

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

**IN THE MATTER OF THE APPLICATION    )  
OF ATMOS ENERGY CORPORATION FOR    )  
FOR RECOVERY OF QUALIFIED            ) DOCKET NO. 22-ATMG-538-TAR  
EXTRAORDINARY COSTS AND ISSUANCE    )  
OF A FINANCING ORDER                    )**

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**DIRECT TESTIMONY OF**

**KATHLEEN R. OCANAS**

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**JULY 22, 2022**

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**LIST OF EXHIBITS**

**DIRECT TESTIMONY OF KATHLEEN R. OCANAS**

**I. POSITION AND QUALIFICATIONS**

1

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  
4 Terrace, Olathe, Kansas 66061.

5 **Q. ARE YOU THE SAME KATHLEEN R. OCANAS WHO FILED**  
6 **TESTIMONY IN THIS DOCKET ON MAY 25, 2022?**

7 A. Yes.

8 **II. PURPOSE OF FILING AND TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR REVISED DIRECT TESTIMONY?**

10 A. I am revising my direct testimony to reflect the updates that Mr. Schneider has  
11 made to his exhibits. These changes, which incorporate information that has come  
12 to light as a result of discovery responses, changing market conditions, and the two  
13 technical conferences in this docket, impact the customer bill impact information  
14 presented in my initial direct testimony.

15 **III. REVISED DESCRIPTION OF QUALIFIED EXTRAORDINARY**  
16 **COSTS AND SECURITIZED UTILITY TARIFF COSTS**

17 **Q. HAS ATMOS ENERGY REVISED THE QUALIFIED EXTRAORDINARY**  
18 **COSTS THROUGH MARCH 31, 2022?**

19 A. Yes. Table KRO-1 provides an update of extraordinary costs through March 31,  
20 2022 and updated carrying costs through March 31, 2023.

21

1

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**Table KRO- 1**

| DESCRIPTION   | AMOUNT               |
|---|----------------------|
| Gas Costs   | \$76,652,625         |
| Carrying Costs – at 2% through 3/31/2023                      | \$3,142,758          |
| KGS’ Penalties Assessed to Atmos Energy From 21-KGSG-332-GIG  | \$9,559,372          |
| Less Passthrough of Penalties to ATO Transportation Customers | (\$334,521)          |
| Financing Fees  | \$23,989,480         |
| Legal/Consulting/Customer Education (unrelated to financing)  | \$2,885,000          |
| Operation & Admin./ Net Reserve Funding costs                 | 3,673,032            |
| Docket Costs, including customer education                    | 779,000              |
| <b>Total Extraordinary Costs</b>                              | <b>\$120,346,745</b> |

3

4 **Q. DO THE REVISED QUALIFIED EXTRAORDINARY COSTS THAT**  
5 **ATMOS ENERGY INCURRED SINCE THOSE INCLUDED IN THE**  
6 **COMMISSION FINANCIAL PLAN ORDER CONTINUE TO MEET THE**  
7 **CRITERIA OF THE EMERGENCY ORDER AND THE ACT?**

8 A. Yes. Table KRO-1 are the same cost categories as were summarized at the time of  
9 the Company’s application on May 25, 2022. Mr. Schneider outlines the changes  
10 made to his exhibits and I have reflected these in my table. I have also inserted two  
11 additional lines to capture every line shown on Revised Exhibit JLS-1, page 1.

12 **IV. MITIGATING FINANCIAL EFFECTS ON GAS SALES CUSTOMERS**

13 **Q. DOES RECOVERY OF ATMOS ENERGY’S EXTRAORDINARY COSTS**  
14 **THROUGH A SECURITIZED UTILITY TARIFF CHARGE PROVIDE**  
15 **QUANTIFIABLE BENEFITS FOR CUSTOMERS?**

16 A. Yes. Even with changes in the capital markets since May 2022 and inclusion of  
17 additional fees to be incurred and assessed as part of securitization, as further

1 discussed by Mr. Schneider in his revised direct testimony, the net present value of  
2 the costs to customers from securitization are less than those costs that would  
3 otherwise result from traditional ratemaking and thus are beneficial to customers.  
4 Mr. Schneider's testimony continues to demonstrate Atmos Energy's customers  
5 will receive quantifiable net rate benefits through the securitization process.

6 **Q. WHAT IS THE TOTAL REVISED AMOUNT TO BE SECURITIZED,**  
7 **INCLUDING FINANCING FEES?**

8 A. Mr. Schneider indicates that financing fees associated with issuing Securitized  
9 Utility Tariff Bonds are likely to be approximately \$2.88 million, while ongoing  
10 administrative fees, reserve funding costs, net of small credits for fund collected  
11 but not paid are estimated to be approximately \$3.7 million. At this time, the  
12 estimated extraordinary costs to be securitized is approximately \$92.7 million. As  
13 shown on Revised Exhibit JLS-1, page 1, over the life of a ten-year bond a total of  
14 \$120.4 million will be paid by customers. Over the life of a fifteen-year bond a  
15 total of \$132.6 million will be paid by customers.

16 **V. COST RECOVERY DETAILS**

17 **Q. WHAT IS THE FIXED MONTHLY CUSTOMER CHARGE ASSOCIATED**  
18 **WITH A 10- AND 15-YEAR SCHEDULED RECOVERY PERIOD?**

19 A. Table KRO-2, beginning on page 6, provides the monthly fixed charge for each  
20 customer class. The fixed monthly charges in Table KRO-2 are calculated assuming  
21 securitization of the Qualified Extraordinary Costs over the various time-periods  
22 using the currently estimated costs through March 31, 2022, carrying charges

1 through March 31, 2023, and the customer count from the 2021 Atmos Energy  
2 Annual Report.

