

**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-___-TAR
EXTRAORDINARY COSTS AND ISSUANCE)
OF A FINANCING ORDER)**

DIRECT TESTIMONY OF

KATHLEEN R. OCANAS

MAY 25, 2022

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DIRECT TESTIMONY OF KATHLEEN R. OCANAS

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I. POSITION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS AND DESCRIBE YOUR ROLE AT ATMOS ENERGY CORPORATION.

A. My name is Kathleen R. Ocanas, and my business address is 25090 W. 110th Terrace, Olathe, Kansas 66061. I am the Vice President of Rates & Regulatory Affairs for the Colorado/Kansas Division of Atmos Energy Corporation¹ (“Atmos Energy” or the “Company”).

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.

A. I received my Bachelor of Science degree from Wayland Baptist University in 2008. I was hired by Atmos Energy’s West Texas Division in 2008 within the Finance department and shortly thereafter was promoted to a Rate Analyst in the Rates and Regulatory Affairs department. In 2015, I received a Master of Business Administration degree, minoring in Accounting from the University of Texas A&M – Commerce and relocated to the Company’s Mid-Tex Division as a Sr. Rates Analyst. In 2018, I was promoted to the position of Rates & Regulatory Project Manager. There, I coordinated, organized, and implemented various rate case

¹ Atmos Energy is the largest fully regulated pure natural gas distribution company in the United States. The Company delivers natural gas to approximately 3.2 million residential, commercial, industrial and public-authority customers in eight states. Atmos Energy has six unincorporated gas utility operating divisions headquartered in Lubbock, Texas (West Texas division); Dallas, Texas (Mid-Tex division); Denver, Colorado (Colorado/Kansas division); Baton Rouge, Louisiana (Louisiana division); Jackson, Mississippi (Mississippi division); and Franklin, Tennessee and Owensboro, Kentucky (Kentucky/Mid-States division). In addition, Atmos Energy has an operating division, Atmos Pipeline - Texas, headquartered in Dallas, Texas which consists of a regulated intrastate pipeline that operates only within Texas.

1 activity, maintained relationships with key stakeholders, and supported the public
2 affairs and governmental affairs teams. In July of 2021, I assumed my current role
3 as the Colorado-Kansas Division Vice President of Rates and Regulatory Affairs. I
4 am responsible for leading and directing the rates and regulatory activity in the
5 Atmos Energy’s Colorado-Kansas Division. This responsibility includes executing
6 and managing the rate strategy for both states.

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

8 A. Yes, I have testified before this Commission in Docket No 21-ATMG-333-GIG.

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

10 **Q. WHAT IS THE PURPOSE OF THIS FILING?**

11 A. Pursuant to the Commission’s March 24, 2022, Order issued in Docket No. 21-
12 ATMG-333-GIG (“21-333 Docket”) and the recently enacted Utility Financing and
13 Securitization Act (Senate Substitute for House Bill No. 2072 codified at K.S.A.
14 66-1,240 et seq.) (“Act”), Atmos Energy makes this filing for a Financing Order to
15 issue Securitized Utility Tariff Bonds to recover the Qualified Extraordinary Costs
16 the Company incurred to ensure service to its customers during the February 2021
17 Winter Storm Uri (“Winter Event”). In this filing, Atmos Energy provides a
18 proposed Financing Order and addresses the statutory requirements for requesting
19 a Financing Order set out in the Act. Capitalized terms contained in my testimony
20 have the meanings set forth in Section 1 (b) of the Act, K.S.A. 66-1,240. Witnesses
21 for Atmos Energy address the following:

- 22 • a description of the Qualified Extraordinary Costs Atmos Energy requests to
23 recover;
24 • a description of how customary rate-making treatment of Atmos Energy’s

