

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION]
OF ATMOS ENERGY CORPORATION FOR] KCC DOCKET NO. 23-ATMG-359-RTS
ADJUSTMENT OF ITS NATURAL GAS]
RATES IN THE STATE OF KANSAS]

DIRECT TESTIMONY OF

JOSH FRANTZ

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

JANUARY 17, 2023

TABLE OF CONTENTS

	Page
I. Statement of Qualifications	1
II. Overview of Testimony	2
III. Background	4
IV. System Integrity Program	5
V. Elimination of Schedule of Service Fees	17
A. Background	17
B. Evaluations and Recommendations	19
a. Meter Reading Fee	19
b. Worthless Check Charge	21
c. Insufficient Funds Charge (Electronic Transaction)	22
d. Collection Charge	23
e. Disconnection Charge	25
f. Initiation Charge	26
g. Reconnection Charge	27
h. Meter Test Charges	29
i. Temporary Service Fee	30
j. Credit/Debit/ATM Cards	31
k. Electronic Measurement Trip Charge	34
l. Electronic Flow Measurement Equipment Charge	35
VI. SmartChoice Carbon Offset Offering	37
VII. Conclusion	41
APPENDIX A: Referenced Data Requests	

1 **I. Statement of Qualifications**

2 **Q. Please state your name, employer, and business address.**

3 A. My name is Joshua (Josh) P. Frantz. I am employed by the Citizens' Utility Ratepayer
4 Board ("CURB") as a Senior Regulatory Analyst. My business address is 1500 SW
5 Arrowhead Road, Topeka, Kansas 66604.

6
7 **Q. Please describe your educational background and qualifications.**

8 A. I have a Master of Business Administration degree from Washburn University, which is
9 located in Topeka, Kansas. I also have a Bachelor of Business Administration degree from
10 Washburn University. My undergraduate majors were finance, marketing, and
11 management.

12
13 **Q. Please describe your professional background and qualifications.**

14 A. From August 2015 through April 2019, I was employed by the Kansas Corporation
15 Commission ("KCC" or "Commission"). I began my employment with the KCC in the
16 Utilities division as a Senior Research Economist and was ultimately promoted to
17 Managing Rate Analyst.

18 Since April 2019, I have served in my current position as Senior Regulatory Analyst
19 with CURB.

1 **Q. Have you previously testified before the Commission?**

2 A. Yes. Over the course of my employment with CURB, I have offered testimony in eight
3 proceedings before the Commission. During my prior employment as a member of KCC
4 Staff, I offered testimony in seven proceedings before the Commission and submitted over
5 thirty Report and Recommendations for the Commission's consideration. A list of those
6 filings is available, upon request.

7 Of particular relevance, in Docket No. 19-ATMG-525-RTS ("Docket 19-525"), I
8 filed written testimony and appeared before the Commission on behalf of CURB regarding
9 Atmos Energy Corporation's ("Atmos" or "Company") initial request for approval of its
10 System Integrity Program (SIP) pilot.

11

12 **II. Overview of Testimony**

13 **Q. What is the purpose of your testimony?**

14 A. My testimony provides my analysis and recommendation to the Commission on behalf of
15 CURB, and the Kansas residential and small commercial ratepayers whom CURB
16 represents, regarding the following three aspects of Atmos's *Application for Adjustment of*
17 *its Natural Gas Rates in the State of Kansas* ("Application"): 1) the proposed modifications
18 to Atmos's SIP; 2) the proposed elimination of all charges from Atmos's *Schedule II -*
19 *Schedule of Service Fees* ("Schedule II"); and 3) Atmos's proposed new SmartChoice
20 Carbon Offset ("SCCO") offering.

1 **Q. Please summarize your evaluations and recommendations.**

2 A. I recommend the following:

3 1) The Commission should reject Atmos's requested \$15 million increase to the cap on
4 spending for the current five-year SIP period (from \$35 million to \$50 million). The
5 Commission should also reject Atmos's request to extend the SIP an additional five
6 years with a projected \$75 million budget for 2026-2030.

7 I have concerns regarding Atmos's underlying motivation for the requests and its
8 intentions to delay implementation of safety-related projects if its requests are not met.
9 The SIP was designed to be an incentive but is not mandatory. The provision of efficient
10 and sufficient service *is* mandatory. I am also concerned that the Company has not
11 prioritized the replacement of bare steel pipe, as directed.

12 Furthermore, the Company can request extension of the current pilot through the
13 end of 2024, so I believe it is premature to extend the current five-year pilot merely
14 halfway through — particularly, given the fact Atmos underestimated its initial budget
15 and is now requesting an increase for that as well.

16 2) The Commission should reject Atmos's request to eliminate all fees from its Schedule
17 of Service Fees. Each of the fees should remain unchanged.

18 The Company has not presented sufficient justification as to why each fee should
19 be eliminated. The Company's reasoning is described broadly, with no evaluation for
20 each fee individually. Furthermore, several of the fees are required by statute or
21 Commission regulation, yet, to my knowledge, the Company has not submitted any

1 waiver requests. Lastly, several of the fees are intended to discourage undesirable
2 behavior and I worry that some of those behaviors may increase absent the fees.

- 3 3) The Commission should approve Atmos's requested SmartChoice Carbon Offset
4 offering with one modification: the program should be implemented in pilot status with
5 an initial duration of five years.

6 I am supportive of the SCCO Rider because: it is voluntary; it does not require long-
7 term commitment from participants; it will be easily accessible to opt-in, modify
8 participation level, or opt-out; it will be identifiable as a line item charge; and customers
9 who are not enrolled in the SCCO Rider will not bear any of its costs. I am
10 recommending the program be implemented as a pilot because that is my preferred
11 approach for new programs. The Commission recently approved a similar pilot for
12 Black Hills Energy ("Black Hills") in Docket No. 23-BHCG-037-TAR ("Docket 23-
13 037").

14
15 **III. Background**

16 **Q. Please provide a brief procedural background of this proceeding.**

17 **A.** On September 9, 2022, Atmos filed its Application and supporting Direct Testimonies in
18 this docket.

19 On September 13, 2022, CURB petitioned to intervene in this docket, and, on
20 September 20, 2022, CURB's petition for intervention was granted.

21 On September 20, 2022, the Commission issued a Protective Order and a Discovery

1 Order in this docket. To date, CURB has submitted more than 80 data requests (“DRs”) to
2 the Company regarding this Application.

3 On January 11, 2023, a public hearing was held via Zoom and is available for view
4 on the Commission’s YouTube channel.

5
6 **IV. System Integrity Program (SIP)**

7 **A. Background**

8 **Q. Please describe Atmos’s existing SIP tariff.**

9 A. Atmos’s SIP tariff was approved on June 25, 2020, in Docket 19-525. The SIP mechanism
10 is designed to provide annual rate recovery of incremental capital investment in order to
11 accelerate the pace of replacement of obsolete materials (primarily bare steel and cast iron)
12 in Atmos’s Kansas distribution system. The SIP was designed to be a five-year pilot
13 program and tariff. The *maximum* amount of incremental capital expenditures to be
14 invested under the SIP was \$35 million over five years.¹

15
16 **Q. Through what date may Atmos request extension of the pilot program?**

17 A. If Atmos wishes to extend the SIP mechanism and tariff beyond the five-year pilot term,
18 Atmos can file for continuation of the SIP program, mechanism, and tariff by December
19 31, 2024.² The renewal request will include an opportunity to reassess the program,

¹ Schedule X: System Integrity Program, Sheet 1.

² Schedule X: System Integrity Program, Sheet 1.

