

**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 Kansas Gas)
Service, a Division of ONE Gas, Inc. for)
Approval to Cease Providing Natural Gas) Docket No. 24-KGSG-056-CCS
Service in a Portion of McPherson County,)
Kansas.)

ORDER CANCELLING CERTIFICATE

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 record, and being duly advised in the premises, the Commission finds and concludes:

1. On July 19, 2023, Kansas Gas Service, a division of ONE Gas, Inc., (“KGS”), filed an application to cease providing natural gas service to three McPherson County residential customers (collectively, “Customers”) served by a former KGS transmission pipeline, roughly three miles long, that has since been reclassified as a distribution asset.

2. KGS is a natural gas public utility operating in the State of Kansas pursuant to a certificate of convenience and necessity issued by the Commission.

3. KGS seeks authority to respectively cease providing natural gas service to three Customers located in a portion of their certificated territory described as:

2344 12th Avenue, Lindsborg, Kansas 67456, Customer A;

1210 Sioux Road, Lindsborg, Kansas 67456, Customer B; and,

1198 Sioux Road, Lindsborg, Kansas 67456, Customer C.

4. In its Application, KGS explains it is not cost effective to operate the distribution system serving the Customers, and that KGS has agreed to pay the costs to convert the Customers from gas to propane.

5. Staff's Report and Recommendation dated May 27, 2025, recommends the operation of the distribution system be terminated, the service to the Customers be abandoned, and the costs associated with the service conversion consistent with the Report and Recommendation be paid by KGS.

6. The Commission adopts Staff's analysis and recommendation as stated in its Report and Recommendation as findings, which is attached and made a part of this Order by reference.

7. The Commission concludes that the public convenience will be promoted by granting the request to cease KGS' Certificate of Convenience and Authority to provide gas service to the Customers located in a portion of its certificated territory in McPherson County, Kansas.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Application filed by Kansas Gas Service, a division of ONE Gas, Inc., to abandon service to the Customers is hereby granted, effective as of the date of this Order.

B. 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).¹

C. The Commission retains jurisdiction over KGS, and the subject matter of this Docket for the purpose of entering such further Order or Orders, as it may deem necessary.

¹K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

BY THE COMMISSION, IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 06//17/2025



Celeste Chaney-Tucker
Executive Director

BWB

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: Jason Kerr, Electric Utility Engineering Technician
Ashlyn Hefley, Utilities Engineer
Paul Owings, Chief Engineer
Justin Grady, Director of Utilities

DATE: May 27, 2025

SUBJECT: **Docket No. 24-KGSG-056-CCS** - In the Matter of the Application of Kansas Gas Service, a Division of ONE Gas, Inc. for Approval to Cease Providing Natural Gas Service in a Portion of McPherson County, Kansas.

EXECUTIVE SUMMARY:

In Docket 24-KGSG-056-CCS, Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS") filed an Application for Approval to Cease providing natural gas service (Application) to three residential customers (collectively, Customers) near McPherson County, Kansas. These Customers are served off a former KGS transmission pipeline roughly three miles long. Due to the age and construction materials used to provide service to the Customers, KGS has determined that the facilities should be terminated and abandoned and considered for replacement.

Based on information received in response to Staff Data Request 6, the approximate replacement cost of the gas line serving the Customers is \$335,395. As estimated in the Application, KGS's potential net revenue from the Customers is approximately \$1,700 per year or \$17,000 in 10 years. Since 10 years of net revenue at current rates does not cover the anticipated facility cost, the replacement project is not economically justifiable. In lieu of replacing the gas line, KGS has proposed propane conversions. The cost to convert customers to propane is \$76,258, based on customer accepted lump sum values. The capital cost to replace the line minus the net revenue (\$318,395) is greater than the cost of propane conversion (\$76,258). Furthermore, in Staff's opinion, the replacement cost is reasonable. Therefore, Staff recommends that the Commission grant this Application and find that public convenience will be promoted by this transaction.

BACKGROUND:

On July 19, 2023, KGS filed Docket 24-KGSG-056-CCS to Cease providing natural gas service to three residential Customers in McPherson County. Within the Application, KGS indicated the three customers had agreed to accept cash payments to convert their natural gas service to an alternative energy source. Within the Application, KGS also indicated they would submit late filed exhibits on the status of reaching financial settlement with the impacted customers. On September 21, 2023, KGS filed an Erratum to the Application clarifying that they were still discussing financial compensation with the impacted customers, and the customers had not agreed to accept a cash payment. The Conclusion of the Application was revised accordingly in the Erratum.