- 1 Qualified Extraordinary Costs would result in an extreme customer rate impact;
- 2 • a description of the Securitized Utility Tariff Costs Atmos Energy proposes to
3 recover with the proceeds of Securitized Utility Tariff Bonds;
- 4 • an indication of whether Atmos Energy intends to finance all or a portion of the
5 Qualified Extraordinary Costs using Securitized Utility Tariff Bonds;
- 6 • an estimate of the financing costs related to the issuance of Securitized Utility
7 Tariff Bonds;
- 8 • an estimate of the Securitized Utility Tariff Charges necessary to recover the
9 Qualified Extraordinary Costs and the financing costs along with the period of
10 recovery;
- 11 • a description of the proposed financing structure, including the proposed scheduled
12 final payment dates and final maturity of the Securitized Utility Tariff Bonds;
- 13 • the proposed method of allocating the revenue requirement for the Securitized
14 Utility Tariff Charges among Atmos Energy’s customer classes;
- 15 • a description of the nonbypassable Securitized Utility Tariff Charges to be paid by
16 customers;
- 17 • a proposed semi-annual adjustment mechanism;
- 18 an estimate of the timing of the potential issuance of the Securitized Utility Tariff
19 Bonds or series of bonds;
- 20 • a comparison of the net present value of the estimated costs to be incurred by
21 customers from the issuance of Securitized Utility Tariff Bonds and that resulting
22 from traditional methods of financing and recovery;
- 23 • a demonstration that the issuance of Securitized Utility Tariff Bonds is expected
24 to provide quantifiable net rate benefits to customers or would avoid or mitigate
25 rate impacts experienced by customers;
- 26
- 27 • a description of the future ratemaking process to reconcile any differences between
28 the Securitized Utility Tariff Costs financed and the final Securitized Utility Tariff
29 Costs incurred by Atmos Energy; and,
- 30 • a statement acknowledging that the reconciliation process may affect Atmos
31 Energy’s rates but shall not affect the Securitized Utility Tariff Bonds, the
32 Securitized Utility Tariff Property or the associated Securitized Utility Tariff
33 Charges paid by Atmos Energy’s customers.

34
35 The Act requires a Financing Order include a plan for Atmos Energy to provide

1 information to its customers concerning the benefits of securitization². Atmos
2 Energy has engaged in discussions on this issue with the Commission’s Staff
3 (“Staff”) and the Citizens’ Utility Ratepayer Board (“CURB”). Atmos Energy’s
4 Application includes a proposal for providing such information to customers for
5 the Commission to consider. Atmos Energy also addresses the requirements of
6 K.S.A. 66-1,243, which places requirements on how Securitized Utility Tariff
7 Charges will appear on customer bills. Based on the Application and testimony
8 provided, Atmos Energy requests the Commission adopt and issue the Company’s
9 proposed Financing Order, which would allow the Company to minimize the
10 financial impact on its customers of the Qualified Extraordinary Costs associated
11 with the Winter Event by issuing Securitized Utility Tariff Bonds pursuant to the
12 terms of the Act.

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

14 A. My testimony addressed the following filing requirements as set out in the Act:

- 15 • a description of the Qualified Extraordinary Costs Atmos Energy requests to
16 recover;
- 17 • a description of how customary rate-making treatment of Atmos Energy’s
18 Qualified Extraordinary Costs would result in an extreme customer rate impact;
- 19 • a description of the Securitized Utility Tariff Costs Atmos Energy proposes to
20 recover with the proceeds of Securitized Utility Tariff Bonds;
- 21 • an indication of whether Atmos Energy intends to finance all or a portion of
22 the Qualified Extraordinary Costs using Securitized Utility Tariff Bonds;
- 23 • an estimate of the financing costs related to the issuance of Securitized
24 Utility Tariff Bonds;
- 25 • an estimate of the Securitized Utility Tariff Charges necessary to recover the
26 Qualified Extraordinary Costs and the financing costs along with the period
27 of recovery;

² K.S.A 66-1,241(e)(4).