1 mechanism and tariff, including reassessment of level Base Safety and Reliability Capital
2 Expenditures for the renewal.³

3
4 **Q. Please describe Atmos's proposed changes to its SIP.**

5 A. In order to complete the planned projects of the 5-year pilot, Atmos is requesting a \$15
6 million increase to the cap on spending for the current five-year period, from \$35 million
7 to \$50 million.⁴ Atmos contends project costs have been higher than expected due to
8 inflationary pressures and unexpected costs associated with the projects.⁵

9 Additionally, Atmos is requesting an additional five-year timeframe extension of
10 the pilot.⁶ Atmos contends that without an extension of the SIP, the rate of replacement of
11 its assets will not be optimized for the long-term safety of its system.⁷ Atmos has conducted
12 a relative risk analysis and identified an initial list of projects for 2026-2030.⁸ Based on the
13 estimated budget for these projects, Atmos Energy is requesting a cap of \$75 million for
14 the five-year timeframe.⁹

15
16 **Q. Please describe the benefits to the Company provided through the SIP mechanism as**
17 **opposed to traditional means of recovery.**

³ Schedule X: System Integrity Program, Sheet 6.

⁴ Direct Testimony of John M. Willis, p. 17 (Sep. 9, 2022) ("Willis Direct").

⁵ Willis Direct, p. 17.

⁶ Willis Direct, p. 18.

⁷ Willis Direct, p. 18.

⁸ See Willis Direct, Exhibit JMW-2.

⁹ Willis Direct, p. 18.

1 A. The Company's primary benefit from the SIP mechanism is accelerated recovery of capital
2 costs. Under the traditional ratemaking approach, shareholders do not begin to recover the
3 costs associated with incremental capital investment until a base rate case, when these
4 incremental capital costs are included in rate base. Therefore, there is generally some
5 period of time between when the investment goes into service and when a utility begins to
6 recover costs (often referred to as "regulatory lag"), including a return on the investment,
7 depreciation charges associated with the investment, associated taxes, and other costs.
8 However, pursuant to the SIP tariff, the utility can begin to recover a return on these
9 incremental capital costs, as well as related depreciation expenses, without waiting for a
10 full base rate case. The SIP mechanism can therefore accelerate recovery of costs by the
11 utility. In addition, a SIP mechanism can also reduce rate case costs if the recovery
12 provided through the mechanism causes the utility to extend the period of time between
13 base rate filings.

14
15 **Q. Is there another existing mechanism, other than the SIP, which provides expedited**
16 **recovery of costs of investment in system infrastructure?**

17 A. Yes. That surcharge is the gas system reliability surcharge (GSRS), which was established
18 by K.S.A. Supp. 66-2202 through 66-2204. Project eligibility includes non-growth
19 infrastructure investments related to safety, security, and risk management. The maximum
20 allowable annual surcharge increase is \$0.80 per month per residential customer, a cap
21 which Atmos met in its most recent annual GSRS filing.

1 In 2017, in Docket 15-343, the Commission instated a voluntary Accelerated
2 Replacement Program (ARP) as a 4-year pilot. The ARP allowed for an annual surcharge
3 for capital expenditures made to accelerate the replacement of bare steel and cast iron pipe.
4 However, no utilities established an ARP surcharge. The gas utilities all expressed
5 disinterest in the ARP, primarily due to the capped recovery through the surcharge over a
6 10-year deadline.¹⁰

7
8 **Q. Is the Company required to furnish efficient and sufficient service?**

9 A. Yes, through K.S.A. 66-1202, the Commission has the power to require every natural gas
10 public utility to furnish reasonably efficient and sufficient service and facilities for the use
11 of any and all products or services rendered. Although I am not an attorney, CURB
12 attorneys have informed me that unsafe and/or unreliable facilities (i.e., obsolete piping)
13 could be deemed equivalent to insufficient and/or inefficient facilities.

14 In Docket No. 15-GIMG-343-GIG (“Docket 15-343”),¹¹ the Commission stated:

15 Atmos has an obligation to provide safe and efficient service at just and
16 reasonable rates. The Commission finds that, despite testimony to the
17 contrary, there is sufficient evidence to give the Commission concern that
18 Atmos' system may be at imminent risk of catastrophic failure.¹²

¹⁰ Direct Testimony of Josh Frantz, p. 8, Docket No. 19-ATMG-525-RTS, (Oct. 31, 2019).

¹¹ In 2015, the Commission opened Docket 15-343 to investigate the accelerated replacement of obsolete natural gas pipeline materials considered to be a safety risk.

¹² Final Order, ¶73, Docket No. 15-GIMG-343-GIG, (Sept. 12, 2017) (“15-343 Final Order”).

1 **B. Evaluations and Recommendations**

2 **Q. Could the Commission *require* Atmos to accelerate its replacement of obsolete pipe**
3 **without approving Atmos's request for a SIP budget increase and Program**
4 **extension?**

5 A. Yes, I believe so. In Docket 15-343, the Commission found the accelerated, programmatic
6 replacement of bare steel mains, bare steel service/yard lines, and cast iron mains to be in
7 the public interest and *necessary*.¹³ The Commission determined those materials pose the
8 highest risk to safety because of their relative length of service and their proclivity for
9 corrosion or stress fractures.¹⁴ The Commission Ordered the Gas Utilities to develop and
10 file a plan for the systematic accelerated replacement of all of their bare steel service/yard
11 lines, cast iron mains, and all bare steel mains within a Class 3 location.¹⁵

12
13 **Q. Do you have any general concerns with Atmos's proposal and supporting testimony?**

14 A. Yes. I find the Company's support and justification for the SIP to be disingenuous. The
15 expeditiousness of cost recovery should have no bearing on the Company's prioritization
16 of safety concerns.

17
18 **Q. Please elaborate. Why do you find the Company's support and justification for the**
19 **SIP to be disingenuous?**

¹³ 15-343 Final Order, ¶78.

¹⁴ 15-343 Final Order, ¶78.

¹⁵ 15-343 Final Order, p. 51.

1 A. During the public hearing, Kathleen Ocanas's opening remarks for the Company
2 emphasized, "Safety drives everything we do at Atmos Energy. The safety of the public,
3 our system, employees, and the communities we operate in is our highest priority."

4 Furthermore, the Company's witness John Willis testifies:

5 The safety of Atmos Energy's customers, community and employees is
6 Atmos Energy's highest priority in every jurisdiction in which it operates.
7 Pipeline safety is an integral element of that mission. From the Company's
8 perspective, there is no higher priority in our operations than safety.¹⁶
9

10 However, the details of the proposal and nuances of Mr. Willis's testimony indicate
11 Atmos *does have* a higher priority than safety: expeditious financial recovery.

12 For instance, Mr. Willis later states, in support of the requested \$15 million increase
13 to the SIP budget, "given the identified relative risks associated with the identified projects,
14 Atmos Energy believes that it is in the public interest to proceed with this investment in
15 the planned timeframe and not introduce further delay."¹⁷ This statement implies that
16 Atmos would delay completion of projects that are in the public interest if its request for
17 expansion of the SIP budget is rejected.

18 Mr. Willis also states that "without an extension of the SIP, the rate of replacement
19 of its assets will not be optimized for the long-term safety of its system."¹⁸ This statement
20 implies that, without an extension of the SIP, Atmos will reduce its pace of asset
21 replacement, potentially jeopardizing the long-term safety of its system.

¹⁶ Willis Direct, p. 8.

¹⁷ Willis Direct, p. 17.

¹⁸ Willis Direct, p. 18.

1 In response to CURB DR 79, Mr. Willis confirmed, “Elimination of SIP, or
2 disapproval of the requested SIP spending cap increase, will make it more difficult for
3 Atmos Energy to attract the necessary incremental investment to accelerate pipe
4 replacement and... would very likely lead to the delay in completing planned projects.”

5 When the Company filed its initial request for the SIP in Docket 19-525, the
6 Company claimed it did not opt-in to the Commission’s existing incentive program, the
7 ARP, because it was not viable and was “unworkable” given the cap on recovery through
8 the surcharge over the required timeframe.¹⁹

9 As was the case in Docket 19-525, the implication now is that without expanded
10 favorable rate treatment, Atmos will prioritize investment in pipeline replacement for other
11 jurisdictions outside of Kansas with less regulatory lag and/or more favorable rate
12 treatments.