KGS is requesting approval to terminate and abandon service to three Customers with the following addresses:

2344 12th Avenue, Lindsborg, Kansas 67456, Customer A.

1210 Sioux Road, Lindsborg, Kansas 67456, Customer B.

1198 Sioux Road, Lindsborg, Kansas 67456, Customer C.

The Customers are served from a former KGS transmission pipeline, which has since been reclassified as a distribution asset. Downstream of the tap into the reclassified KGS transmission system, the customers receive service from an unlocatable polyvinyl chloride (PVC) pipe. Due to the age and construction materials used to provide service to these customers, KGS has determined the facilities must either be replaced or their service terminated and abandoned.

Through a Data Request (DR) issued and received by Staff, the cost to replace the entire line with PVC is \$335,395. In a recent 12-month period, these customers consumed approximately 309 Mcf. KGS net revenues for this quantity of gas is approximately \$1,700 or \$17,000 in ten years. The cost to convert the customers to propane is \$76,258. To compare the capital expenditure of PVC line replacement to propane conversion, the net revenue must be subtracted from the cost to replace the PVC line, the difference of which is \$318,395. Based on this analysis, KGS has determined replacement of the pipeline is not economically justifiable in comparison to a propane conversion.

On September 20, 2023, Customer A accepted a lump sum payment of \$5,000 to convert his home to an alternative energy source. KGS agreed to continue gas service to this customer until December 27, 2023.

Customer B originally accepted a lump sum of \$5,000 as a payment to convert his home to an alternative fuel source. However, the actual cost to convert this customer rose to \$16,258. Through a DR response, KGS stated that price was adjusted for two reasons. First the customer owns two furnaces, one of which could not be converted to propane and needed to be replaced with a new unit. Second, there is a generator used as a backup power source to pump water for farm animals. KGS indicated the generator cannot be converted to propane. While the generator exists, the customer-owned ancillary line was inoperable. Therefore, KGS agreed to split the cost to replace the generator with the customer. Through a DR response labeled 24-056 KCC-010, dated November 22, 2024, KGS provided a detailed breakdown of items needed to convert customer B to propane. KGS agreed to continue to provide natural gas until October 1, 2024.

On June 20, 2023, customer C rejected KGS's offer to provide \$5,000 compensation to convert his home, which is a former 30,000 square foot schoolhouse, to an alternative fuel source. This

customer uses a boiler system to provide heat. It was later determined that given the age of the existing boiler, converting it to utilize propane was not possible.

Knowing the boiler needed to be replaced, both KGS and the customer obtained estimates to install a new propane boiler that would be adequate for the customer's needs. Estimates for the boiler and installation ranged from \$7,780 to \$38,850. KGS provided a detailed itemized list containing prices for each item needed to convert this customer to propane.¹ KGS calculated two different totals, one high end price and another with mid-range prices. After tax gross up the ranges were approximately \$47,400-\$65,240.

KGS and the customer eventually agreed to a lump sum payment of \$55,000 to convert his home to propane. KGS has agreed to continue to provide natural gas to this customer until March 31, 2025, unless the customer completes his conversion at an earlier date.

In this Application, KGS is not seeking Commission approval to abandon any of its service territory, only the abandonment of the three customers.

ANALYSIS:

The Commission has authority to grant a Certificate of Convenience and Necessity to any public utility seeking to transact business in the State of Kansas.² KGS is a natural gas public utility so certificated in each territory and is prohibited from implementing any unjust or unreasonably discriminatory or unduly preferential charge or exaction.³

The burden on other KGS ratepayers to replace the PVC is financially unreasonable. Because ten years of net revenues at current rates does not cover the anticipated facility replacement cost, the replacement of this pipeline is not economically justifiable. Staff has reviewed the conversion estimates provided by KGS. Staff contends payments made to these customers to convert their homes to propane is reasonable. The agreed upon amount is within the range of pricing that KGS provided in their estimates.

The statutory standard of review in this matter is whether the public convenience will be promoted by the transaction of the proposed project.⁴

Staff confirmed the map and addresses of the customer supplied from KGS is accurate. Staff created a map of the effected customers and indicated the line to be abandoned in Attachment A included in this Report and Recommendation.

