) calculation. The surcharge would be in effect during the period of February 2025 through January 2026 and is in addition to the ad valorem tax expense that was included in base rates during the calendar year of 2024.¹ The surcharge is designed to recover \$917,062, which is an increase of \$110,720 from last year’s surcharge amount of \$806,342. Atmos Energy’s ATSR would increase Kansas residential customer bills by \$0.04 per month, or \$0.48 annually, based on an average annual natural gas usage of 840 Ccf (hundred cubic feet).

BACKGROUND:

On December 12, 2024, Atmos Energy (“Atmos”) filed its 2025 Ad Valorem Tax Surcharge Rider (“ATSR”) request with the Kansas Corporation Commission (the “Commission”) pursuant to the Commission’s March 18, 2005, Order issued in Docket No. 05-ATMG-693-TAR and in accordance with K.S.A. 66-117(f). The statute provides for a utility to increase any existing surcharge based upon an increase in ad valorem tax expense incurred on Atmos’s books and records. In addition, K.S.A. 66-117(f) requires a Commission order within thirty (30) days of the date Atmos filed its application, which, in this Docket, is by January 13, 2025.²

¹ The current base rates were established in May 2023 in Atmos’s most recent rate case (Docket No. 23-ATMG-359-RTS (“23-359 Docket”). The Commission’s March 18, 2005, Order in Docket No. 05-ATMG-693-TAR approved Atmos Energy’s Ad Valorem Tax Surcharge Rider.

² The 30-day deadline falls on January 11, 2025, which is a Saturday. Therefore, the final Order is due by the following Monday, January 13, 2025.

ANALYSIS:

The Commission derives its authority to review ad valorem tariffs from K.S.A. 66-117(f), which, in part, states:

Whenever...a natural gas public utility...files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the [Commission] the changes in expense charged for ad valorem taxes. ...Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to...reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the [C]ommission shall approve such tariffs within 30 days of the filing.

On December 12, 2024, Atmos filed its 2025 ATSR request with the Commission pursuant to the Commission's March 18, 2005, Order issued in Docket No. 05-ATMG-693-TAR and in accordance with K.S.A. 66-117(f), accompanied by copies of Atmos's 2024 ad valorem tax statements. Staff tied the amounts in the ad valorem tax statements to the ATSR total for 2024, as shown in Attachments 1 and 2 of Atmos's application.

Based on Staff's review, Atmos should be allowed to collect \$917,062 through its proposed 2025 ATSR. This amount is composed of the portion of the 2025 ad valorem tax assessments of \$784,279 that are not included in Atmos's base rates and its unrecovered balance of \$132,782 for its 2024 ATSR. By dividing Atmos's surcharge total by the annual billing determinants, Atmos's calculation results in an ATSR rate of \$0.0505 per Mcf (thousand cubic feet) or \$0.0051 per Ccf (hundred cubic feet). The requested ATSR rate would increase Kansas residential customer bills by \$0.04 per month, or \$0.48 annually, based on an average annual natural gas usage of 840 Ccf.

Staff did not find any errors in Atmos's ATSR workpaper, calculating its ad valorem tax surcharge adjustment and the ATSR rate for 2025. Staff recommends the Commission approve Atmos's 2025 ATSR request as filed. Staff concludes Atmos's requested recovery will be applied to customer bills in a reasonable manner by increasing the surcharge rate to collect increases in Atmos's ad valorem tax expense incurred on its books and records.

RECOMMENDATION:

Staff recommends the Commission approve Atmos's 2025 ad valorem tax surcharge rate of \$0.0505/Mcf based on the total recoverable amount of ad valorem tax assessments of \$917,062 with the following three (3) conditions:

1. Atmos shall file an updated tariff with the Commission reflecting the revised surcharge before implementing the surcharge;

2. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in ad valorem taxes will be reflected in the subsequent year ad valorem surcharge calculation; and
3. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Atmos shall file its ATSR annual true-up in December of each calendar year.

CERTIFICATE OF SERVICE

25-ATMG-242-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic service this 27th day of December, 2024, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067-0017
jflaherty@andersonbyrd.com

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

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

MADISEN HANE, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
madisen.hane@ks.gov

CARLY MASENTHIN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
carly.masenthin@ks.gov

Ann Murphy

Ann Murphy