

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

In the Matter of the Application of Kansas Gas )  
Service, a Division of ONE Gas, Inc. for )  
Approval by the Commission to Revise ) Docket No. 24-KGSG-691-TAR  
Section 7 of Kansas Gas Service’s General )  
Terms and Conditions )

**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 the instant Report and Recommendation regarding the Application of Kansas Gas Service, a Division of ONE Gas, Inc. (“KGS”) for approval of a tariff update to increase KGS’ Average Embedded Cost per Service Line (“Average Embedded Cost”). In compliance with its General Terms and Conditions, KGS is required to submit an updated calculation of its Average Embedded Cost by May 1 of every year.

Staff reviewed KGS’s calculation of its updated Average Embedded Cost based on the data from its 2023 supplemental annual report. Staff recommends the Commission approve KGS’s proposed updated Average Embedded Cost of \$1,608 and the resulting additional Service and/or Yard Line installation or replacement cost of \$8.04 per foot of pipe exceeding 200 feet.

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

Respectfully submitted,  
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## REPORT AND RECOMMENDATION UTILITIES DIVISION

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

**FROM:** Tim Rehagen, Senior Auditor  
Chad Unrein, Chief of Accounting and Financial Analysis  
Justin Grady, Deputy Director  
Jeff McClanahan, Director of Utilities

**DATE:** November 14, 2024

**SUBJECT:** Docket No. 24-KGSG-691-TAR – In the Matter of the Application of Kansas Gas Service, a Division of ONE Gas, Inc. for Approval by the Commission to Revise Section 7 of Kansas Gas Service’s General Terms and Conditions.

### **EXECUTIVE SUMMARY:**

Staff recommends approval of Kansas Gas Service, a Division of ONE Gas’s (KGS or Company) request to update Section 7.04.03(2) of its General Terms and Conditions for Gas Service (General Terms and Conditions). This tariff revision would increase KGS’s Average Embedded Cost per Service Line (Average Embedded Cost) from \$1,464 to \$1,608 and increase its additional Service and/or Yard Line installation or replacement cost from \$7.32 to \$8.04 per foot in excess of 200 feet.

### **BACKGROUND:**

In Docket No. 23-KGSG-282-TAR (23-282 Docket), KGS requested approval of revisions to section 7.04.03(2) of its General Terms and Conditions. KGS proposed the application of an Average Embedded Cost per Service Line to calculate customer bills rather than charging customers the actual cost for equipment upgrades and relocations. The proposed Average Embedded Cost would be calculated by dividing the sum of the Company’s gross plant balances for the previous calendar year in FERC accounts 380, 381, 382, 383, 384 and 385 by the average number of customers for the previous calendar year. The Commission approved this proposal in the 23-282 Docket.<sup>1</sup>

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<sup>1</sup> See Order Granting in Part, Denying in Part, KGS’ Application to Revise its Tariff (May 9, 2023) in the 23-282 Docket.

In compliance with Section 7.04.03(2)(c) of the General Terms and Conditions, KGS is required to submit an updated calculation of its Average Embedded Cost by May 1 of every year. According to section 7.04.03(2)(c) of the General Terms and Conditions, KGS's current Average Embedded Cost is \$1,464. On May 1, 2024, KGS filed an Application with the Commission requesting approval of a \$159 increase from its current Average Embedded Cost of \$1,464 to \$1,623.

**ANALYSIS:**

Staff reviewed KGS's calculation of its updated Average Embedded Cost based on the data from its 2023 supplemental annual report. This Average Embedded Cost was calculated by dividing the sum of KGS's 2023 gross plant balances in FERC accounts 380, 381, 382, 383, 384, and 385 (\$1,042,441,264) by the average number of customers in 2023 (642,414). The Citizens' Utility Ratepayers Board (CURB) pointed out to Staff that the 642,414 total did not include 5,670 transportation customers.<sup>2</sup> Staff presented this finding to KGS and the Company agreed that the transportation customers should have been included in the Average Embedded Cost calculation.

Staff issued discovery requesting updated tariff sheets and workpapers containing a revised calculation of the Average Embedded Cost. On October 17, 2024, KGS provided a response to the discovery with the requested data. The Company divided the sum of the plant balances (\$1,042,441,264) by the total average number of customers, including transportation customers (648,084), resulting in a revised Average Embedded Cost of \$1,608.<sup>3</sup> Staff confirmed that these amounts match the corresponding totals in KGS's 2023 supplemental annual report. This also results in an updated \$8.04 per foot rate of additional Service and/or Yard Line installation or replacement costs in excess of 200 feet (\$1,608 divided by 200).<sup>4</sup>

**RECOMMENDATION:**

Staff's analysis concluded that KGS had appropriately calculated the updated Average Embedded Cost as directed in its General Terms and Conditions. Thus, Staff recommends the Commission approve KGS's proposed updated Average Embedded Cost of \$1,608 and the resulting additional Service and/or Yard Line installation or replacement cost of \$8.04 per foot of pipe exceeding 200 feet.

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<sup>2</sup> As shown on page 12 of KGS's 2023 supplemental annual report, the 642,414 total includes the following customer classes: residential, commercial, industrial, other sales to public authorities, and sales for resale. This amount excludes the 5,670 customers under the transportation class (the sum of 27 transmission customers and 5,643 distribution customers).

<sup>3</sup> See Staff Exhibit 1, which contains the updated workpaper and red-lined tariff sheets included in KGS's discovery response.

<sup>4</sup> Section 7.04.03(2) of the General Terms and Conditions contains an additional Service and/or Yard Line installation or replacement cost per foot in excess of 200 feet of piping 1¼ in diameter or less. This cost is calculated by dividing the Average Embedded Cost by 200 feet. Therefore, the installation/replacement cost increases from \$7.32 per foot to \$8.04 per foot (\$1,608 / 200 feet) as a result of the Average Embedded Cost update.

## CERTIFICATE OF SERVICE

24-KGSG-691-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 14th day of November, 2024, to the following:

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