

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Atmos)	
Energy Corporation for the Recovery of)	Docket No. 22-ATMG-538-TAR
Qualified Extraordinary Costs and Issuance of)	
a Financing Order)	

TESTIMONY

OF

KATHLEEN R. OCANAS

IN SUPPORT OF THE UNANIMOUS SETTLEMENT AGREEMENT

ON BEHALF OF ATMOS ENERGY CORPORATION

SEPTEMBER 19, 2022

1 **I. POSITION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Kathleen R. Ocanas, and my business address is 25090 W. 110th Terrace, Olathe,
4 Kansas 66061.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am the Vice President of Rates and Regulatory Affairs for the Colorado/Kansas Division
7 of Atmos Energy Corporation ("Atmos Energy" or the "Company").

8 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.**

9 A. I received my Bachelor of Science degree from Wayland Baptist University in 2008. I was
10 hired by Atmos Energy's West Texas Division in 2008 within the Finance department and
11 shortly thereafter was promoted to a Rate Analyst in the Rates and Regulatory Affairs
12 department. In 2015, I received a Master of Business Administration degree, minoring in
13 Accounting from the University of Texas A&M – Commerce and relocated to the Company's
14 Mid-Tex Division as a Sr. Rates Analyst. In 2018, I was promoted to the position of Rates
15 & Regulatory Project Manager. There, I coordinated, organized, and implemented various
16 rate case activity, maintained relationships with key stakeholders, and supported the public
17 affairs and governmental affairs teams. In July 2021, I assumed my current role as the
18 Colorado-Kansas Division Vice President of Rates and Regulatory Affairs. I am responsible
19 for leading and directing the rates and regulatory activity in Atmos Energy's Colorado-
20 Kansas Division. This responsibility includes executing and managing the rate strategy for
21 both states.

22 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT**
23 **SUPERVISION?**

1 A. Yes, it was.

2 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

3 A. Yes, I have previously testified before the Commission.

4 **II. PURPOSE OF TESTIMONY**

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. I am providing testimony in support of the Unanimous Settlement Agreement ("Agreement")
7 between Atmos Energy, the Staff of the Kansas Corporation Commission ("Staff"), and the
8 Citizens' Utility Ratepayer Board ("CURB") which was filed on September 15, 2022. The
9 Agreement resolves all issues relating to Atmos Energy's request for recovering Qualified
10 Extraordinary Costs ("QECs") incurred during the February 2021 Winter Storm Uri ("Winter
11 Event") and the issuance of a Financing Order per the provisions set forth in the 2021 Utility
12 Financing and Securitization Act (the "Act"). The proposed Financing Order that is attached
13 to the Agreement as Appendix A will authorize Atmos Energy to issue Securitized Utility
14 Tariff Bonds to finance the QECs.

15 I also am providing testimony in support of the other items included in the Agreement.

16 **III. BACKGROUND**

17 A. FEBRUARY 2021 WINTER STORM URI

18 **Q. CAN YOU PROVIDE SOME BACKGROUND INFORMATION REGARDING THE**
19 **EXTRAORDINARY NATURE OF THE WINTER EVENT?**

20 A. Yes. From February 6, 2021 through February 19, 2021 parts of Kansas, including areas
21 served by Atmos Energy, experienced unprecedented cold temperatures which drastically
22 increased the demand for natural gas and stressed the Atmos Energy distribution system as
23 well as other utility systems statewide. From February 6, 2021 through February 19, 2021

1 temperatures ranged from 41% colder than normal to 141% colder than normal as measured
2 through the Kansas City International Airport (MCI) weather data. As these colder
3 temperatures began to settle in across the state, a significant spike in the price of the natural
4 gas commodity occurred on February 12, 2021. Following the price spike, the winter storm
5 continued for several days, with temperatures dropping to over two times colder than normal
6 for several days in a row. While Kansas has experienced significantly colder than normal
7 temperatures in the past, the sustained cold and the size of the region affected were
8 unprecedented. Additionally, as the cold continued, electrical power outages began to further
9 impact gas supply and upstream pipeline operations. Upstream pipeline suppliers were
10 experiencing critical conditions and suppliers issued notices of force majeure with uncertain
11 duration. The unprecedented increase in natural gas prices that occurred during the Winter
12 Event were evident when comparing those prices to the average February gas daily index
13 price for the last five years as shown by Atmos Energy in Docket No. 21-ATMG-333-GIG
14 ("333 Docket").