- 1 • the proposed method of allocating the revenue requirement for the Securitized
2 Utility Tariff Charges among Atmos Energy’s customer classes;
- 3 • a description of the nonbypassable Securitized Utility Tariff Charges to be
4 paid by customers;
- 5 • a description of the future ratemaking process to reconcile any differences
6 between the Securitized Utility Tariff Costs financed and the final Securitized
7 Utility Tariff Costs incurred by Atmos Energy; and,
- 8 • a statement acknowledging that the reconciliation process may affect Atmos
9 Energy’s rates but shall not affect the Securitized Utility Tariff Bonds, the
10 Securitized Utility Tariff Property or the associated Securitized Utility Tariff
11 Charges paid by Atmos Energy’s customers.

12 My testimony also sets out a general plan for providing information to Atmos
13 Energy customers concerning the benefits of securitization, addresses the
14 appearance of the Securitized Utility Tariff Charge on the customer’s bill and
15 discusses the method Atmos Energy will utilize to ensure that cash proceeds from
16 the Securitized Utility Tariff Charge are traceable.

17 **Q. ARE YOU SPONSORING ANY EXHIBITS OR SCHEDULES AS PART OF**
18 **YOUR DIRECT TESTIMONY?**

19 A. Yes. My exhibits are listed in the table of contents above.

20 **Q. WERE YOUR EXHIBITS AND THE SCHEDULES YOU SPONSOR**
21 **PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?**

22 A. Yes.

23 **Q. WOULD YOU PLEASE INTRODUCE THE OTHER WITNESS**
24 **TESTIFYING ON BEHALF OF ATMOS ENERGY?**

25 A. Jason Schneider, Assistant Treasurer for Atmos Energy, provides an estimate of the
26 financing costs related to the issuance of Securitized Utility Tariff Bonds. He also
27 provides an estimate of when the bonds can be issued, a comparison of the net

1 present value of costs incurred by Atmos Energy’s sales customers under
2 Securitized Utility Tariff Bonds and under a traditional recovery mechanism and
3 demonstrates the issuance of Securitized Utility Tariff Bonds is expected to provide
4 quantifiable net rate benefits to customers. Additionally, Mr. Schneider sponsors
5 the proposed Financing Order and other agreements necessary for the securitization
6 process. Mr. Schneider also provides background information on securitization in
7 general. Mr. Schneider provides Atmos Energy-specific testimony and a
8 description of the proposed financing structures, including the proposed scheduled
9 final maturity for the Securitized Utility Tariff Bonds.

10 **Q. CAN YOU DISCUSS THE COMPANY’S PROPOSED FINANCING**
11 **ORDER AND HOW IT RELATES TO THE COMPANY’S APPLICATION?**

12 A. The Company’s Application requests the Commission approve a proposed
13 Financing Order, sponsored by Mr. Schneider. The Act sets out statutory
14 requirements for both applications for a Financing Order, as well as requirements
15 for the Financing Order itself. To ensure the Company’s Application fully met the
16 Act’s requirements, as well as the settlement terms reached in 21-333 Docket, the
17 Company has drafted a proposed Financing Order for Commission review. Like
18 other stakeholders, and consistent with Commission comments in the 21-333
19 Docket, the Company believes recovery of the Winter Event’s Qualified
20 Extraordinary Costs should be a collaborative process. This collaboration requires
21 working together on items beyond the Act’s application requirements.

22 **Q. WOULD YOU PLEASE DESCRIBE THESE OTHER REQUIREMENTS?**

1 A. The Act establishes certain requirements for an application and for a Financing
2 Order. However, these requirements are not identical. For example, the Act
3 requires Financing Orders to include details for customer education efforts, but this
4 educational element is not a requirement for financing order applications. Since
5 customer education is a required element of a Financing Order, Atmos Energy
6 believes it is appropriate to discuss this item early in the securitization process.
7 Another example of differences in requirements for an application and for the
8 Financing Order is associated with the treatment of Securitized Utility Tariff
9 Property, and how the Company intends to service and collect charges related to it.
10 This issue must be discussed in the Financing Order but is not a requirement for the
11 application. Additionally, a number of agreements between Atmos Energy and
12 other entities will be necessary to fully implement a securitization proposal. These
13 agreements, which will need to be created as a matter of necessity, must be
14 submitted to the Commission and will be provided as late filed exhibits to the
15 Application. By submitting a proposed Financing Order with its Application,
16 Atmos Energy seeks to have comprehensive, collaborative, and holistic discussions
17 on the Company's securitization proposal. Incorporating the proposed Financial
18 Order into this Application provides: (1) assurance Atmos Energy has met the Act's
19 application filing requirements, and (2) stakeholders and regulators are comfortable
20 with the securitization proposal implemented by a Financing Order.

