

**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 Joint Application of Mid)
Continent Market Center, LLC for Permission)
to Cease Operating an Approximately)
Eighteen-Mile Twelve-Inch Natural Gas)
Pipeline Located in Kingman County, Kansas) Docket No. 23-MCIG-888-CCS
and of Kansas Gas Service, A Division of ONE)
Gas, Inc. for Permission to Cease Providing)
Service to Five Farm Tap Customers Served)
from this Natural Gas Pipeline.)

ORDER CANCELLING CERTIFICATE

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and records and being duly advised in the premises, the Commission makes the following findings:

1. On June 6, 2023, Mid Continent Market Center, LLC, (MCMC) and Kansas Gas Service, a division of ONE Gas, Inc., (KGS), filed a joint application to respectively cease operating the 1204 Pipeline, an approximately 18.4 mile, twelve-inch, natural gas pipeline located in Kingman County, Kansas, and for permission to cease providing service to five farm tap customers served from the natural gas pipeline.

2. MCMC is a Kansas intrastate natural gas pipeline regulated pursuant to K.S.A. Chapter 66 statutes and traditional rate-making principles. MCMC provides services under Commission approved tariffs for intrastate natural gas pipelines pursuant to K.S.A. 66-117, 66-1,217, 66-1,218, and K.A.R. 82-10-1 et seq.

3. KGS, a natural gas public utility operating in the State of Kansas pursuant to certificates of convenience and necessity issued by the Commission.

4. MCMC and KGS seek authority to respectively cease providing natural gas service by the 1204 Pipeline and five farm taps located in portions of their certificated territories described as:

HARPER COUNTY, KANSAS

Start Point Spivey Plant SW SEC 5 T31S R8W,
NW SEC 5 T31S R8W

And,

KINGMAN COUNTY, KANSAS

SW/NW SEC 32 T30S R8W,
SW/NW SEC 29 T30S R8W,
SW/NW SEC 20 T30S R8W,
SW/NW SEC 17 T30S R8W,
SW/NW SEC 8 T30S R8W,
SW/NW SEC 5 T30S R8W,
SW/NW SEC 32 T29S R8W,
SW SEC 29 T29S R8W,
NE SEC 30 T29S R8W,
SE/NE SEC 19 T29S R8W,
SE/NE SEC 18 T29S R8W,
SE/NE SEC 7 T29S R8W,
SE/NE SEC 6 T29S R8W,
SE/NE SEC 31 T28S R8W,
SE/NE SEC 30 T28S R8W,
SW/NW SEC 19 T28S R8W,
SW/NW SEC 18 T28S R8W,
SW/NW SEC 7 T28S R8W,

End Point Calista KGS Plant SW/NW SEC 7 T28S R8W.¹

¹ Application, p. 2.

5. In their Joint Application, MCMC and KGS explain it is not cost effective to maintain the 1204 Pipeline, and KGS agrees to pay the actual costs to convert the farm tap customers from gas to propane as recommended by Staff.

6. The Staff filed a Report and Recommendation on November 14, 2023, recommending the operation of the 1204 Pipeline be terminated, the service to the five farm tap customers be abandoned, the costs associated with the service conversion be implemented consistent with the Report and Recommendation and KGS be obligated to cover all costs exceeding any cost estimates. On November 27, 2023, MCMC and KGS filed a Response to the Staff's Report and Recommendation and concurred with its findings and the cost recovery for a full propane tank, a hot water tank, a connection line, appliance conversions and income tax expenses. They also concurred with the requirement to recover all costs exceeding any estimate previously provided to the customers.

7. The Commission adopts Staff's analysis and recommendation as stated in its Report and Recommendation, which is attached and made a part of this Order by reference, finding public convenience will be promoted by granting the request to cease MCMC's and KGS' Certificates of Convenience and Authority to operate the 1204 Pipeline and provide gas service, respectively, in portions of its certificated territory in Harper County and Kingman County, Kansas.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Joint Application filed by Mid Continent Market Center, LLC, and Kansas Gas Service, a division of ONE Gas, Inc., is hereby granted and the Certificates and Authority authorizing MCMC and KGS to operate the 1204 Pipeline and provide natural gas service in portions of their certificated territories as described above in paragraph four (4), is hereby canceled, 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).²

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

BY THE COMMISSION, IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 12/28/2023



Lynn M. Retz
Executive Director

BWB

²K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Ashlyn Hefley, Utilities Engineer
Leo Haynos, Chief Engineer
Jeff McClanahan, Director of Utilities

DATE: October 11, 2023

SUBJECT: Docket No. 23-MCIG-888-CCS: In the Matter of the Joint Application of Mid Continent Market Center, LLC for Permission to Cease Operating an Approximately Eighteen-Mile Twelve-Inch Natural Gas Pipeline Located in Kingman County, Kansas and of Kansas Gas Service, A Division of ONE Gas, Inc. for Permission to Cease Providing Service to Five Farm Tap Customers Served from this Natural Gas Pipeline.