15 B. GOVERNOR'S FEBRUARY 14, 2021, STATE OF DISASTER EMERGENCY
16 PROCLAMATION AND THE COMMISSION'S FEBRUARY 15, 2021,
17 EMERGENCY ORDER
18

19 **Q. WHAT ACTION DID THE STATE OF KANSAS AND THE COMMISSION TAKE**
20 **IN RESPONSE TO THE WINTER EVENT?**

21 A. On February 14, 2021, Governor Kelly issued a State of Disaster Emergency due to wind
22 chill warnings and stress on utility and natural gas providers, noting that the sub-zero
23 temperatures were causing increased energy demand and natural gas supply constraints
24 throughout Kansas, and utilities were experiencing wholesale natural gas price increases
25 from 10 to 100 times higher than normal during the Winter Event. The next day, on February

1 15, 2021, the Commission issued an Emergency Order in Docket No. 21-GIMX-303-MIS
2 ("303 Docket") ("Emergency Order"), which required jurisdictional natural gas and electric
3 utilities to ". . . do everything necessary to ensure that natural gas and electricity service
4 continue[d] to be provided to their customers in Kansas."¹ The Emergency Order
5 acknowledged the higher than normal wholesale natural gas prices at that time and the
6 potential for reliability issues related to the prolonged cold weather. Following this order, on
7 March 9, 2021, the Commission opened company-specific dockets to allow utilities to file
8 financial impact plans and Staff to tailor investigations to match a utility's unique
9 circumstances and performance during the Winter Event.

10 The Emergency Order also authorized every jurisdictional electric and natural gas
11 distribution utility that incurs extraordinary costs associated with ensuring that their
12 customers or the customers of interconnected Kansas utilities that are non-jurisdictional to
13 the Commission, continue to receive utility service during the unprecedented cold weather
14 event to defer those costs to a regulatory asset account. The Commission told utilities to
15 segregate the deferred costs by category and that the utility maintain records with enough
16 detail for the Commission to perform a subsequent review for prudence and reasonableness.
17 The costs included the cost of procuring and transporting natural gas supplies for
18 jurisdictional utility customers, costs associated with jurisdictional utilities coordinating and
19 assisting non-jurisdictional utilities with the transportation of gas supplies, and any other
20 reasonable costs necessary to ensure stability and reliability of natural gas and electricity

¹Emergency Order, Docket No. 21-GIMX-303-MIS, In the Matter of Record Natural Gas Prices and Potential System Reliability Issues from Unprecedented and Sustained Cold Weather, February 15, 2021, page 2, paragraph 3.

1 service. The deferred costs also included carrying costs at the utility's weighted average cost
2 of capital. Finally, the Commission's Emergency Order directed each jurisdictional utility to
3 file a compliance report in the docket detailing the extent of such costs incurred and present
4 a plan to minimize the financial impacts of this event on customers by spreading those costs
5 over a reasonable period once the Winter Event ended.

6 C. STAFF'S MARCH 1, 2021, REPORT AND THE COMMISSION'S MARCH 9,
7 2021, ORDER
8

9 **Q. WHAT WERE THE NEXT STEPS TAKEN BY THE STAFF AND THE**
10 **COMMISSION?**

11 A. On March 1, 2021, Staff filed a Report and Recommendation ("Staff's R&R") to open a
12 series of company-specific dockets to allow the utilities to file financial impact plans; and
13 for Staff to tailor its investigation to match each utility's unique circumstances. Staff also
14 recommended that each utility file its plan to minimize the financial effects of the Winter
15 Event into the company-specific investigation dockets, instead of as a compliance filing in
16 the 303 Docket. On March 9, 2021, the Commission issued its Order adopting Staff's R&R
17 and ordered each utility to file its plan to minimize the financial effects of the Winter Event.

18 D. THE KANSAS UTILITY FINANCING AND SECURITIZATION ACT
19 (EFFECTIVE APRIL 22, 2021)
20

21 **Q. WHAT ACTIONS DID THE KANSAS LEGISLATURE TAKE IN RESPONSE TO**
22 **THE WINTER EVENT?**

23 A. In order to minimize the financial impact of the Winter Event on utilities and their customers,
24 the 2021 Kansas Legislature passed the Act, which became effective on April 22, 2021.
25 The Act allowed utilities to apply to the Commission for a financing order authorizing the
26 utilities to issue securitization bonds to finance the recovery of QECs. Securitization is the

