

KANSAS · GAS UTILITIES · CAPITAL BRIEFING

Kansas gas utilities are still paying off one cold week in 2021.

Winter Storm Uri left the state's gas LDCs with hundreds of millions in extraordinary gas costs, now securitized into ratepayer-backed bonds that will sit on customer bills for years. On top of that recovery, an aging distribution system funded through the GSRS surcharge, rising residential prices, and declining throughput all compete for the same capital. Invizion helps Kansas gas utilities re-sequence a capital portfolio in a click — and defend every decision to the Kansas Corporation Commission.

651,000¹	\$336M²	\$95M³	~\$1.41B¹
Kansas Gas Service customers — the state's largest LDC, serving 71% of Kansas gas customers.	Kansas Gas Service Winter Storm Uri securitized utility tariff bonds, issued November 2022 at 5.486%.	Atmos Energy Kansas Uri securitized bonds, issued June 2023 at 5.155% — more than \$430M securitized statewide.	Kansas Gas Service rate base after its 2024 rate case, recovered largely through the GSRS mechanism.

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THE KANSAS LANDSCAPE

Four forces are moving your project list at once

None of these is theoretical, and none of them waits for your next budget cycle. Together they mean the capital plan you approved last year may already be the wrong plan.

SYSTEM INTEGRITY — AGING PIPE

13,000-plus miles of pipe to keep safe

Kansas Gas Service alone operates roughly 11,900 miles of distribution mains and 1,500 miles of transmission pipeline, and states that “a significant portion of our capital spending is focused on the safety, integrity and reliability” of that system¹

PHMSA distribution-integrity rules require operators to find and mitigate risk on obsolete and leak-prone mains — replacement work the state’s GSRS surcharge exists specifically to fund⁴ Every mile of vintage steel that has to move up the queue displaces something else.

DECARBONIZATION — DECLINING THROUGHPUT

A gas-producing state with a shrinking gas base

Kansas is a legacy gas producer — home to the Hugoton field — but dry gas production has fallen to about 115,601 million cubic feet in 2024, down from 134,060 MMcf in 2022 and a fraction of its 1990s peak.⁵

Kansas has no statewide building-electrification mandate or municipal gas ban, so the near-term risk is less a hard cutoff than slow erosion: efficiency, heat pumps, and flat customer growth thin out per-customer throughput even as the fixed cost of the system keeps rising. Long-horizon capital plans have to weigh that stranded-asset risk against decades-long pipe investments.

SUPPLY — WINTER STORM URI

One week that reshaped a decade of cost recovery

Winter Storm Uri (February 2021) spiked spot gas prices and left Kansas LDCs holding extraordinary purchased-gas costs far larger than any normal winter. Rather than shock customers with a single bill, the utilities securitized the costs: Kansas Gas Service issued \$336 million of bonds in November 2022 at 5.486%² and Atmos Energy Kansas issued \$95 million in June 2023 at 5.155% against roughly \$118.5 million of qualified Uri costs³⁶

That is more than \$430 million of ratepayer-backed debt now amortizing on Kansas bills — a defining capital and cost-recovery event, and a reminder that design-day and supply planning are balance-sheet decisions.

CAPITAL RECOVERY — AFFORDABILITY

Rising bills, and every dollar has to be justified

The GSRS lets Kansas Gas Service recover qualifying infrastructure investment between rate cases, but residential charges can rise no more than \$0.80 per month per filing and collections are capped at 60 months before a full rate case is required.¹

Meanwhile the average Kansas residential gas price climbed from \$9.37 per thousand cubic feet in 2022 to \$14.36 in 2024.⁷ With securitization charges, GSRS recovery, and base rates all stacking on the same bill, affordability is now a live constraint on how fast the capital program can move.

WHO RUNS KANSAS'S GAS SYSTEM

Three investor-owned LDCs, and a scatter of municipal systems

Kansas's roughly 987,000 gas customers are served overwhelmingly by three KCC-regulated investor-owned LDCs, with a smaller set of municipally owned gas systems governed by city councils.⁸

Investor-owned LDCs

Rates & capital recovery regulated by the KCC

Kansas Gas Service (ONE Gas) 651,000 customers · 360 communities in 82 counties · largest LDC⁹

Atmos Energy — Kansas ~139,000 customers⁶

Black Hills Energy — Kansas Gas 120,225 customers¹⁰

Kansas Gas Service is a division of ONE Gas, which serves more than two million customers across Oklahoma, Kansas, and Texas.¹¹

Municipal & community gas systems

Governed by city councils, outside KCC rate jurisdiction

City of Chanute Municipal gas utility, operated by the city since the early 1900s¹²

Other municipal gas systems Small Kansas cities running their own distribution, council-governed

Publicly & community-owned utilities Represented nationally by the American Public Gas Association¹³

Municipal systems set their own rates locally, but face the same aging-pipe, supply-cost, and safety pressures as the investor-owned LDCs — without a surcharge mechanism to smooth recovery.