Executive Summary:

Mid Continent Market Center, LLC (MCMC) is requesting to cease the operation of an 18.4 mile twelve inch natural gas pipeline located in Harper and Kingman County, Kansas. MCMC is requesting to abandon the line because the cost to make the necessary repairs are cost prohibitive based on expected revenues that could be generated. There are five farm tap customers on the line served by Kansas Gas Service (KGS). In the joint Application, KGS requests permission to abandon service to the five customers and convert them to an alternative source. Staff did not receive any objections or complaints regarding the line abandonment. Staff recommends the Commission approve the Application.

Background:

MCMC is a Kansas intrastate natural gas pipeline regulated pursuant to Chapter 66 statutes and traditional rate-making principles. MCMC is a wholly owned subsidiary of ONEOK. MCMC provides services on certain intrastate pipeline, gathering, compression and storage facilities under Commission approved tariffs. Tariffs and associated rates for intrastate natural gas pipelines operating within the state are subject to the Commission's authority pursuant to K.S.A. 66-117, K.S.A. 66-1,217, K.S.A. 66-1,218, and K.A.R. 82-10-1 et seq.

On June 5, 2023, MCMC and KGS filed a joint application to cease operation of an 18.4 mile pipeline, abandon service to five farm tap customers, and equally share the costs to convert the farm tap customers to an alternative source. MCMC operates the pipeline while KGS provides

service to five farm tap customers on the line. As of October 11, 2023, three of the five farm tap customers accepted the agreement. Two of the customers that accepted the agreement have been issued a check from KGS.

Analysis:

Through discovery, Staff learned it would cost approximately \$845,000 to reactivate the line. Staff agrees it is more cost effective to convert the five customers to an alternative source. KGS offered the farm tap customers a base amount of \$5,000 to convert to an alternative fuel source. KGS has stated it will reimburse customers if the conversion costs exceeds \$5,000 if the customer provides invoices for any costs above that amount. This statement was not included in the letter sent to affected customers. The affected customers should be aware of reimbursement above \$5,000.

The estimates used by KGS to determine the offer amount included the rental of a propane tank, new line for the tank, and converting three appliances from gas to propane. KGS doubled the sum of estimates to be inclusive of variation in customer situations. A summary of the costs Staff recommends KGS cover is below in Table 1. Staff contends \$5,000 is not enough for each customer to be made whole. Through the discovery process, Staff obtained a copy of the letter sent to the farm tap customers. The letter states that if the customers accept the offer, they will receive a Form 1099 from KGS. It is Staff’s opinion that the customers should not responsible for paying taxes on the conversion. At this time, Staff is unable to determine the tax bracket and filing status of each customer to determine the correct amount needed to be made whole after income taxes. Therefore, Staff has taken a generous approach of using a 22% federal tax and 5.7% state tax rate. In order to avoid issuing a Form 1099 to the customers, KGS could hire and pay contractors directly to perform the necessary tasks to complete the conversion. It is Staff’s understanding that KGS has used this method in previous customer abandonment cases. KGS has not expressed opposition to this method.

Table 1. Propane Conversion Cost Estimate¹

Item	Staff’s Cost Estimate	KGS’ Cost Estimate
Purchase Tank	\$3,270	-
Tank Rental	-	\$75
New Line	\$800	\$800
Fill Tank	\$728	\$728
Convert 3 Appliances	\$800	\$800
Hot Water Tank	\$1,400	-
Federal and State Tax (1099)	\$2,682	-
Total Cost Estimate	\$9,682	\$2,403
Doubled Cost Estimate	-	\$5,000

It is Staff’s understanding that hot water tanks are unable to be converted, therefore Staff recommends a hot water tank be included in the estimate. In contrast to KGS’ estimate, Staff recommends KGS cover the cost to purchase a full propane tank, purchase a hot water tank, and

¹ Taken from KGS DR responses in docket number 24-KGSG-056-CCS and the subject docket

cover the tax costs the customers will be responsible for. While KGS has stated they will reimburse costs above \$5,000, Staff contends KGS' estimate is inadequate.

Recommendation:

Staff recommends the following:

1. The Commission approve MCMC's request to cease operation of the 18.4 mile pipeline
2. The Commission approve KGS's request to abandon service to the five farm tap customers
3. The Commission order KGS cover the cost to purchase a full propane tank, purchase a hot water tank, line from the tank, three appliance conversions, and cover the income tax costs
4. The Commission order KGS to reimburse the customers for costs exceeding the estimate regardless if an agreement was signed

CERTIFICATE OF SERVICE

23-MCIG-888-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 12/28/2023.

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/S/ KCC Docket Room

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