13 If Atmos truly has no higher priority than customer safety, then the question
14 becomes: Why would the Company ever contemplate delaying high priority projects? I am
15 not an engineer, so I do not have sufficient expertise to answer that question by delving
16 into specific pipeline safety issues. However, my primary intent is to illustrate the
17 conflicted messaging presented by the Company.

18 From my perspective, Atmos is attempting to exploit a “carrot-and-stick”
19 scenario.²⁰ The Company’s Application is focused on a bigger “carrot” (i.e., expansion and

¹⁹ See Direct Testimony of Gary L., pp. 11–14, Docket No. 19-ATMG-525-RTS (June 28, 2019).

²⁰ In the “carrot-and-stick” idiom, the “carrot” represents a reward for desired behavior while the “stick” represents punishment to induce cooperation.

1 extension of the SIP), but downplays its system's risk of failure because the Company
2 wants to avoid the "stick."

3 Atmos attempted a similar tactic in Docket 15-343 and was chastised by the
4 Commission:

5 The Commission is concerned about Atmos' linkage of alternative recovery
6 mechanisms with the appropriate prioritization of safety concerns. In the
7 Commission's mind the existence of an alternative recovery mechanism
8 should have no bearing on appropriate prioritization of safety concerns....
9 [D]espite its protestations to the contrary, Atmos places a higher emphasis
10 on shareholder profits than the safety of its Kansas ratepayers.
11

12 **Q. Are you opposed to the accelerated replacement of obsolete natural gas pipe**
13 **infrastructure?**

14 A. No, generally speaking, I am not opposed to the accelerated replacement of natural gas
15 pipe infrastructure that has been determined by the Commission to be obsolete and a risk
16 to safety or reliability. However, I do have concerns regarding the SIP. If replacement is
17 truly needed, then the Company can use the traditional base rate case mechanism to recover
18 its costs. While this may lead to more frequent rate cases, at least it will let the parties
19 review the entire financial picture and would not be limited to single issue ratemaking.

20 In Docket 15-343, the Commission expressed similar sentiment:

21 [The Commission] is not persuaded that the safety concerns presented by
22 the Gas Utilities are sufficient to warrant the wholesale abandonment of the
23 wisdom rooted in over 100 years of traditional ratemaking practices. This is
24 particularly true in light of the Gas Utilities' admission that they share the
25 blame for their insufficient, reactive approach to infrastructure
26 replacement.²¹

²¹ 15-343 Final Order, ¶79.

1 **Q. Do you have any concerns regarding the Company's pace of replacement and**
2 **proclivity to replace certain pipe materials over others?**

3 A. Yes, I do have concerns with the Company's pace of replacement of bare steel pipe,
4 particularly relative to its replacement of polyethylene ("PE") pipe at a pace greater than
5 bare steel.

6 As stated above, in Docket 15-343, the Commission found the accelerated
7 replacement of bare steel material to be in the public interest and necessary. In reviewing
8 Atmos's SIP pilot in Docket 19-525, the Commission reiterated that it "recognizes the
9 urgent need to replace obsolete pipes, primarily bare steel and cast iron"²² and indicated it
10 would approve an annual surcharge "for replacing obsolete pipes, primarily bare steel and
11 cast iron."²³

12 Although the Company no longer has cast iron mains in service, the Company does
13 still have 1,317 miles of bare steel pipe to replace and estimates the replacement process
14 will take 47 years to complete at a pace of 28 miles per year.²⁴ I do not believe that projected
15 completion in 47 years aligns with the Commission's determination of "urgent need."

16 Further concerning is that the Company plans to replace 1,044 miles of
17 Polyethylene ("PE") pipe at a pace of 52.2 miles per year over 20 years,²⁵ more than double
18 the projection for its bare steel pipe.

²² Order on Atmos Energy Corporation's Application for Rate Increase, ¶39 (Feb. 24, 2020).

²³ *Id.*

²⁴ Atmos's response to CURB DR 32.

²⁵ Atmos's response to CURB DR 32.

1 In Docket 15-343, the Commission was “not persuaded that the leak detection data
2 provides sufficient evidence to warrant accelerated replacement of [vintage plastic
3 piping].”²⁶

4 The Company has prioritized replacing a different type of pipe material it believes
5 is obsolete despite the terms of the SIP’s initial approval and despite the Commission’s
6 prior observations regarding vintage plastic pipe.

7
8 **Q. Do you recommend the Commission approve Atmos’s request to increase the cap on
9 spending for the current five-year SIP period from \$35 million to \$50 million?**

10 **A.** I do not. I recommend the Company reject Atmos’s request to increase the initial cap on
11 SIP spending by \$15 million, which, if approved, would be an approximate 43% increase.

12 First, no expedited recovery mechanism should be required to encourage
13 investment in projects deemed necessary for safety or reliability. The SIP is designed to
14 incentivize the utility to invest in safety and reliability, which the Company is required to
15 do anyway. This is why I have referred to the SIP as a “carrot” within the “carrot-and-
16 stick” framework. Furthermore, the SIP goes above-and-beyond the GSRS which is also
17 designed to encourage the utility to invest in safety and reliability. No other natural gas
18 utility has an additional mechanism comparable to the SIP.

19 Second, the Company’s initial SIP proposal request was granted primarily to
20 incentivize the replacement of bare steel pipe, yet the Company has prioritized the

²⁶ 15-343 Final Order, ¶80.

1 replacement of PE pipe at a much faster pace, contrary to the direction provided by the
2 Commission when it approved the tariff.

3 Therefore, I recommend the maximum SIP budget remain as it was agreed upon
4 initially through the term of the pilot. Even if the Commission deems the SIP projects to
5 be necessary for safety or reliability and is concerned the Company may delay these
6 projects, increasing the Company's incentive beyond the agreed-upon SIP budget is not the
7 appropriate solution.

8
9 **Q. If the Commission does approve expansion of the initial SIP budget, would you**
10 **recommend the approval to be conditioned upon another rate moratorium?**

11 A. Yes. One of the benefits of a recovery mechanism like the SIP is that it should, in theory,
12 reduce the frequency of the utility's rate cases. As a condition of approval of the initial SIP
13 tariff, Atmos agreed to a three-year rate moratorium such that new base rates would not be
14 implemented before April 1, 2023.²⁷

15 If the Commission does approve the proposed expansion of the SIP budget, the
16 approval should be conditioned upon the Company agreeing to another rate moratorium
17 for: a) three years from the date of approval of new rates in this rate case or b) until
18 termination of the SIP (if an extension is not granted), whichever comes first.

²⁷ Schedule X, Sheet 6.

1 **Q. Do you recommend the Commission approve Atmos's request to extend the SIP**
2 **program through 2030 with an expected maximum budget of \$75 million for 2026-**
3 **2030?**

4 A. I do not. I recommend the Commission reject Atmos's request to extend the SIP for an
5 additional five years beyond the end of the current 5-year pilot. The simplest reason is that
6 I believe the Company's request is premature. Atmos can file for continuation of the SIP
7 program, mechanism, and tariff by December 31, 2024, yet it chose to file for extension of
8 a five-year pilot more than two years ahead of schedule.

9 I find it cavalier of the Company to request an early extension of the Program
10 coupled with its admission that the pilot's initial budget was substantially underestimated.
11 Given the circumstances, I have concerns regarding the accuracy of the projected \$75
12 million budget for projects spanning 2026–2030 and the risk that Atmos may, once again,
13 ask for an increased surcharge to keep pace with its pipe replacement as costs fluctuate.

14 The Commission could reject the Company's request for extension without
15 prejudice, allowing Atmos to return closer to the deadline and re-request renewal with more
16 data collected from the pilot and a revised budget projection.