RECOMMENDATION:

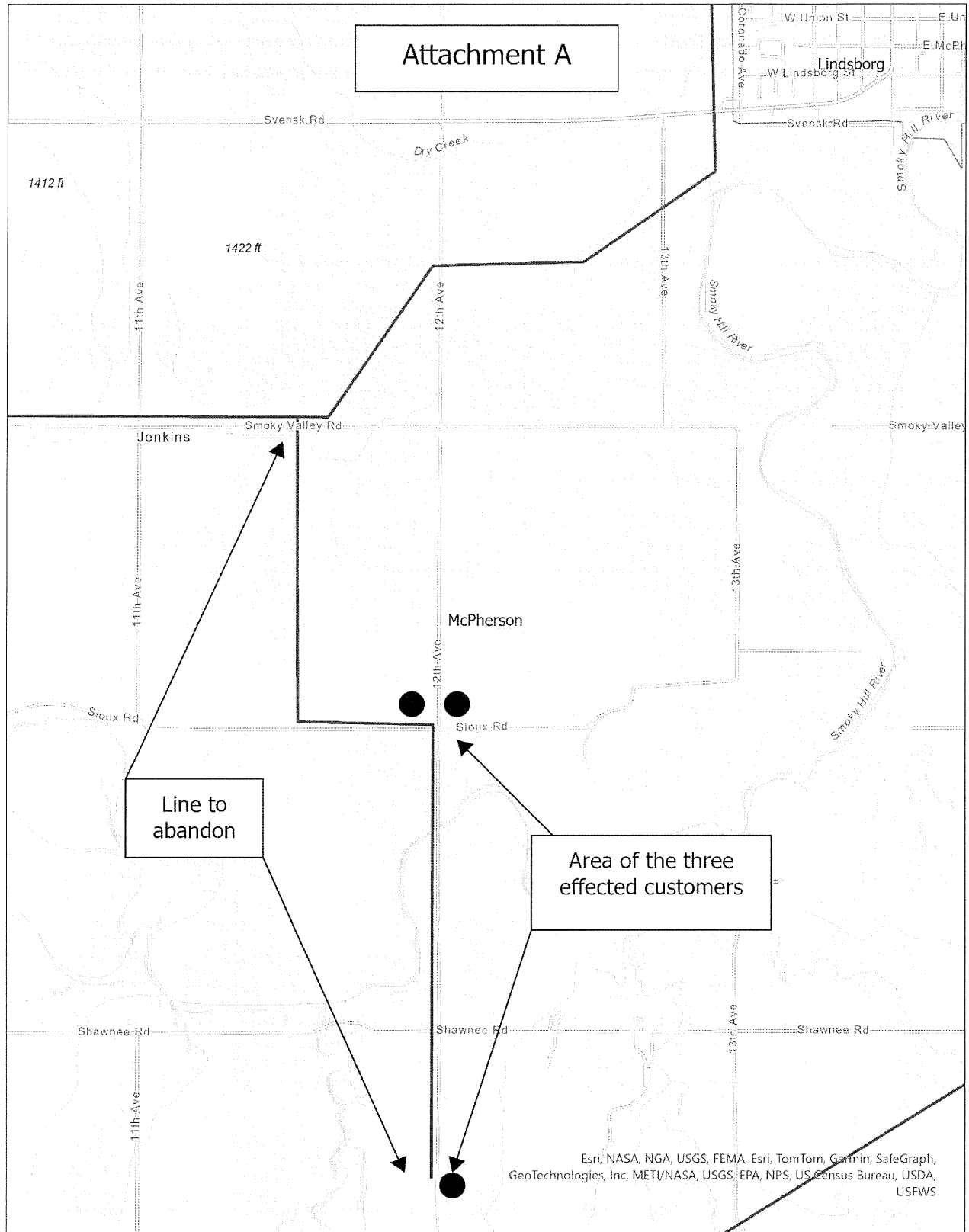
Staff recommends the Commission approve KGS's request to abandon service to the three customers.

¹ See response to Staff Data Request 11

² K.S.A. 66-131.

³ K.S.A. 66-1,202

⁴ K.S.A. 66-131(a)



CERTIFICATE OF SERVICE

24-KGSG-056-CCS

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 06/17/2025.

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/S/ KCC Docket Room

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