1 financial practice of pooling various types of obligations, (in this case, customer receivables
2 for gas purchased and used during the extraordinary Winter Event) and selling their related
3 cash flows to third-party investors as bonds. Ratepayer-backed bonds permit a utility or a
4 state to raise non-recourse debt financing through a separate entity based on a legislatively
5 mandated recovery mechanism, which includes the recovery of a financing charge. The
6 amount of debt the state or utility can issue is based on the legislatively authorized recovery
7 of previous investments by the utility, or expense that the utility's customers owe through
8 the imposition of a charge on each customer's bill. Debt proceeds are used to purchase, from
9 the utility, the recovery rights of the securitized regulatory asset or receivable from the
10 utility. The utility then acts as a "collection agent" for the trust and entity who issues the debt
11 by including separate and distinct line-item charges on its customers' monthly statements,
12 the proceeds that are turned over to the trustee. At a high level, securitization is a process
13 that allows the payment of debts by the issuance of bonds repaid over a longer, more
14 manageable period than a typical recovery period. Securitization has proven to be a low-cost
15 capital option compared to traditional financing which commonly carries higher interest
16 rates. Securitization is used in other states to allow recovery of costs incurred by utilities due
17 to extreme weather events like hurricanes, fires or ice storms.

18 E. ATMOS ENERGY'S SEPTEMBER 14, 2021 FINANCIAL PLAN

19 **Q. CAN YOU SUMMARIZE THE FINANCIAL PLAN THAT ATMOS ENERGY**
20 **PROPOSED IN RESPONSE TO THE COMMISSION'S MARCH 9, 2021, ORDER?**

21 A. Yes. On September 14, 2021 Atmos Energy submitted its plan to minimize the financial
22 impact of the Winter Event on customers in the 333 Docket. Atmos Energy filed pre-filed
23 direct testimony and exhibits in support of its Financial Plan prepared by Bart Armstrong,

1 Rob Leivo, Kenny Malter, Jason Schneider and me. Under the Financial Plan, Atmos Energy
2 would apply for a Financing Order, in a separate docket, pursuant to the applicable
3 provisions contained in the Act. The Financing Order would authorize the issuance of
4 Securitized Utility Tariff Bonds to finance the QECs (as defined by the Act and the
5 Commission's Emergency Order) incurred by Atmos Energy as a result of the Winter Event.
6 This would allow Atmos Energy to minimize the financial impact on the Company and its
7 customers caused by the Winter Event.

8 F. COMMISSION'S MARCH 24, 2022, ORDER APPROVING UNANIMOUS
9 SETTLEMENT AGREEMENT ON ATMOS ENERGY'S FINANCIAL PLAN
10

11 **Q. DID THE COMMISSION APPROVE ATMOS ENERGY'S FINANCIAL PLAN?**

12 A. Yes. On March 24, 2022 the Commission approved a unanimous settlement agreement
13 relating to Atmos Energy's financial plan ("Financial Plan Settlement Order"). The
14 Commission emphasized in the Financial Plan Settlement Order that it was in the public
15 interest for Atmos Energy to have incurred the extraordinary costs during the Winter Event
16 "to ensure the integrity of the gas system and ensure continuous gas service to Kansans."
17 The Commission concluded that a "lessor response could have resulted in catastrophic
18 property damage and serious public safety implications, including potential loss of life" and
19 that "when extraordinary costs are unavoidable and necessary to benefit the public, it is in
20 the public interest to allow recovery of such costs" (page 9, paragraph 14, of the Financial
21 Plan Settlement Order). Under the approved unanimous settlement agreement, Atmos
22 Energy was required to apply for a Financing Order in a separate docket to authorize Atmos
23 Energy to issue Securitized Utility Tariff Bonds to finance the QECs resulting from the
24 Winter Event.

1 G. ATMOS ENERGY'S MAY 25, 2022, APPLICATION FOR FINANCING ORDER

2 **Q. DID ATMOS ENERGY FILE AN APPLICATION FOR A FINANCING ORDER TO**
3 **FINANCE THE QECS RESULTING FROM THE WINTER EVENT?**

4 A. Yes. On May 25, 2022 in accordance with the financial plan approved by the Commission
5 in the 333 Docket, Atmos Energy filed an Application for a Financing Order per the
6 provisions set forth in the Act seeking authorization to issue Securitized Utility Tariff Bonds
7 to finance the QECS incurred as a result of the Winter Event. Jason Schneider and I filed
8 testimony to support the Application. The Company's Application covered each of the filing
9 requirements under the Act. It also provided a description of the proposed securitization
10 process, drafts of the proposed securitization financing transaction documents and a
11 proposed Financing Order. Atmos Energy also provided updated testimony and exhibits in
12 support of its Application.