1 **V. Elimination of Schedule of Service Fees**

2 **A. Background**

3 **Q. Which service fees is Atmos proposing to eliminate?**

4 A. Atmos is proposing to eliminate all services fees from Schedule II – Schedule of Service
5 Fees. Atmos proposes to re-label Schedule II as “Reserved for Future Use.” The fees
6 proposed for removal are:

- 7 A) Meter Reading Fee;
8 B) Worthless Check Charge;
9 C) Insufficient Funds Charge (E-Transaction);
10 D) Collection Charge;
11 E) Disconnection Charge;
12 F) Initiate or Reconnect Charges;
13 G) Initiate or Reconnect Charges – Multiple Unit Building or Multi-Family Dwelling;
14 H) Meter Test Charges;
15 I) Temporary Service Fee;
16 J) Credit/Debit/ATM Cards;
17 K) Electronic Measurement Trip Charge; and
18 L) EFM Equipment Charge.

19
20 **Q. Why is Atmos proposing to eliminate these fees?**

21 A. The Company does not believe that these charges vary greatly from year to year and it
22 would be administratively easier to simply recover them through base rates. Additionally,
23 the Company believes it would promote equity and assist disproportionately impacted
24 communities to spread these costs over all customers.²⁸

²⁸ Direct Testimony of Kathleen R. Ocanas, p. 9 (Sep. 9, 2022) (“Ocanas Direct”).

1 **Q. Do you have any concerns with the approach taken by the Company in presenting its**
2 **proposal to eliminate these fees?**

3 A. Yes, I do have one overarching concern with the Company's presentation of its proposal.
4 In its Application and supporting testimony, the Company chose to present the removal of
5 all fees in Schedule II as a singular, packaged proposal. The Direct Testimony of Kathleen
6 Ocanas provides a brief, generalized explanation for the removal of all fees from Schedule
7 II.²⁹ I find that approach to be lacking. Even more concerning, when CURB requested the
8 Company provide detailed justification for *each fee* proposed to be eliminated, the
9 Company provided another generalized response:

10 The Company believes that the costs associated with these charges are more
11 burdensome to its lower-income customers than to its non-income
12 qualifying customers. The proposal promotes "equity" as Atmos Energy
13 understands that term to be used in the context of helping disproportionately
14 impacted communities avoid the burden associated with these charges. The
15 proposal does not promote "equity" in the general sense in that these charges
16 will no longer be assessed only to the specific customers that cause them to
17 be incurred and instead would be borne by the entire system.³⁰

18
19 The Company acknowledges that its proposal does not promote equity within the
20 framework of cost causation principles, but the Company believes its proposal does support
21 equity by helping low-income customers.

22 In my testimony, I will provide an individualized evaluation and recommendation
23 for each fee proposed to be eliminated. Based upon the Company's comments regarding

²⁹ See Ocanas Direct, p. 9.

³⁰ Atmos response to CURB DR 75.

1 equity for “disproportionately impacted communities,” I place particular emphasis to
2 examine each fee from the general perspective of low-income residential customers.

3 The Commission should evaluate the proposed elimination of each of the twelve
4 fee categories on their own merit rather than as one singular option.

5
6 **B. Evaluations and Recommendations**

7 **a) Meter Reading Fee**

8 **Q. Please describe the Company’s current Meter Reading Fee policy.**

9 **A.** In the event a customer does not furnish a required meter reading for two consecutive
10 billing periods, the Company may read the meter and require a Meter Reading Fee of \$5.00.

11
12 **Q. Are utilities required to charge a meter reading fee?**

13 **A.** Yes, if a utility conducts a meter reading under the circumstance specified in Atmos’s
14 current Schedule of Fees, a charge is required by the Commission’s *Electric, Natural Gas,*
15 *and Water Billing Standards* (“Billing Standards”) Section I B (1), as follows: “In the event
16 the customer does not furnish a meter reading pursuant to this subsection for two
17 consecutive periods, the utility may read the meter and charge the customer a meter reading
18 charge....”

19
20 **Q. Has the Company submitted a sufficient waiver request to deviate from the Billing**
21 **Standards in this regard?**

1 A. No. According to Section VI of the Billing Standards, “The requirements contained in these
2 standards may be waived in individual cases by the Commission upon written request by
3 the utility and a showing that compliance with the requirement would not serve the interests
4 of either the utility or the customer.” To my knowledge, Atmos has not requested a waiver
5 from the Billing Standards Section I B (1) nor made a sufficient showing that compliance
6 with the requirement would not serve the interests of either the utility or the customer.

7
8 **Q. Do you recommend approval of the Company’s request to eliminate the meter
9 reading fee?**

10 A. I do not. I recommend the Commission reject the Company’s request to eliminate its Meter
11 Reading Fee. The fee should remain unchanged.

12 First, as stated above, I do not believe the Company has submitted a sufficient
13 waiver request to deviate from Section VI of the Billing Standards.

14 Second, the meter reading and associated fee is triggered by a specific undesirable
15 customer behavior: not furnishing a meter reading for two consecutive periods. Therefore,
16 the fee has value as a deterrent against undesirable behavior. Any associated costs should
17 not be recovered from other non-offending ratepayers.

18 I fail to see how removal of the meter read fee would be helpful to low-income
19 customers, generally.

1 **b) Worthless Check Charge**

2 **Q. Please describe the Company's current Worthless Check Charge policy.**

3 A. The Company may require, for each customer check returned for insufficient funds, a
4 Worthless Check Charge "not to exceed the amount provided by K. S. A. 21-3707 or as
5 thereinafter amended (\$30.00)."³¹

6
7 **Q. Is a service charge for worthless checks contemplated by Kansas Statute?**

8 A. Yes. Although K.S.A. 21-3707, referenced in the Company's tariff, has been repealed,
9 K.S.A. 21-5821 is now the relevant statute regarding worthless checks. K.S.A. 21-
10 5821(d)(1) states that a worthless check becomes prima facie evidence of intent to defraud
11 *unless* the amount due *plus* a service charge not exceeding \$30 per check is paid within
12 seven days of notice.

13
14 **Q. Do you recommend approval of the Company's request to eliminate the Worthless
15 Check Charge?**

16 A. I do not. I recommend the Commission reject the Company's request to eliminate its
17 Worthless Check Charge. The charge should remain unchanged. The tariff should be
18 updated to reference the relevant statute.

19 First, I believe a utility's enforcement of a worthless check service charge is
20 consistent with state policy, as defined in K.S.A. 21-5821.

³¹ Schedule II, Sheet 1.

1 Second, the Worthless Check Charge is triggered by an undesirable and presumably
2 *criminal* customer behavior: the issuance of a check that is not backed by sufficient funds.
3 Therefore, applying the maximum charge allowed by statute has value as a deterrent
4 against undesirable behavior. Any associated costs with such undesirable behavior should
5 not be recovered from all other non-offending ratepayers.

6 Socialization of this cost would be harmful to low-income ratepayers who arrange
7 sufficient funds to pay their bill.

8
9 **c) Insufficient Funds Charge (Electronic Transaction)**

10 **Q. Please describe the Company's current Insufficient Funds Charge policy.**

11 A. The Company may require, for each customer's electronic transaction ("e-transaction")
12 reversed due to a lack of funds available, an Insufficient Funds Charge not to exceed
13 \$30.00.

14
15 **Q. Is a service fee for insufficient funds contemplated by Kansas Statute?**

16 A. Yes, I believe so. As previously stated, my understanding of K.S.A. 21-5821(d)(1) is that
17 a worthless check becomes prima facie evidence of intent to defraud unless the amount due
18 plus a service charge not exceeding \$30 per check is paid within seven days of notice.

19 K.S.A. 21-5821(c)(1) defines "check" as "any check, order or draft on a financial
20 institution." My understanding is an e-transaction would qualify as such a draft, therefore,
21 an e-transaction lacking the associated funds could be considered a worthless check.

1 **Q. Do you recommend approval of the Company's request to eliminate the Insufficient**
2 **Funds Charge?**

3 A. I do not. I recommend the Commission reject the Company's request to eliminate its
4 Insufficient Funds Charge for e-transactions for the same reasons I gave for the Worthless
5 Check Charge. The Insufficient Funds Charge should remain unchanged.

6

7 **d) Collection Charge**

8 **Q. Please describe the Company's current Collection Charge policy.**

9 A. When collection is made at the customer's premises to avoid disconnection of gas service
10 or gas service is discontinued because of non-payment of a bill, the Company will require
11 a Collection Charge of \$8.00.

