

**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) Docket No. 24-KGSG-369-CCS
Approval to Cease Providing Natural Gas Service)
in a Portion of Barber County, Kansas.)

**ORDER GRANTING APPLICATION OF KANSAS GAS SERVICE
TO CEASE OPERATING AS A NATURAL GAS PUBLIC UTILITY**

This matter comes before the State Corporation Commission of the State of Kansas (the “Commission”) for consideration and decision on the *Application for Approval to Cease Service* (the “Application”) of Kansas Gas Service (“KGS”), a Division of ONE Gas, Inc. Having examined its files and records, the Commission finds as follows:

I. Background

1. On October 31, 2023, KGS—a natural gas public utility operating in the State of Kansas pursuant to Commission-issued certificates of convenience and necessity—filed an Application seeking the permission of the Commission to cease transacting business as a natural gas public utility to one residential customer (the “Affected Customer”) in Barber County, Kansas.¹

2. Specifically, KGS wishes to terminate and abandon service of natural gas to the Affected Customer who is served off a bare steel residential yard line (the “Yard Line”) at or around 2867 SE US-160, Medicine Lodge, Kansas 67104.²

¹ Application at ¶ 1.

² *Id.* at ¶¶ 5, 6.

3. As a natural gas public utility, KGS is required to comply with state and federal regulatory requirements in the ordinary course of business, which includes the occasional replacement of distribution infrastructure.³ In accordance with an order issued by the Commission in Docket Number 11-KGSG-177-TAR, KGS implemented a program to replace all unprotected bare steel residential service and yard lines—such as the Yard Line.⁴

4. When determining whether to replace certain service or yard lines, KGS evaluates whether it is economically feasible to replace such.⁵ Under Section 7.04.03(2) of KGS’s current Commission-approved tariff, generally, customers serviced by piping greater than 1 1/4-inch in diameter are billed for actual construction costs minus an allowance of up to \$1,464 per service or yard line being replaced.⁶

5. Here, the Yard Line is a non-standard size—2,000 feet of 2 3/8-inch piping—and under KGS’s tariff, replacing the entire Yard Line would cost approximately \$13,176.⁷ If KGS replaced the entire Yard Line, the Affected Customer could incur all of those costs. However, if KGS replaced the entire Yard Line at no cost to the Affected Customer, the net revenue provided by the Affected Customer would not justify the replacement.⁸ And if KGS only replaced a portion of the Yard Line, KGS would have to fabricate a coupling to join the un-replaced portion of the Yard Line to the replaced facilities, and then maintain an inventory of specific replacement parts for the Affected Customer.⁹

³ Application at ¶ 4.

⁴ *Id.* at ¶ 6.

⁵ *Id.* at ¶ 4.

⁶ *Id.* at ¶ 7.

⁷ *Id.* at ¶¶ 7, 10 ((2,000 feet x \$7.32 per foot) - \$1,464 allowance).

⁸ *Id.* at ¶ 11 (“In a recent 12-month period, the total usage from the Affected Customer was approximately 23.3 Mcf, which resulted in net revenues of approximately \$565”).

⁹ *Id.* at ¶ 9.

6. Alternatively, as the parties have agreed to, KGS could convert the Affected Customer’s natural gas service to an alternative fuel source and compensate the Affected Customer for the conversion.¹⁰ KGS contacted the Affected Customer and on December 22, 2023, the Affected Customer elected to receive compensation from KGS in the sum of \$9,682 to cover the costs of converting the Affected Customer’s natural gas service to an alternative fuel source.

7. After analyzing the Application, Commission technical staff (“Staff”) submitted a Report and Recommendation (the “R&R”)—attached as **Exhibit 1** and incorporated by reference, confirming that the map and address of the Affected Customer provided by KGS are accurate and do not in conflict with the Commission’s records.¹¹ Further, Staff recommended that the Commission approve the Application, finding that it promotes public convenience and necessity.¹²

II. Legal Standard and Discussion

8. As a natural gas public utility, KGS owes all of its customers within a certificated territory the duty under K.S.A. 66-1,202 to:

furnish reasonably efficient and sufficient service and facilities for the use of any and all products or services rendered, furnished, supplied or produced by [KGS and] to establish just and reasonable rates, charges and exactions and to make just and reasonable rules, classifications and regulations.

9. However, the Commission recognizes that in consideration of the estimated costs of replacing the Yard Line, KGS is not able to provide cost-effective services to the Affected Customer and to provide such services would place an unjust or unreasonable burden on all other Kansans served by KGS.