13 H. TECHNICAL CONFERENCES AND SETTLEMENT CONFERENCE
14 REGARDING ATMOS ENERGY'S REQUEST FOR A FINANCING ORDER

15
16 **Q. CAN YOU PROVIDE A SUMMARY OF THE PROCESS THAT HAS OCCURRED**
17 **TO DATE WITH RESPECT TO ATMOS ENERGY'S REQUEST FOR A**
18 **FINANCING ORDER?**

19 A. Yes. On May 31, 2022 CURB filed a petition to intervene, which was granted by the
20 Commission in its Order dated June 28, 2022.² On June 10, 2022 Atmos Energy filed a
21 motion to establish a procedural schedule in this docket. On June 23, 2022 the Commission

²CURB's Petition to Intervene, Docket No. 22-KGSG-466-TAR ("22-466 Docket") filed April 5, 2022; Order Granting CURB's Petition to Intervene, 22-466 Docket issued April 14, 2022.

1 issued an Order Setting Procedural Schedule ("Procedural Order").³ Per the Procedural
2 Order, Atmos Energy, Staff and CURB participated in several technical conferences to
3 discuss the proposed Financing Order, the securitization process, the draft transactional
4 documents and other issues related to the Company's Application.⁴

5 On August 26, 2022 Staff and CURB filed their testimony and exhibits. Staff
6 proposed several modifications to the proposed Financing Order, securitization process and
7 draft transactional documents. CURB raised a number of issues relating to the Company's
8 Application.⁵ On September 9, 2022 Atmos Energy filed its rebuttal and responsive
9 testimony, which addressed each of the matters raised by Staff and CURB.⁶ Per the
10 Procedural Order, Atmos Energy, Staff and CURB conducted a settlement conference on
11 September 13, 2022. As a result of the settlement conference Atmos Energy, Staff and
12 CURB were able to reach a settlement on all issues raised by Atmos Energy in its
13 Application. A unanimous settlement was filed with the Commission on September 15, 2022
14 for the Commission's review and approval.

15 **IV. SETTLEMENT PROVISIONS**

16 **Q. ARE YOU FAMILIAR WITH THE TERMS OF THE AGREEMENT?**

17 A. Yes, I am familiar with the terms of the Agreement. I was personally involved in negotiating

³Atmos Energy's Motion to Establish Procedural Schedule, 22-358 Docket filed June 10, 2022; Order Setting Procedural Order, 22-358 Docket issued June 23, 2022.

⁴*Id.*

⁵Direct Testimony of Justin Grady, 22-358 Docket filed August 26, 2022; Testimony of Josh Frantz on behalf of CURB, 22-358 Docket filed August 26, 2022.

⁶Ocanas Rebuttal and Responsive Testimony, 22-358 Docket filed September 9, 2022.

1 the terms of the Agreement on behalf of Atmos Energy.

2 **Q. CAN YOU IDENTIFY EACH OF THE TERMS CONTAINED IN THE**
3 **AGREEMENT AND PROVIDE AN EXPLANATION AND ANY COMMENTS YOU**
4 **HAVE WITH RESPECT TO EACH TERM?**

5 A. Yes. The subject matter of each of the terms is separately identified below followed by an
6 explanation and any comment with respect to each term.

7 A. RECOVERY OF QUALIFIED EXTRAORDINARY COSTS ("QECS")

8 The current estimated QECs through August 17, 2022 which includes interest
9 expense relating to securitization and operation and administration funding costs are
10 \$118,514,030. If the settlement is approved, Atmos Energy will be authorized to recover
11 the QECs, through the issuance of securitized customer back bonds as authorized by the Act.
12 This provision in the settlement provides that the final amount of the QECs to be recovered
13 by the bonds will be provided in the final Issuance Advice Letter, which will be provided to
14 the Commission, its Designated Representative and its legal and financial advisors, prior to
15 the issuance of the bonds.

16 B. NET QUANTIFIED RATE BENEFITS TO CUSTOMERS

17 The Act requires that the Commission make a finding that the proposed issuance of
18 Securitized Utility Tariff Bonds and the imposition and collection of a Securitized Utility
19 Tariff Charge are expected to provide net quantifiable rate benefits to customers as compared
20 to the traditional methods of financing and recovering Securitized Utility Tariff Costs from
21 customers or would avoid or mitigate rate impacts to customers (K.S.A. 66-1,241(e)(3)). Per
22 the terms of the Agreement, Atmos Energy, Staff and CURB agreed that the net present
23 value ("NPV") benefit to Atmos Energy's customers associated with a 10-year securitization

1 is \$8.5 million as compared to recovering the QECs using traditional ratemaking methods.
2 Despite significant increases in United States ("US") Treasury rates since the Company filed
3 its Application, there is still a significant benefit to Atmos Energy's customers from issuing
4 securitized bonds to finance the Winter Event's costs over ten to twelve years instead of
5 using traditional ratemaking methods to collect these costs. This provision of the Agreement
6 requires that the final net quantifiable benefit for customers be provided to the Commission
7 in the final Issuance Advice Letter.