21 **III. DESCRIPTION OF QUALIFIED EXTRAORDINARY COSTS AND**
22 **SECURITIZED UTILITY TARIFF COSTS**

23 **Q. WHAT IS THE DEFINITION OF QUALIFIED EXTRAORDINARY COST**
24 **UPON WHICH ATMOS ENERGY HAS ESTABLISHED THE**

1 **REGULATORY ASSET AND WHICH IS USED IN TESTIMONY IN THIS**
2 **PROCEEDING?**

3 A. As stated in my testimony in Atmos Energy’s financial plan in the 21-333 Docket,
4 there are two bases Atmos Energy has used to define Qualified Extraordinary Costs.
5 First, Atmos Energy has utilized the Commission's definition of extraordinary cost
6 contained in the Commission's Emergency Order issued on February 15, 2021
7 (“Emergency Order”), in Docket No. 21-GIMX-303-GIV (“21-303 Docket”).
8 Second, Atmos Energy has utilized the Act’s definition of Qualified Extraordinary
9 Cost. The use of both these definitions has ensured the companies Qualified
10 Extraordinary Costs included in the regulatory asset to date will meet the Act’s
11 fundamental requirements as well as the Commission's Emergency Order. This also
12 ensures that the cost included in Atmos Energy's proposal to issue Securitized
13 Utility Tariff Bonds to minimize the financial impact of the Winter Event on the
14 Company's customers will meet requirements set out by the Act and by the
15 Commission.

16 **Q. YOU MENTIONED YOUR TESTIMONY SUPPORTING ATMOS**
17 **ENERGY’S FINANCIAL PLAN IN THE 21-333 DOCKET. ARE YOU**
18 **INCORPORATING THAT TESTIMONY BY REFERENCE IN THIS**
19 **DOCKET?**

20 A. Yes, except to the extent it may cover issues that have been updated with more
21 current information in this proceeding. For instance, this testimony updates
22 information consistent with settlement of the Financial Plan in the 21-333 Docket

1 and the charges that would result from various securitization periods and traditional
2 ratemaking periods have been updated.

3 **Q. HOW DID THE COMMISSION’S EMERGENCY ORDER DEFINE**
4 **EXTRAORDINARY COSTS?**

5 A. The Commission identified possible extraordinary costs to be defined as including,
6 but not limited to:

7 ...the cost of procuring and transporting natural gas supplies for
8 jurisdictional utility customers, cost associated with jurisdictional utilities
9 coordinating and assisting non jurisdictional utilities with the transportation
10 of gas supplies, and any other reasonable cost necessary to ensure stability
11 and reliability of natural gas and electric service. These deferred costs may
12 also include carrying costs at the utilities weighted average cost of capital.³
13

14 **Q. HOW DOES THE ACT DEFINE “QUALIFIED EXTRAORDINARY**
15 **COSTS?”**

16 A. The Act defines “qualified extraordinary costs” as including:

17 ... caused the public utility has incurred before, on or after the effective date
18 of this act of an extraordinary nature that would cause extreme customer
19 rate impacts if recovered through customary ratemaking, including, but not
20 limited to, purchases of gas supplies, transportation costs, fuel and power
21 costs, including carrying charges incurred during anomalous weather
22 events.⁴

23 **Q. DO THE COSTS INCURRED BY ATMOS ENERGY DURING THE**
24 **WINTER EVENT MEET BOTH THE CRITERIA IN THE EMERGENCY**
25 **ORDER AND THE DEFINITION OF QUALIFIED EXTRAORDINARY**
26 **COSTS WITHIN THE ACT?**

27 A. Yes. As was demonstrated in Atmos Energy's testimony in the 21-333 Docket
28 supporting the financial plan,⁵ the costs the Company incurred during the Winter

³ 21-303 Docket, “Emergency Order,” paragraph 4.