12

13 **Q. Are utilities required to charge a collection charge?**

14 A. Yes. According to Section II F of the Billing Standards, "[I]f collection is made at the
15 customer's premises or service is discontinued because of non-payment of a bill, the utility
16 shall require a collection or disconnection charge."

17

18 **Q. Has the Company submitted a sufficient waiver request to deviate from the Billing**
19 **Standards in this regard?**

1 A. No. To my knowledge, Atmos has not made a request for waiver from the Billing Standards
2 Section II F nor made a sufficient showing that compliance with the requirement would
3 not serve the interests of either the utility or the customer.

4
5 **Q. Do you recommend approval of the Company's request to eliminate the Collection**
6 **Charge?**

7 A. I do not. I recommend the Commission reject the Company's request to eliminate its
8 Collection Charge. I recommend the Collection Charge remain as stated in the current
9 tariff, specific to when the Company sends a technician to collect the customer's payment
10 onsite.

11 First, as stated above, I do not believe the Company has submitted a sufficient
12 waiver request to deviate from Section II F of the Billing Standards.

13 Second, there are labor and equipment costs that are directly attributable to the
14 collection process. These costs should not be recovered from all other ratepayers who did
15 not cause the cost to be incurred.

16 Socialization of these costs would be harmful to low-income customers who pay
17 their bills on time.

18 It is important to mention that Atmos "stopped the collection charge practice when
19 the Company went into moratorium during the pandemic and has not resumed since with
20 the virtual knock and collect."³² If the Commission rejects the Company's request to

³² Atmos's response to CURB DR 71.

1 eliminate the Collection Charge, Atmos should resume charging the fee when it sends a
2 technician to collect the customer's payment onsite.

3

4 **e) Disconnection Charge**

5 **Q. Please describe the Company's current Disconnection Charge policy.**

6 A. Except when disconnection is requested by the customer, the Company will require a
7 Disconnection Charge of \$15.00 during Normal Business Hours or \$20.00 during Other
8 than Normal Business Hours, but not both a collection charge and a disconnection charge.

9

10 **Q. Are utilities required to charge a disconnection charge?**

11 A. Yes. According to Section II F of the Billing Standards, "[I]f collection is made at the
12 customer's premises or service is discontinued because of non-payment of a bill, the utility
13 shall require a collection or disconnection charge."

14

15 **Q. Has the Company submitted a sufficient waiver request to deviate from the Billing
16 Standards?**

17 A. No. To my knowledge, Atmos has not made a request for waiver from the Billing Standards
18 Section II F nor made a sufficient showing that compliance with the requirement would
19 not serve the interests of either the utility or the customer.

1 **Q. Do you recommend approval of the Company's request to eliminate its Disconnection**
2 **Charge?**

3 A. I do not. I recommend the Commission reject the Company's request to eliminate its
4 Disconnection Charge. The Disconnection Charge should remain unchanged.

5 First, as stated above, I do not believe the Company has submitted a sufficient
6 waiver request to deviate from Section II F of the Billing Standards.

7 Second, there are labor and equipment costs that are directly attributable to the
8 disconnection process. Atmos is unable to perform remote disconnection — an on premise
9 visit is always necessary for disconnection of service.³³ These costs should not be
10 recovered from all other ratepayers who did not cause the cost to be incurred.

11 Socialization of these costs would be harmful to low-income customers who pay
12 their bills on time.

13
14 **f) Initiation Charges**

15 **Q. Please describe the Company's current service Initiation Charge policy.**

16 A. When gas service is initiated, the Company will require a charge of \$20.00 during Normal
17 Business Hours or \$25.00 during Other than Normal Business Hours.

18
19 **Q. Do you recommend approval of the Company's request to eliminate its service**
20 **Initiation Charges?**

³³ Atmos response to CURB DR 72.

1 A. No, I do not believe the Company has submitted sufficient justification to eliminate its
2 Initiation Charges. Therefore, I recommend the Commission reject the Company's request.
3 These charges should remain unchanged.
4

5 **g) Reconnection Charges**

6 **Q. Please describe the Company's current Reconnection Charge policy.**

7 A. When gas service is reconnected, the Company will require a charge of \$20.00 during
8 Normal Business Hours or \$25.00 during Other Than Normal Business Hours.

9 When gas service is reconnected to multiple unit buildings or multi-family dwelling
10 units served by one meter, a Reconnection Charge shall be made which shall be the greater
11 of a) \$20.00 during Normal Business Hours/\$25.00 Other Than Normal Business hours or
12 (b) \$4.00 during Normal Business Hours/\$5.00 Other Than Normal Business Hours, per
13 building or family dwelling unit.
14

15 **Q. Are utilities required to charge reconnection charges?**

16 A. Yes. According to Section II F of the Billing Standards, "After disconnection of service for
17 non-payment of a bill should service be reconnected in accordance with the appropriate
18 provisions of the utility's rules, regulations and tariffs, a reconnection charge shall be
19 applied."

1 **Q. Has the Company submitted a sufficient waiver request to deviate from the Billing**
2 **Standards?**

3 A. No. To my knowledge, Atmos has not made a request for waiver from the Billing Standards
4 Section II F nor made a sufficient showing that compliance with the requirement would
5 not serve the interests of either the utility or the customer.

6
7 **Q. Do you recommend approval of the Company's request to eliminate its service**
8 **reconnection charges?**

9 A. I do not. I recommend the Commission reject the Company's request to eliminate all of its
10 service reconnection charges. The charges should remain unchanged.

11 First, as stated above, I do not believe the Company has submitted a sufficient
12 waiver request to deviate from Section II F of the Billing Standards.

13 Second, there are labor and equipment costs that are directly attributable to the
14 reconnection process. These costs should not be recovered from all other ratepayers who
15 did not cause the costs to be incurred.

16 Socialization of these costs would be harmful to low-income customers who pay
17 their bills on time to avoid disconnection (and subsequently reconnection).

1 **h) Meter Test Charges**

2 **Q. Please describe the Company's current Meter Test Charge policy.**

3 A. The Company, upon written request by a customer, shall test the accuracy of the meter
4 used by the customer, provided the meter has not been tested by the Company within one
5 year previous to such test.

6 The Customer will be required by the Company to make an advance deposit to
7 cover the cost of the meter test. The amount of the charge varies depending upon meter
8 type and rated capacity. If the meter is not found to be within acceptable accuracy limits,
9 the Meter Test Fee is refunded to the customer.³⁴

10
11 **Q. Do you recommend approval of the Company's request to eliminate Meter Test**
12 **Charges?**

13 A. No, I do not believe the Company has submitted sufficient justification to eliminate its
14 Meter Test Charges. Therefore, I recommend the Commission reject the Company's
15 request. The charges should remain unchanged.

16 The Meter Test Charges are applicable to testing upon written request by a
17 customer. Because the testing is done at the customer's request, the associated costs should
18 not be recovered from other ratepayers who did not cause the cost to be incurred.

³⁴ Atmos's response to CURB DR 73.

1 Additionally, there is value in requiring an advanced deposit for meter testing as a
2 deterrent to weed out frivolous testing requests. The customer should have some “skin in
3 the game.”

4 I fail to see how removal of the meter read fee would be helpful to low-income
5 customers, generally.

6

7 **i) Temporary Service Fee**

8 **Q. Please describe the Company's current Temporary Service Fee policy.**

9 A. Upon request of a Customer, the Company will provide a temporary service. A minimum
10 charge of not less than \$25.00 shall be paid for such temporary service.

11

12 **Q. Do you recommend approval of the Company's request to eliminate its Temporary**
13 **Service Fee?**

14 A. No, I do not believe the Company has submitted sufficient justification to eliminate its
15 Temporary Service Fee. Therefore, I recommend the Commission reject the Company's
16 request. This fee should remain unchanged.

17 This fee is for provision of a direct service and the associated costs should not be
18 recovered via other ratepayers.