8 C. PRE-ISSUANCE REVIEW PROCESS; ROLE OF THE COMMISSION'S
9 DESIGNATED REPRESENTATIVE

10
11 Since the filing of the Application in this docket, Atmos Energy, Staff and CURB
12 agreed to work collaboratively to ensure that the securitization process would result in the
13 lowest cost to Atmos Energy's customers. Atmos Energy wants to thank Staff and CURB for
14 its valued assistance in this matter. As part of that collaboration, the parties have agreed upon
15 the role of the Commission's Designated Representative and its legal and investment banking
16 advisors during the pre-issuance review process. Atmos Energy, Staff and CURB agreed that
17 in order to ensure that the securitization process results in the "lowest securitized utility tariff
18 charges, consistent with market conditions...", there would be a comprehensive collaborative
19 process where the Commission's Designated Representative, including its legal and
20 investment advisors, shall have all authority to review, confer, and consult with Atmos
21 Energy and its underwriters on all facets of the securitization process, including but not
22 limited to input into the material terms relating to the structuring, marketing, pricing and
23 issuance of the securitized bonds, review of upfront and ongoing costs, and participation in
24 the selection process for the lead underwriter, co-lead underwriter, and all other

1 underwriters. Atmos Energy, as the sponsor of the issuer of the securitized bonds, and the
2 structuring underwriter, shall lead the securitization transaction rating agency and potential
3 investor discussions, as well as the final structuring, marketing and pricing process, provided
4 that such is consistent with: (1) the terms of the Financing Order approved by the
5 Commission; (2) the collaborative process with the Commission's Designated
6 Representative; and (3) the primary focus being in pursuit of the lowest cost statutory
7 objective. The Designated Representative, including its legal and investment banking
8 advisors, shall be allowed to listen in on meetings with investors or ratings agencies, but
9 shall not be allowed to speak or otherwise take an active role in such meetings.

10 D. TERM LENGTH OF BONDS

11 Per the Agreement, it is not expected that the scheduled final maturity of the
12 Securitized Bonds will exceed ten years, provided, however, that if a longer term is required
13 to achieve the best possible credit rating and lowest resulting Securitized Utility Tariff
14 Charges, such term may be modified to a maximum of twelve years, in consultation with
15 and subject to review rights of the Designated Representative. The legal final maturity date
16 is anticipated to be two years outside of the final scheduled maturity date. The legal final
17 maturity will be finally determined by Atmos Energy, and subject to the Designated
18 Representative's review, consistent with market conditions and indications of the rating
19 agencies, at the time the Securitized Utility Tariff Bonds are priced, but subject to ultimate
20 Commission review through the Issuance Advice Letter process.

21 E. APPROVAL OF PROPOSED FINANCING ORDER

22 Atmos Energy, Staff and CURB request in the Agreement that the Commission
23 approve and issue the proposed Financing Order, and appendices thereto, that is attached to

1 the Agreement as Appendix A. The proposed Financing Order has been agreed to by the
2 parties. In addition to approving the securitization process and covering all of the
3 requirements contained in the Act, the proposed Financing Order is consistent with the terms
4 that have been agreed to by the parties in the Agreement. The parties would request that the
5 Commission issue the Financing Order as a separate order so there would be one order
6 addressing the Agreement and if the Agreement is approved by the Commission, a separate
7 Financing Order.

8 F. PROPOSED TRANSACTION DOCUMENTS

9 Per the Agreement, Atmos Energy, Staff and CURB request that the Commission
10 approve the following proposed transaction documents, as to form, that are attached to the
11 proposed Financing Order, and which have been agreed upon by the parties. The proposed
12 transaction documents are subject to any changes that may be made or required during the
13 securitization process, (including review by the Commission's Designated Representative
14 (and its legal and investment banking advisors) as provided in the proposed Financing
15 Order), and provided that such changes are not materially contrary to the provisions of the
16 Agreement or the proposed Financing Order attached to the Agreement:

- 17 (A) Securitized Utility Tariff Property Servicing Agreement
18 (Appendix D to the Proposed Financing Order);
19
- 20 (B) Administration Agreement (Appendix G to the Proposed
21 Financing Order);
22
- 23 (C) The SPE Amended and Restated Limited Liability Company
24 Agreement (Appendix I to the Proposed Financing Order);
25
- 26 (D) Securitized Utility Tariff Property Purchase and Sale
27 Agreement (Appendix E to the Proposed Financing Order);
28 and
29

1 (E) Indenture (Appendix H to the Proposed Financing Order).

