

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of Atmos Energy       )  
for Approval of the Commission for Gas System       )  
Reliability Surcharge per K.S.A. 66-2201       )  
through 66-2204       )  
Docket No. 18-ATMG- 218 -TAR

**APPLICATION**

Atmos Energy ("Atmos Energy" or "Company"), pursuant to K.S.A. 66-2201, *et seq.*, submits for filing a new tariff schedule, Gas System Reliability Surcharge ("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 129,000 customers in 106 communities and in 32 counties in Kansas.

3. In 2006, Senate Bill 414, the Gas Safety and Reliability Act, was passed into law. Under this law, 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 replacements." Each year a utility is required to relocate and replace certain segments of its system. The proposed GSRS tariff included in this Application will allow 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 Barton W. Armstrong and Jennifer G. Ries. Ms. Ries'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: "(1) Mains, valves, service lines, regulator stations, vaults and other pipeline system components installed to comply with state or federal safety requirements as replacements for existing facilities; and (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 undertaken to comply with state or federal safety requirements."

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 right of 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 utility."

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

9. Exhibit BWA-1 (cd) sponsored by Mr. Armstrong includes the supporting documentation for each of the specific related projects. For each of the safety related projects, detailed information including a map and summary of the project is included. For each of the road relocation projects, detailed information including the request to relocate the facility (from the city, county, or state), a map of the replacement area, and summary of the project is included. Ms. Ries'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. Ries's Exhibit 1 shows the calculation of the proposed rate adjustment for GSRS revenue. Ms. Ries's Exhibit 2 shows the class allocation of the GSRS surcharge. Ms. Ries's Exhibit 3 shows the calculation of the change in operating income. Ms. Ries's Exhibit 4 shows the calculation of the pre-tax rate of return. Ms. Ries's Exhibit 5 details the specific projects and performs the calculation of depreciation, accumulated reserve and accumulated deferred income taxes. Ms. Ries's Exhibit 6 accumulated the investment that is retired as a result of GSRS projects and calculates the reduction in depreciation expense associated with the retirement. Ms. Ries's Exhibit 7 is the new GSRS tariff sheet.

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." Based on Atmos Energy's most recent general rate

proceeding, that amount would total \$303,000. The proposed revenue increase relating to this GSRS filing is \$936,614.

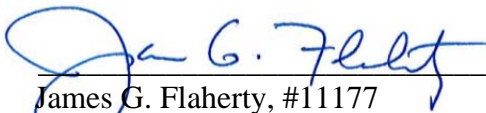
12. None of the projects included in the GSRS filing were included in Atmos Energy's last rate filing (Docket No. 15-ATMG-079-RTS ("079 Docket")). These projects were completed subsequent to the March 31, 2015, test period used in Atmos Energy's last general rate filing.

13. The Commission's Order approving Atmos Energy's most recent rate case in the 079 Docket set forth a pre-tax rate of return for Atmos Energy at 11.04%.

14. Ms. Ries's Exhibit 3 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 079 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. The monthly charge shall not increase more than \$.40 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 \$.40 per residential customer over the most recent filing of a GSRS."

WHEREFORE, for the reasons set forth herein Atmos Energy requests that the Commission issue an Order approving this Application and the attached gas system reliability surcharge tariffs.



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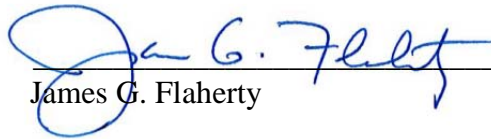
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**VERIFICATION**

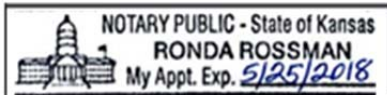
STATE OF KANSAS            )  
  ) ss:  
COUNTY OF FRANKLIN    )

James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for Atmos Energy, named in the foregoing Application, and is duly authorized to make this affidavit; that he has read the foregoing Application, and knows the contents thereof; and that the facts set forth therein are true and correct.

  
James G. Flaherty

**SUBSCRIBED AND SWORN** to before me this 21<sup>st</sup> day of November, 2017.



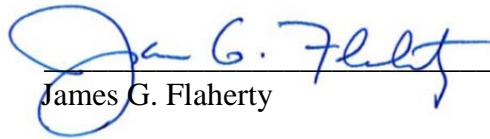


Notary Public

Appointment/Commission Expires:

## **CERTIFICATE OF SERVICE**

I hereby certify a copy of the above and foregoing Application, including a copy of the Direct Testimony of Barton W. Armstrong and a copy of the Direct Testimony of Jennifer G. Ries, and Exhibits, were sent by electronic mail, this 21<sup>st</sup> day of November, 2017, Amber Smith, Chief Litigation Counsel, Kansas Corporation Commission, 1500 SW Arrowhead Road, Topeka, Kansas 66604, [a.smith@kcc.ks.gov](mailto:a.smith@kcc.ks.gov) and David W. Nickel, Citizens' Utility Ratepayer Board, 1500 S.W. Arrowhead Road, Topeka, Kansas 66604, [d.nickel@curb.kansas.gov](mailto:d.nickel@curb.kansas.gov).



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James G. Flaherty