Every capital dollar has to be defensible

For the investor-owned LDCs, the question the Kansas Corporation Commission asks is always the same: why this project, why now, why at this cost?

Kansas Corporation Commission (KCC) regulates rates and capital recovery for the state's investor-owned gas LDCs — Kansas Gas Service, Atmos Energy Kansas, and Black Hills Energy¹

Gas System Reliability Surcharge (GSRS) lets an LDC recover of and earn a return on qualifying safety and infrastructure investment between rate cases — filed no more than annually, capped at \$0.80 per residential customer per month per filing, and limited to 60 months before a full rate case¹

Kansas Gas Service 2024 rate case — filed March 1, 2024 and approved October 3, 2024 (effective November 1, 2024) — settled for a net base-rate increase of about \$35 million on top of \$35 million already collected through the GSRS, roughly \$70 million combined, with a GSRS pre-tax carrying charge of 8.97% and an estimated rate base near \$1.412 billion.¹

Winter Storm Uri securitization financing orders let Kansas LDCs issue securitized utility tariff bonds — \$336 million for Kansas Gas Service and \$95 million for Atmos Energy Kansas — recovered through dedicated charges rather than a single catastrophic bill²³

In Kansas, recovery mechanisms are the capital story

There is little large-scale federal gas grant money flowing to Kansas LDCs. The real levers are the state's surcharge and securitization mechanisms — and how well a capital plan lines up with them.

GSRS infrastructure surcharge — recovery of and return on safety-related investment to replace, upgrade, or modernize obsolete facilities between rate cases, at an 8.97% pre-tax carrying charge for Kansas Gas Service.¹

\$336M Kansas Gas Service securitized bonds (Series 2022-A, 5.486%, issued November 2022) recovering Winter Storm Uri extraordinary gas costs over the bond term²

\$95M Atmos Energy Kansas securitized bonds (Series 2023-A, 5.155%, issued June 2023, scheduled through 2033) against roughly \$118.5 million of qualified Uri costs³⁶

Base-rate recovery — the 2024 Kansas Gas Service case added roughly \$70 million combined and reset rate base near \$1.41 billion, the traditional backstop when GSRS collections reach their statutory limits.¹

KANSAS GAS, IN BRIEF

Questions Kansas gas utility leaders are asking

Short, sourced answers — the same facts we dig into with utilities looking at their capital programs.

Who is the largest natural gas utility in Kansas?

Kansas Gas Service, a division of ONE Gas, is the largest, serving about 651,000 customers — roughly 71% of the state's gas distribution customers — across 360 communities in 82 counties. Atmos Energy Kansas (~139,000 customers) and Black Hills Energy (120,225 Kansas gas customers) are the other KCC-regulated LDCs.¹⁹⁶¹⁰

How did Winter Storm Uri affect Kansas gas utilities?

The February 2021 storm drove extraordinary gas costs that Kansas LDCs securitized into ratepayer-backed bonds: \$336 million for Kansas Gas Service (2022) and \$95 million for Atmos Energy Kansas (2023) against about \$118.5 million of qualified Uri costs — more than \$430 million now amortizing on customer bills.²³⁶

What is the GSRS?

The Gas System Reliability Surcharge lets a Kansas LDC recover of and earn a return on qualifying infrastructure and safety investment between rate cases. Filings are annual at most, residential charges can rise no more than \$0.80 per month per filing, and the surcharge is capped at 60 months before a full rate case is required.¹

Are Kansas natural gas bills going up?

Yes. The average Kansas residential gas price rose from \$9.37 per thousand cubic feet in 2022 to \$14.36 in 2024, and that is before securitization charges, GSRS recovery, and the 2024 base-rate increase of roughly \$70 million stack onto the same bill.⁷

Does Kansas face gas bans or electrification mandates?

Kansas has no statewide building-electrification mandate or municipal gas ban. The longer-term pressure is declining throughput — state gas production has fallen to about 115,601 million cubic feet in 2024 from 134,060 in 2022 — which raises stranded-asset risk for decades-long pipe investments even without a policy cutoff.⁵

How does Invizion help Kansas gas utilities plan capital?

Invizion is scenario-based capital portfolio optimization for utilities. It lets you model how a securitization charge, a GSRS filing limit, a main-replacement acceleration, or an affordability ceiling reshuffles your whole project list, re-sequence the portfolio automatically, and keep a defensible record of every trade-off for the Kansas Corporation Commission.

REFERENCES

Sources

Every figure in this briefing is tied to a primary or authoritative source.

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13. American Public Gas Association — national trade organization representing publicly and community-owned natural gas utilities. www.apga.org

ABOUT INVIZION

Capital program optimization for utilities

Invizion is a purpose-built capital lifecycle management platform for utilities. It integrates budgeting, CIP, scenario analysis, and funding-source tracking in one system — so utilities can re-sequence a capital portfolio in a click and demonstrate audit-ready, defensible decisions to regulators, boards, and rating agencies.

See how utilities keep capital plans current and defensible with Invizion.

Explore Invizion →