2
3 Final versions of the transaction documents will be filed with the Commission in the
4 subsequent compliance docket that will be opened by the Commission to receive the filings
5 required under the Winter Event Securitized Cost Recovery Rider ("WESCR") tariff.

6 G. WESCR TARIFF

7 The Agreement provides that the WESCR tariff submitted by Atmos Energy shall be
8 approved with the following clarification added to the tariff so that it matches the Proposed
9 Financing Order: the phrase "+Replenishments to Capital Subaccounts if Needed" added
10 to the definition of the Revenue Requirement in the WESCR. A similar clarification was
11 approved by the Commission in the Kansas Gas Service Securitization filing in KCC Docket
12 No. 22-KGSG-466-TAR.

13 As part of the Agreement, the parties acknowledged that in CURB's pre-filed
14 testimony, CURB stated its preference that the costs associated with the Winter Event be
15 collected using a volumetric charge instead of a fixed charge for the reasons set forth in that
16 testimony. The Agreement also recognized that CURB has consistently sought to minimize
17 fixed charges in utility rate cases. However, in this case, CURB indicated in the Agreement
18 that it did not oppose a fixed monthly WESCR charge in the tariff. Atmos Energy and Staff
19 agreed that the tariff is reasonable in that it will assist in the establishment of the highest
20 possible bond ratings for the securitized bonds and will allow customers to budget with
21 certainty what their costs will be associated with the Winter Event. While CURB is a
22 signatory to the Agreement, it is not acquiescing its position on low fixed charges in all other
23 cases, including future rate cases.

24 Atmos Energy, Staff and CURB agreed to the allocation of the Winter Event costs

1 between the customer classes as reflected in the WESCR tariff submitted by Atmos Energy.
2 The allocation methodology used by Atmos Energy fairly and reasonably estimated how the
3 Winter Event costs were incurred by the Company to provide gas service to each customer
4 class.

5 Atmos Energy, Staff and CURB also agreed to the semi-annual (if not needed more
6 frequently) true-up adjustment mechanism as set forth in the WESCR tariff submitted by
7 Atmos Energy. This mechanism will assist in the establishment of the highest possible bond
8 ratings for the securitized bonds, and therefore, the parties agreed it is worth whatever
9 administrative burden will result as compared to an annual true-up.

10 H. SETTLEMENT FEE TO BE CHARGED TO ANY SALES CUSTOMER THAT
11 SWITCHES TO TRANSPORTATION SERVICE DURING THE TERM OF THE
12 WESCR TARIFF
13

14 Atmos Energy, Staff and CURB agreed that the settlement fee recommended by
15 Atmos Energy to be charged to any sales customer that wants to switch to transportation
16 service during the term of the WESCR tariff is reasonable and should be approved by the
17 Commission. As proposed by Staff, the settlement fee shall be calculated as the net present
18 value of the remaining customer obligations to pay for the WESCR, using a discount rate
19 equal to the weighted average interest rate of the securitized bonds.

20 I. RECONCILIATION PROCESS

21 Atmos Energy, Staff and CURB agreed to the reconciliation process described by
22 the Company in my testimony, whereby the final amount of QECs is compared to the final
23 amount of the securitized bond issuance, and the difference is credited/charged to customers
24 through the Purchased Gas Adjustment ("PGA") process. If the incremental cost to Atmos
25 Energy in performing its servicing and administrative services under the Servicing

1 Agreement and the Administration Agreement, respectively, is less than what the Company
2 is paid for those services, then that difference in cost (the associated profit margin earned by
3 the Company as servicer and administrator) shall be tracked by Atmos Energy and included
4 in a regulatory liability account to be addressed in Atmos Energy's next general rate case
5 following the rate case filed in KCC Docket No. 23-ATMG-359-RTS.