1 **j) Credit/Debit/ATM Cards**

2 **Q. Please describe the Company's current Credit/Debit/ATM Card fee policy.**

3 A. Per Schedule II, the Company's Authorized Pay Agent may charge the customer an
4 additional fee of \$3.95 per \$500 for the use of credit/debit/ATM cards.

5
6 **Q. Is the Company currently charging the card payment fees referenced in Schedule II?**

7 A. No, Atmos does not assess a separate fee for card payments.³⁵ I was informed that Atmos
8 stopped charging fees related to card payments "several years ago."

9
10 **Q. Are utilities required to charge fees for the bill payment via credit card?**

11 A. Yes. Under the Commission's *Minimum Standards for Payment Methods for Utility Bills*
12 *and Allowing the Acceptance of Credit Cards by Kansas Jurisdictional Electric, Natural*
13 *Gas, and Water Utilities* ("Payment Standards") Section I(2), "The fees associated with
14 credit card use shall cover all of the costs to the utility of such payment methods. Customers
15 not paying with credit cards shall not be burdened with the transaction costs of customers
16 utilizing these payment methods."

17
18 **Q. Has the Company submitted a waiver request to deviate from the Payment**
19 **Standards?**

³⁵ Atmos response to CURB DR 74.

1 A. No. To my knowledge, the Company has not submitted a request for waiver from Section
2 I (2) of the Payment Standards.
3

4 **Q. Have other jurisdictional utilities waived card payment fees?**

5 A. Yes. It is my understanding that Evergy Kansas Central, Evergy Kansas Metro, Southern
6 Pioneer Electric, and Black Hills do not charge card transaction fees to some or all of their
7 customers (in some cases, only certain rate classes are charged card transaction fees).
8 Liberty-Empire temporarily waived card transaction fees during the COVID-19 pandemic.

9 Importantly, it is also my understanding that sufficient waiver requests were
10 submitted and evaluated for the other utilities' deviations from the Payment Standards. My
11 recollection is the general reasoning for the other utilities' waiver requests has been to
12 increase customer satisfaction on the basis that customers enjoy the convenience of paying
13 by credit card but are not accustomed to paying fees for card transactions with other types
14 of service providers.³⁶
15

16 **Q. Do you recommend approval of the Company's request to eliminate card transaction**
17 **fees?**

18 A. I do not. I recommend the Commission reject the Company's request to eliminate its card
19 transaction fees. The fees currently listed in Schedule II of the tariff should be charged.

³⁶ For examples: *See* Direct Testimony of Jeffrey Beasley, pp. 4–5, Docket No. 14-WSEE-589-TAR (June 18, 2014). Also, *See* Direct Testimony of Rachel R. Schuldt, p. 48, Docket No. 21-EPDE-134-TAR (May 7, 2021).

1 First, I do not believe the Company has submitted a sufficient waiver request to
2 deviate from Section I (2) of the Payment Standards.

3 Second, there are costs that are directly attributable to the processing of card
4 payments and I do not believe these costs should be recovered via other ratepayers.
5 Oftentimes, credit cards offer the payer rewards or cash back per dollar spent. Such benefits
6 go directly to the payer even though the associated transaction costs would be socialized
7 among other customers. This seems unfair.

8 I fail to see how the socialization of credit card fees is specifically helpful to low-
9 income customers. If anything, I believe it to be harmful in the long run. Generally, I am
10 against policies that would encourage low-income customers to pay through credit, thereby
11 increasing their personal debt and interest charges. Problematic debt is one of the
12 “Pathways to Poverty.”³⁷

13 I certainly acknowledge that it has become irregular for customers to be charged
14 for the usage of credit cards in general commercial transactions. However, monopolistic
15 public utilities who offer an essential service to a captive customer base operate under
16 much different pricing conditions than retailers in a competitive market. Structuring pricing
17 based on the cost-causation principle is much less straightforward in the free market where
18 competitive pricing is paramount.

19 Given the Commission has granted waivers from this requirement to other utilities,
20 I recognize it is quite possible the Commission does not share my opinion. However, that

³⁷ The Centre for Social Justice, <https://www.centreforsocialjustice.org.uk/about/the-five-pathways> (Accessed Jan. 13, 2023).

1 potential does not warrant a blanket waiver of *all* the fees in Schedule II. Rather, a more
2 detailed look at data on credit card users in Atmos's jurisdiction would be reasonable
3 before determining a waiver on this particular charge.
4

5 **Q. Do you have any additional recommendations regarding credit, debit, and ATM card**
6 **fees?**

7 A. I do. If the Commission does not reject Atmos's request to eliminate card payment fees,
8 the Commission should require Atmos to submit a proper request for waiver from the
9 Payment Standards.

10 Furthermore, the Commission's Payment Standards have not been revised since
11 2005. Since then, there has clearly been a significant shift toward electronic transactions in
12 all aspects of commerce. In light of the fact most jurisdictional utilities have deviated from
13 the Payment Standards in some fashion, if the Commission does not reject Atmos's request
14 to eliminate its credit card fees, I believe it would be appropriate for the Commission to
15 initiate an investigation to determine whether the Payment Standards should be modified.
16

17 **k) Electronic Measurement Trip Charge**

18 **Q. Please describe the Company's current Electronic Measurement Trip Charge policy.**

19 A. When Company personnel and equipment have been utilized in responding to electronic
20 measurement services, a \$30.00 Trip Charge will be required.

1 **Q. Do you recommend approval of the Company's request to eliminate its Electronic**
2 **Measurement Trip Charge?**

3 A. No, I do not believe the Company has submitted sufficient justification to eliminate its
4 Electronic Measurement Trip Charge. Therefore, I recommend the Commission reject the
5 Company's request. This fee should remain unchanged.

6 This fee is only applicable to Transportation customers³⁸ and is for provision of a
7 direct service, so the associated labor and equipment costs should not be recovered via
8 other ratepayers who did not cause the costs to be incurred. Particularly, this cost should
9 not pass beyond Transportation customers.

10 Socializing this cost would be harmful to low-income residential ratepayers, none
11 of whom are Transportation customers.

12
13 **l) Electronic Flow Measurement (EFM) Equipment Charge**

14 **Q. Please describe the Company's current EFM Equipment Charge policy.**

15 A. When a transportation End User opts to pay for the installation of EFM equipment through
16 a monthly charge instead of paying the full cost at the time of installation, a \$30.00 EFM
17 Equipment Charge will be required for as long as the End User has transportation services.

18
19 **Q. Why is the Company proposing to eliminate the option for customers to finance EFM**
20 **installation through a monthly EFM Equipment Charge?**

³⁸ Atmos's response to CURB DR 71.

1 A. Primarily because the cost to install EFM has continued to increase.³⁹ Atmos contends that
2 if the Commission were to reject the proposal to eliminate this option from Schedule II,
3 then Atmos would argue that the monthly charge would need to be negotiated with each
4 individual customer based upon the actual installation costs at that time.⁴⁰

5

6 **Q. Do you recommend approval of the Company's request to eliminate the EFM**
7 **Equipment Charge?**

8 A. No. I recommend the Commission reject the Company's proposed request to eliminate the
9 EFM Equipment Charge entirely.

10 Conceptually, I am not opposed to the Company's request to eliminate the option
11 for *future* customers to finance EFM installation through the monthly EFM Equipment
12 Charge. If future customers all pay for the equipment outright, it should not be necessary
13 to socialize any costs.

14 However, I am opposed to elimination of the monthly EFM Equipment Charge for
15 Transportation customers who already agreed to the EFM Equipment Charge *instead of*
16 paying the full cost of equipment at the time of installation. The remaining balance of EFM
17 equipment costs is customer-specific and also specific to Transportation customers,
18 therefore, it should not be socialized among all ratepayers. Particularly, this cost should
19 not pass beyond Transportation customers.

³⁹ Direct Testimony of Rob R. Leivo, p. 5 (Sep. 9, 2022) ("Leivo Direct").

⁴⁰ Leivo Direct, p. 5.