⁴ K.S.A. 66-1,240 (b)18.

⁵ See testimony filed in the 21-333 Docket on September 14, 2021, and which has been incorporated into the record in this Docket.

1 Event meet the criteria set out in the Emergency Order. That testimony also
2 demonstrated the cost incurred meet the definition in the Act in that these
3 extraordinary costs would cause “extreme customer rate impacts if recovered
4 through customary ratemaking.” Furthermore, the Commission’s Order issued in
5 the 21-333 Docket on March 24, 2022, (“Financial Plan Order”) determined these
6 costs meet the fundamental definitions. Specifically, the Financial Plan Order
7 approved the extraordinary costs set out in Table KRO-1 to be included in Atmos
8 Energy’s request for a Financing Order. The Financial Plan Order also indicated
9 that Atmos Energy would be able to apply carrying charges at a rate of 2%⁶ on the
10 extraordinary costs.

11

Table KRO-1

DESCRIPTION	AMOUNT
Gas Costs	\$76,652,625
Carrying Costs – at 2% through 8/31/2022	\$2,256,994
KGS Penalties From 21-KGSG-332-GIG	\$9,559,372
Financing Fees	\$13,230,139
Legal/Consulting (unrelated to financing)	\$818,717
Total Extraordinary Costs	\$102,517,847

12 The Financial Plan Order also indicates the Qualified Extraordinary Costs will be
13 trued-up and verified as part of the review of this filing.

⁶ Appendix A to Exhibit A to the Financial Plan Order indicates that the carrying charges were estimated to be approximately \$2.3million. See paragraph 16, on page 7 of Exhibit A and Appendix A to Exhibit A to the Financial Plan Order.

1 **Q. HAS ATMOS ENERGY UPDATED THE QUALIFIED EXTRAORDINARY**
2 **COSTS THROUGH MARCH 31, 2022?**

3 A. Yes. Table KRO-2 provides an update of extraordinary costs through March 31,
4 2022 and updated carrying costs through March 31, 2023.

5 **Table KRO- 2**

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	\$22,010,188
Legal/Consulting/Customer Education (unrelated to financing)	\$2,885,000
Total Extraordinary Costs	\$111,809,422

6
7 **Q. DO THE COSTS ATMOS ENERGY INCURRED SINCE THOSE**
8 **INCLUDED IN THE COMMISSION FINANCIAL PLAN ORDER ALSO**
9 **MEET THE CRITERIA OF THE EMERGENCY ORDER AND THE ACT?**

10 A. Yes. The additional costs incurred are the legal and consulting fees related to the
11 issues addressed in the 21-333 Docket and preparation of this application. Atmos
12 Energy would not have incurred those costs if the Winter Event had not occurred.
13 Additionally, the work of these outside attorneys and consultants is supervised,
14 directed and performed in consultation with the Company’s Rates and Regulatory
15 and Legal groups to ensure that Atmos Energy incurs only reasonable and necessary
16 expenses, all outside attorney and consultant invoices are reviewed by Company
17 personnel to make certain they are consistent with the rates and scope of work
18 agreed by the Company and the outside vendor.

1 **Q. DOES ATMOS ENERGY ANTICIPATE INCURRING ANY ADDITIONAL**
2 **COSTS?**

3 A. Yes. Atmos Energy expects to incur additional costs in implementing its proposal
4 to securitize the Qualified Extraordinary Costs. Atmos Energy’s anticipated legal
5 fees, consulting fees, and carrying costs will continue to be incurred by the
6 Company. The Act also allows recovery of the financing costs⁷ associated with
7 issuing the Securitized Utility Tariff Bonds. Mr. Schneider’s testimony addresses
8 those additional financing costs. The Act also allows for the inclusion of the costs
9 incurred by the Commission to perform its responsibilities in issuing a Financing
10 Order and to observe the steps taken by the Company to bring the Securitized
11 Utility Tariff Bonds to market. Staff estimates these costs to be \$400,000.