6 J. TREATMENT OF INVESTMENT EARNINGS ON THE CAPITAL SUB
7 ACCOUNT
8

9 The parties agreed that pursuant to K.S.A. 66-1,241(e)(14), Atmos Energy shall be
10 allowed to earn a return on its equity contribution to the Capital Sub Account equal to "the
11 cost of capital authorized from time to time by the Commission in the public utility's rate
12 proceedings," which is the Company's approved weighted average cost of capital
13 ("WACC"), and which will be distributed upon receipt. Atmos Energy's current WACC is
14 8.396%. In accordance with the applicable provisions of the Indenture, investment earnings
15 on the Capital Subaccount will be transferred to the Excess Funds Subaccount. On each
16 payment date, the funds in such Subaccount will be taken into account in the Adjustment
17 Mechanism within the WESCR tariff and will benefit Atmos Energy's customers.

18 K. CUSTOMER EDUCATION PROGRAM

19 The parties agreed that the customer communication plan presented by the Company
20 to inform and educate Atmos Energy's customers about the purpose for, and the benefits of,
21 the issuance of securitized bonds was a good start. Per the Agreement, Atmos Energy, Staff
22 and CURB will work together to finalize the specifics relating to the customer education
23 program.

24 L. WAIVER OF RULES AND REGULATIONS

1 Atmos Energy, Staff and CURB agreed that the Commission should approve the
2 Company's request to waive Section 4.B.2. of its Rules and Regulations in order to allow the
3 payment of securitized bonds to take priority over the rest of the customer bill in the event
4 of partial customer payment. This waiver will support the highest bond ratings possible for
5 the securitized bonds, and therefore will provide a benefit to Atmos Energy's customers.

6 M. CONTROLLING DOCUMENT

7 The Agreement states that to the extent that any of the terms contained in the
8 Agreement conflict with the terms contained in the proposed Financing Order attached to
9 the Agreement, the terms in the Financing Order shall control. The terms contained in the
10 Commission's Financing Order will control the issuance of the securitization bonds.

11 N. STUDY OF RESIDENTIAL CLASS

12 The parties agreed that provided that Kansas legislation has been enacted authorizing
13 the Commission to approve a low-income relief (or similar) tariff, Atmos Energy, Staff and
14 CURB agreed to work with each other to determine whether, and to what extent, a generic
15 investigation into the "energy burden" in Kansas could be conducted to benefit the
16 Commission in its regulation of rates, including determining whether low-income rate relief
17 is feasible and ways in which the same could be structured.

18 O. MISCELLANEOUS PROVISIONS

19 The Agreement also contains the general miscellaneous provisions that are included
20 in settlements presented to the Commission.

21 **V. THE COMMISSION'S STANDARDS FOR REVIEW**

22 **Q. ARE YOU FAMILIAR WITH THE FACTORS THE COMMISSION CONSIDERS**
23 **WHEN REVIEWING A UNANIMOUS SETTLEMENT AGREEMENT?**

1 A. Yes, I am. I understand there are three factors the Commission considers when reviewing a
2 unanimous settlement agreement.

3 **Q. CAN YOU IDENTIFY THOSE THREE FACTORS?**

4 A. The three factors the Commission considers when reviewing proposed unanimous settlement
5 agreements are as follows:

6 (1) Whether the Agreement is supported by substantial competent
7 evidence;

8
9 (2) Whether the Agreement results in just and reasonable rates;
10 and

11
12 (3) Whether the results of the Agreement are in the public interest.
13

14 **Q. IS THE SETTLEMENT AGREEMENT IN CONFORMITY WITH THE FACTORS**
15 **THE COMMISSION USES TO REVIEW AGREEMENTS?**

16 A. Yes. Although the factors established by the Commission have a legal application, it is my
17 understanding the parties to the Agreement agree that the established standards have been
18 met.

19 **Q. IS THE AGREEMENT SUPPORTED BY SUBSTANTIAL, COMPETENT**
20 **EVIDENCE?**

21 A. Yes. The Application, testimony and exhibits submitted by Atmos Energy and reviewed and
22 commented on by Staff and CURB in their filed testimony and exhibits, address each of the
23 items set forth in the Act and provide the basis and support for the Commission to issue the
24 proposed Financing Order attached to the Agreement. In particular, the substantial
25 competent and uncontroverted evidence showing that the issuance of securitized bonds to
26 recover the QECs from the Winter Event is expected to provide NPV benefit to Atmos
27 Energy's customers associated with a 10-year securitization in the amount of \$8.5 million as

1 compared to recovering the QECs using traditional ratemaking methods. Despite significant
2 increases in US Treasury rates since the Company filed its Application, there is still a
3 significant benefit to Atmos Energy's customers from issuing securitized bonds to finance
4 the Winter Event's costs over ten to twelve years instead of using traditional ratemaking
5 methods to collect these costs. The final net quantifiable benefit for customers will be
6 provided to the Commission for its review in the final Issuance Advice Letter.