1 **VI. SmartChoice Carbon Offset (SCCO) Offering**

2 **A. Background**

3 **Q. Please describe Atmos's proposed SCCO offering.**

4 A. The proposed SCCO Rider is designed to provide customers the voluntary option to offset
5 some or all of the carbon emissions associated with their natural gas usage through the
6 Company's purchase and retirement of Carbon Credits on the participating customer's
7 behalf.⁴¹ Atmos wants to offer the SCCO Rider as an option for its customers striving to
8 lower their greenhouse gas ("GHG") emissions.⁴²

9 Subject to Commission approval, Atmos's target is to issue its first billings for the
10 SCCO Rider about three months after receiving approval.⁴³

11
12 **Q. What is a Carbon Credit?**

13 A. A Carbon Credit is a certificate representing the reduction of one metric ton (2,205 lbs.) of
14 carbon dioxide (CO₂) emissions. Carbon Credits are measurable, verifiable emission
15 reductions from certified climate action projects. These projects reduce, remove, or avoid
16 GHG emissions.⁴⁴ Each Carbon Credit is assigned a unique serial number, so it cannot be
17 reused.⁴⁵

⁴¹ Direct Testimony of Gary L. Smith, p. 10 (Sep. 9, 2022) ("Smith Direct").

⁴² Smith Direct, p. 10.

⁴³ Smith Direct, p. 19.

⁴⁴ Smith Direct, p. 11.

⁴⁵ Smith Direct, p. 11.

1 **Q. Please describe Atmos's proposed SCCO rate structure.**

2 A. The Company's proposed SCCO Rider would offer voluntary carbon offset options for all
3 rate classes.⁴⁶ If customers elect to participate in the SCCO Rider, they may choose to
4 offset 25%, 50%, or 100% of the monthly CO₂ emissions from their consumption of natural
5 gas.

6 For residential customers, the Company is proposing a fixed monthly charge based
7 on: the targeted offset percentage, the cost of Carbon Credits to offset emissions from one
8 Ccf, and the average annual weather-normalized consumption for Atmos's residential
9 customers in Kansas (837 Ccf). To fully offset emissions from natural gas consumption for
10 the average Kansas residential customer, the Company set the charge at \$8.40 per month.
11 The monthly charge for lower offset levels for residential customers were calculated by
12 multiplying the \$8.40 monthly charge times 25% and 50% respectively.⁴⁷ The charge will
13 be reflected as a separate line-item on participating customers' monthly bills.⁴⁸

14 For nonresidential sales and transportation customers the Company is proposing
15 the same target offset percentage options, applying volumetric rates of \$0.1080 per Ccf for
16 100% offset. The rates for the lower offset levels for nonresidential customers were
17 calculated by multiplying the \$0.1080 per Ccf rate times 25% and 50% respectively.⁴⁹

⁴⁶ Smith Direct, p. 12.

⁴⁷ Smith Direct. p. 14.

⁴⁸ Smith Direct, p. 18.

⁴⁹ Smith Direct, p. 13.

1 The proposed SCCO Rider tariff includes a provision requiring the Company to file
2 a Purchased Carbon Offset Adjustment (at least once every 12 months) to review the
3 balance of revenues and costs under the SCCO Rider and prospectively adjust those rates.⁵⁰
4

5 **Q. Please describe how customers would opt-in, make changes, or opt-out of the SCCO**
6 **Rider.**

7 A. Customers wanting to opt-in, change their participation level, or opt-out from the SCCO
8 Rider will be able to do so (with timely notice), by calling Atmos customer service or
9 online through the Account Center on Atmos's website. Customers may also opt-out by
10 providing 30 days prior written notice.⁵¹
11

12 **Q. Will non-participating customers bear any costs associated with the SCCO Rider?**

13 A. Customers who are not enrolled in the SCCO Rider will not bear any additional costs
14 associated with the SCCO program. In addition, the SCCO Rider rates do not include any
15 profit margin for the Company.⁵²

16 The retirement of the Carbon Credits for any participating customer will not take
17 place until the customer has paid their bill, including fees for the SCCO Rider. Thus, there
18 will be no bad debt associated with the SCCO Rider.⁵³

⁵⁰ Smith Direct, p. 15.

⁵¹ Proposed Schedule XI: SmartChoice Carbon Offset Tariff Rider.

⁵² Smith Direct, p. 14.

⁵³ Smith Direct, p. 16.

1 The Company's recovery of administrative costs through the SCCO Rider rates will
2 depend on the actual market costs of carbon offsets at the time they are purchased; however,
3 any unrecovered costs will remain in a deferred account and be addressed through future
4 changes to the SCCO Rider rates only.⁵⁴

5
6 **B. Evaluation and Recommendation**

7 **Q. Do you recommend the Commission approve the Company's proposed SCCO Rider?**

8 A. I am supportive of the proposed SCCO Rider. However, I recommend the Commission
9 limit the initial Program offering to five-year pilot status. If the pilot is terminated, Atmos's
10 shareholders should be responsible for any excess costs if there is deferred undercollection
11 after the pilot program ends. With those modifications, I would recommend approval of
12 the Company's proposed SCCO Rider.

13
14 **Q. Why are you supportive of the proposed SCCO Rider?**

15 A. I am supportive of the SCCO Rider because: it is voluntary; it requires no long-term
16 commitment from participants; it appears to be easily accessible to opt-in, modify
17 participation level, or opt-out; it will be identifiable as a line item charge; and customers
18 who are not enrolled in the SCCO Rider will not bear any additional costs associated with
19 the Program.

20

⁵⁴ Smith Direct, p. 14.

1 **Q. Why do you recommend the SCCO Rider be made a five-year pilot?**

2 A. Implementing a new program, such as the SCCO Rider, in pilot status is the preferred, less
3 committal approach. It allows the Commission to evaluate performance and modify, or
4 potentially terminate, a program by a date certain, and it places an onus upon the Company
5 to justify continuance. In my experience, five years is a relatively typical pilot term.

6 Furthermore, Atmos's SCCO Rider proposal is similar to Black Hills' Voluntary
7 Renewable Natural Gas and Carbon Offset Program, which was approved as a four-year
8 pilot by the Commission in Docket 23-037 on October 25, 2022. On CURB's
9 recommendation, Black Hills' shareholders will be responsible for any excess costs if that
10 program is terminated with a deferred undercollection.

11

12 **VII. Conclusion**

13 **Q. Please restate your final recommendations.**

14 A. I recommend the following:

15 1) The Commission should reject Atmos's requested \$15 million increase to the cap on
16 spending for the current five-year SIP period. The Commission should also reject
17 Atmos's request to extend the SIP from 2026 through 2030.

18 ■ If the Commission does not reject the proposed expansion of the initial SIP
19 budget, then the approval should be conditioned on the Company's agreement
20 to a rate moratorium for: a) three years from the date of approval of new rates
21 in this rate case or b) until termination of the SIP (if an extension is not granted),

1 whichever comes first.

2 2) The Commission should reject Atmos's request to eliminate all fees from its Schedule
3 of Service Fees. I recommend each of the fees remain unchanged.

4 ▪ If the Commission does not reject Atmos's request to eliminate its credit card
5 transaction fees, I recommend the Commission initiate an investigation to
6 determine whether the current Payment Standards should be modified.

7 3) The Commission should approve Atmos's requested SmartChoice Carbon Offset
8 offering with one modification: the program should be implemented in pilot status with
9 an initial duration of five years. If the pilot is terminated, Atmos's shareholders should
10 be responsible for any excess costs if there is deferred undercollection after the pilot
11 program ends.

12

13 **Q. Does this conclude your testimony?**

14 **A. Yes.**

VERIFICATION

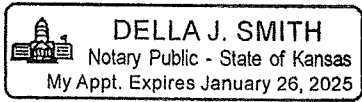
STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

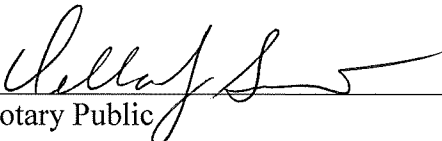
I, Josh P. Frantz, of lawful age and being first duly sworn upon my oath, state that I am a Senior Regulatory Analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.