3 **Table KRO-2**

**Securitization – 10 Year Customer Impact**

| <b><u>Customer Class</u></b> | <b><u>Annual \$<br/>Allocated to Class</u></b> | <b><u>Monthly<br/>Fixed Charge</u></b> |
|------------------------------|--|--|
| Residential Sales Service    | \$9,027,864                                    | \$5.87                                 |
| Commercial/Public Authority  | \$2,908,377                                    | \$24.44                                |
| School Sales Service         | \$31,750                                       | \$42.68                                |
| Industrial Sales Service     | \$19,232                                       | \$114.47                               |
| Small Generator              | \$12   | \$0.01                                 |
| Irrigation Engine            | \$47,436                                       | \$16.20                                |
| Total                        | \$12,034,675                                   |  |

**Securitization – 15 Year Customer Impact**

| <b><u>Customer Class</u></b> | <b><u>Annual \$<br/>Allocated to Class</u></b> | <b><u>Monthly<br/>Fixed Charge</u></b> |
|------------------------------|--|--|
| Residential Sales Service    | \$7,179,360                                    | \$4.67                                 |
| Commercial/Public Authority  | \$2,312,871                                    | \$19.44                                |
| School Sales Service         | \$25,249                                       | \$33.94                                |
| Industrial Sales Service     | \$15,294                                       | \$91.04                                |
| Small Generator              | \$9  | \$0.01                                 |
| Irrigation Engine            | \$37,723                                       | \$12.88                                |
| Total                        | \$9,570,507                                    |  |

4

5 **Q. HAS THE MONTHLY FIXED CHARGE ASSOCIATED WITH A FIVE-**  
6 **YEAR RECOVERY PERIOD UNDER TRADITIONAL RATEMAKING**  
7 **CHANGED AS A RESULT OF YOUR REVISED DIRECT TESTIMONY?**

8 A. No. However, I have included them in Table KRO-3 for ease of comparison to the  
9 revised 10-year and 15-year rates. The calculation for Table KRO-3 is made  
10 assuming traditional ratemaking, additional carrying costs through November 30,  
11 2022, a five-year recovery period, and the customer count from the 2021 Atmos  
12 Energy Annual Report.

**Table KRO-3**

**Traditional Ratemaking – 5 Year Customer Impact**

| <b><u>Customer Class</u></b> | <b><u>Annual \$<br/>Allocated to Class</u></b> | <b><u>Monthly<br/>Fixed Charge</u></b> |
|------------------------------|--|--|
| Residential Sales Service    | \$16,209,359                                   | \$10.55                                |
| Commercial/Public Authority  | \$5,221,935                                    | \$43.89                                |
| School Sales Service         | \$57,007                                       | \$76.62                                |
| Industrial Sales Service     | \$34,530                                       | \$205.54                               |
| Small Generator              | \$21   | \$0.02                                 |
| Irrigation Engine            | \$85,171                                       | \$29.09                                |
| Total                        | \$21,608,023                                   |  |

**Q. HOW DO THE CHARGES RESULTING FROM EACH OF THE AMORTIZATION PERIODS ASSOCIATED WITH TRADITIONAL RATEMAKING AND SECURITIZED UTILITY TARIFF CHARGE RECOVERY AFFECT THE RESIDENTIAL CUSTOMER’S AVERAGE BILL (EXCLUDING TAXES)?**

A. The current average monthly residential bill is \$69.50, based on an average residential consumption of 64.07 Ccf. Table KRO-4 below shows the expected monthly customer bill impacts using the fixed monthly charge from Table KRO-2 and Table KRO-3. It is clear, that traditional ratemaking results in more extreme customer impacts.

**Table KRO -4**

**Residential Bill Impacts**

| <b><u>Customer Class</u></b>                | <b><u>% Increase in<br/>Monthly Bill</u></b> |
|---|--|
| Traditional 5- Years                        | 15%  |
| Securitized Utility Tarif Change – 10 Years | 8%   |
| Securitized Utility Tarif Change – 15 Years | 7%   |

**Q. HAVE THESE PERCENTAGE INCREASES CHANGED AS A RESULT OF THE UPDATES MADE BY MR. SCHNEIDER?**

1 A. No, although the average monthly dollar amount changed, it was not significant  
2 enough to change the overall percentage increase.

3

**VI. CONCLUSION**

4 **Q. DOES THIS CONCLUDE YOUR REVISED DIRECT TESTIMONY?**

5 A. Yes, it does.



VERIFICATION

STATE OF KANSAS            )  
  )  
COUNTY OF JOHNSON        )

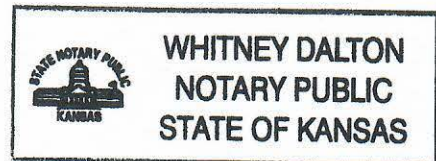
Kathleen R. Ocanas, being duly sworn upon her oath, deposes and states that she is Vice President of Rates & Regulatory Affairs of Atmos Energy Corporation's Colorado-Kansas Division; that she has read and is familiar with the foregoing Revised Direct Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information and belief.

Kathleen Ocanas  
Kathleen R Ocanas

Subscribed and sworn before me this <sup>25<sup>th</sup></sup>~~22<sup>nd</sup>~~ day of July, 2022.

Whitney Dalton  
NOTARY PUBLIC

My appointment expires: 11/25/2024



## CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail, this 25<sup>th</sup> day of July, 2022, addressed to:

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