7 **Q. DOES THE AGREEMENT RESULT IN JUST AND REASONABLE RATES?**

8 A. Yes. The terms contained in the WESCR tariff per paragraph 16 of the Agreement, including
9 the Securitized Utility Tariff Charge and semi-annual adjustments of that charge, and the
10 settlement fee to be charged to any sales customer that switches to transportation service
11 during the term of the WESCR tariff per paragraph 17 of the Agreement, are just and
12 reasonable. The methodology used to allocate the Winter Event costs between customer
13 classes, as reflected in the proposed rates and fees, fairly and reasonably estimate how the
14 Winter Event costs were incurred by Atmos Energy to provide gas service to each customer
15 class. The fixed monthly securitization utility tariff charge and the periodic adjustment, or
16 true-up changes to that charge, are also reasonable because they will assist in the
17 establishment of the highest possible bond rating for the securitized bonds, and will result in
18 the lowest overall cost to Atmos Energy's customers. The fixed charge will also allow
19 customers to budget with certainty what their costs will be associated with the Winter Event.

20 **Q. IS THE AGREEMENT IN THE PUBLIC INTEREST?**

21 A. Yes. Given the extraordinary circumstances of the Winter Event, the Agreement results in a
22 just and reasonable outcome that balances the varied interests of the parties. With the
23 assistance of the 2021 legislation, the Financing Order that will be issued pursuant to the

1 Act, will result in an NPV benefit to Atmos Energy's customers of \$8.5 million and
2 significantly reduce the monthly rate impact to customers had the Winter Event costs been
3 recovered by Atmos Energy using a traditional ratemaking method.

4 **VI. CONCLUSION**

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A.** Yes, it does.

VERIFICATION OF KATHLEEN R. OCANAS

STATE OF KANSAS, COUNTY OF JOHNSON, ss:

I, Kathleen R. Ocanas, being first duly sworn on oath, depose and state that I am the witness identified in the foregoing Testimony in Support of the Unanimous Settlement Agreement; that I have read the testimony and am familiar with its contents; and that the facts set forth therein are true and correct.

Kathleen Ocanas

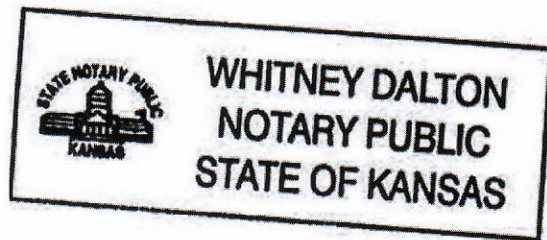
Kathleen R. Ocanas

SUBSCRIBED AND SWORN to before me this 15 day of September, 2022.

Whitney Dalton

Notary Public

Appointment/Commission Expires: 11.25.2024



CERTIFICATE OF SERVICE

I hereby certify that a copy of the Testimony of Kathleen R. Ocanas in Support of the Unanimous Settlement Agreement was sent via electronic mail, this 19th day of September, 2022, addressed to:

Ashley Burton
ashley.burton@atmosenergy.com

Jamnah Morton
jmorton@ducerapartners.com

Kathleen R. Ocanas
Kathleen.Ocanas@atmosenergy.com

Sarah Buchanan
sbuchanan@foulston.com

Joseph R. Astrab
j.astrab@curb.kansas.gov

Rachel Scholl
rscholl@foulston.com

Todd E. Love
t.love@curb.kansas.gov

Harvey R. Sorensen
hsorensen@foulston.com

David W. Nickel
d.nickel@curb.kansas.gov

C. Edward Watson
cewatson@foulston.com

Shonda Rabb
s.rabb@curb.kansas.gov

Brian G. Fedotin
b.fedotin@kcc.ks.gov

Della Smith
d.smith@curb.kansas.gov

Walker A. Hendrix
w.hendrix@kcc.ks.gov

Mark Davis
mdavis@ducerapartners.com

Jared R. Jevons
j.jevons@kcc.ks.gov

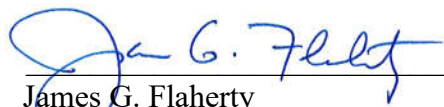
Michael Feinberg
mfeinberg@ducerapartners.com

Carly R. Masenthin
c.masenthin@kcc.ks.gov

Tyler Kim
tkim@ducerapartners.com

Michael R. Neeley
m.neeley@kcc.ks.gov

Sean Lancaster
Slancaster@ducerapartners.com



James G. Flaherty
Attorney for Atmos Energy Corporation