12 **Q. DOES ATMOS ENERGY INTEND TO RECOVER ALL THE QUALIFIED**
13 **EXTRAORDINARY COSTS THROUGH SECURITIZED UTILITY**
14 **TARIFF BONDS?**

15 A. Yes. Atmos Energy will seek to recover all Qualified Extraordinary Costs through
16 Securitized Utility Tariff Bonds.

17 **Q. WHAT ARE THE SECURITIZED UTILITY TARIFF COSTS THAT**
18 **ATMOS ENERGY WILL RECOVER?**

19 A. The Securitized Utility Tariff Costs are identical to the Qualified Extraordinary
20 Costs approved by the Commission in its Financial Plan Order, which will be
21 verified and trued-up during the Commission’s review and consideration of the

⁷ K.S.A. 66-1,240 b(10) defines “Financing costs” as including, “... if authorized by the commission in a financing order, costs to issue, service, repay or refinance securitized utility tariff bonds, whether incurred or paid upon issuance of the securitized utility tariff bonds or over the life of the securitized utility tariff bond...”

1 proposed Financing Order. As indicated in the 21-333 Docket, the Company's
2 Qualified Extraordinary Costs include the extraordinary portion of the natural gas
3 commodity delivered to customers, legal and consulting fees related to the Winter
4 Event and financing costs required to obtain the additional financing necessary to
5 cover the extraordinary gas costs.

6 **Q. HOW WILL ATMOS ENERGY ADDRESS COSTS RELATED TO THE**
7 **WINTER EVENT THAT WILL NOT BE ACCOUNTED FOR PRIOR TO**
8 **THE ISSUANCE OF SECURITIZED UTILITY TARIFF BONDS?**

9 A. The Act contemplates that not all Qualified Extraordinary Costs to be securitized
10 will be known at the time a utility requests a Financing Order or at the time the
11 bonds are issued. The Act provides for later reconciliation of actual costs incurred
12 to those that are included in the securitized financing mechanism.⁸ Atmos Energy
13 will utilize the provision to address any costs not finalized prior to the time bonds
14 are issued. For example, invoices received after the bonds are issued (i.e., legal and
15 securitization consulting invoices that will not be finalized until after the bonds are
16 issued). The reconciliation process will be discussed in greater detail in Section
17 V(e) of my testimony.

18 **Q. HOW WILL PENALTY COLLECTIONS RELATING TO FEBRUARY**
19 **2021 BE ACCOUNTED FOR IN THE SECURITIZATION PROCESS?**

20 A. Atmos Energy is willing to assume that it will receive full payment prior to issuing
21 the Securitized Utility Tariff Bonds. Accordingly, as shown in Table KRO-2,

⁸ K.S.A. 66-1,241 (c)(10).

1 Atmos Energy has reduced the Qualified Extraordinary Costs to be securitized by
2 \$334,521.

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

4 **Q. WHY IS ATMOS ENERGY REQUESTING A FINANCING ORDER TO**
5 **ADDRESS RECOVERY OF QUALIFIED EXTRAORDINARY COSTS?**

6 A. Commission approval of the proposed Financing Order will allow Atmos Energy
7 to mitigate the costs gas sales service customers would otherwise pay (under
8 traditional ratemaking recovery methods) for service the Company provided during
9 the Winter Event. The new statutory provision accomplishes this purpose through
10 securitization financing. Securitization financing will allow the Company access to
11 lower interest rates and allow it to extend the time-period over which customers can
12 pay for the Qualified Extraordinary Costs while also supporting the financial
13 strength and stability of the Company. Mr. Schneider provides background
14 information about securitization in his testimony.