10. The Commission has the power to grant an application to cease operation if it would promote public convenience and necessity.

¹⁰ Application at ¶¶ 12

¹¹ R&R at 2.

¹² *Id.*

11. Upon review of the Application and the R&R, the Commission adopts the R&R in its entirety finding that public convenience and necessity will be promoted by the transaction contemplated by the Application.

12. The Commission notes that KGS is not seeking to abandon any of its related certificated service territory, only to abandon the Yard Line and service of natural gas to the Affected Customer.¹³

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Application of KGS to cease transacting business as a natural gas public utility to the Affected Customer in Barber County, Kansas, is approved.


B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits stated in K.S.A. 66-118b and 77-529(a)(1).

C. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering further orders as the Commission may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 06/27/2024



Lynn M. Retz
Executive Director

KCW

¹³ Application at ¶ 4.

REPORT AND RECOMMENDATION
UTILITIES DIVISION

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

FROM: Jason Kerr, Electric Utility Engineering Technician
Leo Haynos, Chief Engineer
Jeff McClanahan, Director of Utilities

DATE: June 12, 2024

SUBJECT: **Docket No. 24-KGSG-369-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 Barber County, Kansas.

EXECUTIVE SUMMARY:

In Docket 24-KGSG-369-CCS, Kansas Gas Service, a Division of ONE Gas, Inc. (“KGS”) filed an Application to cease providing natural gas service to one residential customer in Barber County, Kansas, who is served off a deteriorating bare steel yard line that would be too cost prohibitive to replace. As an alternative to replacing the Yard Line, KGS and the customer agreed on December 22, 2023, that KGS is to pay the customer a sum to cover the cost of converting the customer’s service to an alternative fuel source. The compensation is a reasonable amount to provide an alternative fuel source when compared to the much more costly approaches of replacing the Yard Line.

Staff recommends that the Commission grant this Application and find that public convenience will be promoted by this transaction.

BACKGROUND:

On October 31, 2023, KGS filed Docket 24-KGSG-369-CCS to cease providing natural gas service to one specific residential customer in Barber County, abandoning 2,000 feet of 2 3/8-inch piping (the “Yard Line”) located at or near 2867 SE US-160, Medicine Lodge, Kansas 67104.

In Docket No. 11-KGSG-177-TAR (“Docket 11-177”), KGS implemented a program to replace all unprotected bare steel residential service and yard lines. Here, the Yard Line is an unprotected bare steel line.¹ KGS has identified the Yard Line, which is a non-standard size, as being too cost prohibitive to replace for the customer. KGS provided a map of the surrounding area to Staff,

¹ KGS O&M Plan, Section 1855.

which is included in this Report and Recommendation—attached as **Attachment A** and incorporated by reference. If KGS only replaced a portion of the Yard Line, KGS would have to fabricate a coupling to join the unreplaced portion of the yard line to the replaced facilities, and then maintain an inventory of specific replacement parts for this customer.

Under section 7.04.03(2) of KGS's tariff, for piping with a diameter greater than 1 1/4 inch, customers are billed actual construction costs of \$7.32 per foot minus an allowance of up to \$1,464 per service line. If KGS replaced the entire Yard Line, the customer would incur an upfront cost of \$13,176. And if KGS replaced the entire line at no cost to the customer, the net revenue provided by the customer would not justify the replacement. In a recent 12-month period, the total usage from the customer was approximately 23.3 Mcf, which resulted in net revenues of approximately \$565. The most reasonable option is to abandon the Yard Line and convert the customer's service to an alternative fuel source.

KGS has made contact with the customer and offered to pay the customer a lump sum to cover the costs of converting the customer's service to an alternative fuel source. On December 22, 2023, the parties agreed that KGS is to pay a lump sum of \$9,682 to the customer for the purpose of covering the costs of converting the customer's service to an alternative fuel source.

KGS is not seeking Commission approval to abandon any of its service territory in connection with this filing, only the abandonment of this single customer.

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 a given territory and is prohibited from implementing any unjust or unreasonably discriminatory or unduly preferential charge or exaction.³ Here, either KGS or the customer would be responsible for payment of the approximate cost of \$13,176 to replace the Yard Line. As an alternative, on December 22, 2023, the customer agreed to the payment of a lump sum from KGS to cover the cost of converting the customer's service to an alternative fuel source.

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 address of the customer supplied from KGS is accurate.

RECOMMENDATION:

Staff recommends that the Commission grant this Application, finding that public convenience will be promoted by this transaction.

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-369-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 06/27/2024.

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