Josh P. Frantz

SUBSCRIBED AND SWORN to before me this 17th day of January, 2023.





Notary Public

My Commission expires: 01-26-2025.

APPENDIX A

Referenced Data Requests:

CURB 1-32

CURB 1-71

CURB 1-72

CURB 1-73

CURB 1-74

CURB 1-75

CURB 1-79

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-32
Page 1 of 1

REQUEST:

For each type of pipe in the Company's system, please provide a) the total miles of pipe, b) the estimated miles that need to be replaced, c) the estimated miles to be replaced each year, and d) the total number of years until replacement is complete.


RESPONSE:

	a	b	c	d
Type	Miles	Miles to Replace	Miles/Year	Years to Complete
Bare Steel	1,317	1,317	28	47
Coated Steel	251	0	0	0
PVC	42	42	5.25	8
PE	2,527	1,044	52.2	20

Respondent: John Willis

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed:  _____

Date: October 17, 2022

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-71
Page 1 of 2

REQUEST:

- a. For each fee proposed to be removed, please provide the test year costs incurred by the Company for providing that service (i.e., cost of processing a worthless check, cost of processing credit/debit/ATM cards, etc.).
- b. For each fee, what are the utility's primary cost drivers (e.g., labor, equipment, vendor fees, etc.)

RESPONSE:

Meter Reading Fee – Other than labor (Customer Contact Center, Dispatch, Operations) and rolling a truck, Atmos Energy does not incur any costs.

Worthless Check Charge – Atmos Energy is charged \$3.12 for each returned paper check; however, the Company is not able to breakout each type of returned payment on its bank statements and is unable to provide that level of detail.

Insufficient Funds Charge (e-transaction) – Atmos Energy is charged \$0.31 cents per every electronic NSF item. The Company is not able to breakout each type of returned payment on its bank statements and is unable to provide that level of detail.

Collection Charge – This fee is related to when an Atmos Energy technician collects a customer's payment onsite and then takes that payment to a pay center. Atmos Energy stopped this practice when we went into moratorium during the pandemic and has not resumed since with the virtual knock and collect. Should the Company resume accepting payments while onsite and taking them to a payment center, the costs involved would be labor and rolling a truck.

Disconnection Charge – Other than labor (Dispatch, Operations) and rolling a truck, Atmos Energy does not incur any costs.

Initiate or Reconnect Charge – Other than labor (Customer Contact Center, Dispatch, Operations) and rolling a truck, Atmos Energy does not incur any costs.

Initiate or Reconnect Charge – multiple units / multi-family – Other than labor (Customer Contact Center, Dispatch, Operations) and rolling a truck, Atmos Energy does not incur any costs.

Meter Test Charges – Depending on the size of meter, Atmos Energy incurs a \$17 or \$25 cost per meter test. It is very rare that we receive a customer request to test their meter.

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-71
Page 2 of 2

Temp Service Fee – Other than labor (Dispatch, Operations) and rolling a truck, Atmos Energy does not incur any costs. This service is requested by Operations and Dispatch creates the order.

Credit/Debit/ATM Card Fees – Within the test year, Atmos Energy incurred \$10,145,971 of costs to process card payments.

Electronic Measurement Trip Charge – This fee only applies to Transportation customers and is invoiced the following month. Other than labor (Marketing, Measurement, Finance, Operations) and rolling a truck, Atmos Energy does not incur any costs.

EFM Equipment Charge – This fee only applies to Transportation customers and is invoiced the following month. Other than labor (Marketing, Measurement, Finance, Operations, IT) Atmos Energy does not incur any costs.

Respondent: Kathleen Ocanas

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: Kathleen Ocanas

Date: January 5, 2023

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-72
Page 1 of 1

REQUEST:

Can the Company disconnect and/or reconnect service remotely, or is an on premise visit always necessary?

RESPONSE:

An on premise visit is always necessary for disconnection and reconnection of service.

Respondent: Kathleen Ocanas

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: Kathleen Ocanas

Date: January 5, 2023

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-73
Page 1 of 1

REQUEST:

Is the "advance deposit" for meter testing refundable if meter malfunction is detected?

RESPONSE:

If the meter is found to be within the accuracy limits established, as referred to in Schedule I, Section 9, G. 2. the entire Meter Test Fee will be retained in order to help defray the Company's expense in testing the meter. In all other cases, the Meter Test Fee shall be refunded to the Customer.

Respondent: Kathleen Ocanas

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: Kathleen Ocanas

Date: January 5, 2023

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-74
Page 1 of 1

REQUEST:

- a. For the test year, by customer class, what percentage of customers' payments were subject to credit/debit/ATM fees?
- b. For the test year, by customer class, what was the average credit/debit/ATM fee amount per charge?

RESPONSE:

- a. None. Atmos Energy does not assess a separate fee for card payments. However, the Company does incur an average fee of \$0.81 for the payment to be processed.
- b. Please see the response to subpart (a).

Respondent: Kathleen Ocanas

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: Kathleen Ocanas

Date: January 5, 2023

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-75
Page 1 of 1

REQUEST:

For each fee proposed to be removed, please explain how removing the fee would "would promote equity and assist disproportionately impacted communities by spreading these costs over all customers." (See Ocanas Direct, p. 9)

RESPONSE:

The Company believes that the costs associated with these charges are more burdensome to its lower-income customers than to its non-income qualifying customers. The proposal promotes "equity" as Atmos Energy understands that term to be used in the context of helping disproportionately impacted communities avoid the burden associated with these charges. The proposal does not promote "equity" in the general sense in that these charges will no longer be assessed only to the specific customers that cause them to be incurred and instead would be borne by the entire system.

Respondent: Kathleen Ocanas

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief, and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: Kathleen Ocanas

Date: January 5, 2023

Docket No. 23-ATMG-359-RTS
Atmos Energy Corporation, Kansas Division
CURB DR Set No. 1
Question No. 1-79
Page 1 of 1

REQUEST:

As stated in Willis Direct, p. 17, "Atmos Energy believes that it is in the public interest to proceed with this investment in the planned timeframe and not introduce further delay." Would the Company delay or abandon a portion of its planned projects from the previously-approved SIP pilot if the Commission rejects Atmos's requested SIP spending cap increase? If so, please provide the estimated completion date of each project if the SIP budget expansion is denied.

RESPONSE:

Atmos Energy will continue to follow its Distribution Integrity Management Plan ("DIMP") required by 49 C.F.R. Part 192 subpart P, pursuant to which "the operator must determine the relative importance of each threat and estimate and rank the risks posed to its pipeline. This evaluation must consider each applicable current and potential threat, the likelihood of failure associated with each threat, and the potential consequences of such a failure." Industry-identified materials that are a higher relative risk for failure are part of that evaluation. Operators should identify and understand the threats to their pipelines and apply their safety resources commensurate with the importance of each threat.

Accelerated pipe replacement investment produces no incremental revenue until the revenue requirement of that investment is reflected in rates. The SIP was approved by the KCC to address this fact and SIP provides Atmos Energy the ability to attract capital for the incremental investment necessary to accelerate pipe replacement. The reasons for the requested extension of SIP and the increase in the SIP budget are set forth in Mr. Willis' direct testimony. Elimination of SIP, or disapproval of the requested SIP spending cap increase, will make it more difficult for Atmos Energy to attract the necessary incremental investment to accelerate pipe replacement and (subject to the our DIMP requirements) would very likely lead to the delay in completing planned projects. Atmos Energy can't estimate the completion date of each project if SIP is eliminated, or the requested increase in the SIP budget is not approved, because such timing would be based upon Atmos Energy's DIMP requirements and its ability to attract the incremental investment necessary to complete the planned projects.

Respondent: John Willis

Verification of Response

I have read the foregoing Information Request and answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to the Commission Staff any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed: _____



Date: January 12, 2023

CERTIFICATE OF SERVICE

23-ATMG-359-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 17th day of January, 2023, to the following:

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