15 **Q. IF THE COMMISSION APPROVES A FINANCING ORDER WILL**
16 **ATMOS ENERGY FOREGO RECOVERY OF ITS REGULATORY ASSET**
17 **THROUGH TRADITIONAL RATEMAKING PROCESSES OR OTHER**
18 **MECHANISMS?**

19 A. If a Financing Order is approved by the Commission, it is Atmos Energy's intent
20 to recover the Winter Event regulatory asset balance, along with additional costs
21 that are incurred until bonds are issued, through the Securitized Utility Tariff
22 Charge. However, as mentioned previously, the Act does provide for a
23 reconciliation of the final actual costs incurred with the securitized amount, with

1 any difference in the amount to be addressed through traditional ratemaking. In
2 short, Atmos Energy proposes to recover known and accounted for Qualified
3 Extraordinary Costs through the securitization process, with any differences
4 remaining following the bond issuance through the reconciliation process. The
5 reconciliation process is discussed in Section V(e) of my testimony.

6 **Q. IF THE COMMISSION DOES NOT APPROVE A FINANCING ORDER**
7 **FOR ATMOS ENERGY, HOW DOES THE COMPANY PROPOSE TO**
8 **RECOVER THE QUALIFIED EXTRAORDINARY COSTS ASSOCIATED**
9 **WITH THE WINTER EVENT?**

10 A. If the Commission does not approve a Financing Order, Atmos Energy proposes to
11 recover the costs over five years through a Winter Storm Rider on the customer's
12 bill. This is described in greater detail in Section V(b) of my testimony.

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. Please see Mr. Schneider's testimony for a comparison of the net present value
17 of the costs to customers that are estimated to result from securitization and those
18 costs that would otherwise result from traditional ratemaking. I provide a discussion
19 of the inputs used in his calculations in Section V of my testimony. Mr. Schneider's
20 testimony clearly demonstrates Atmos Energy's customers will receive quantifiable
21 net rate benefits through the securitization process. Likewise, Mr. Schneider
22 demonstrates that the securitization process will avoid or mitigate rate impacts to

1 our customers (when compared to traditional rate-making cost recovery
2 mechanisms).

3 **Q. WHAT IS THE ESTIMATED AMOUNT OF EXTRAORDINARY COSTS**
4 **TO BE SECURITIZED PRIOR TO FINANCING FEES?**

5 A. The baseline Qualified Extraordinary Costs were set in the Commission’s Financial
6 Plan Order at approximately \$102.5 million plus carrying charges.⁹ As discussed
7 previously, the Financial Plan Order allows the Company to true-up and verify
8 additional costs incurred related to the Winter Event. Atmos Energy has incurred
9 costs as of March 31, 2022, and projected carrying costs through March 31, 2023,
10 of approximately \$111.8 million, as indicated in Table KRO-2. Atmos Energy will
11 present any additional costs incurred prior to securitization to the Commission for
12 further review and true-up.

13 **Q. WHY IS ATMOS ENERGY USING AN ESTIMATE OF THE TOTAL**
14 **FEBRUARY 2021 GAS SALES VOLUME RATHER THAN USING**
15 **NATURAL GAS CONSUMPTION DURING THE WINTER EVENT TO**
16 **ALLOCATE THE EXTRAORDINARY COSTS?**

17 A. For the majority of its customers, Atmos Energy does not have real time metering.
18 Meters are read monthly. Therefore, the volume of natural gas consumed during
19 the Winter Event is not available. Additionally, because Atmos Energy reads meters
20 and bills in cycles, some of the February 2021 sales volume is reflected in billing
21 data for February and some is reflected in billing data for March. To account for

⁹ This figure includes Financing Fees related to the securitization, which are not amounts that are actually securitized. *See* Financial Plan Order, paragraph 4, page 2, citing the Settlement Agreement filed in Docket No. 21-ATMG-333-GIG, Feb. 9, 2022, ¶ 8.

1 this result, Atmos Energy is using an average of the sales volumes used to calculate
2 the allocation factors.

3 **Q. WHAT ARE THE RESULTING ALLOCATION FACTORS FOR**
4 **DETERMINING THE AMOUNT OF QUALIFIED EXTRAORDINARY**
5 **COSTS THAT CAN BE SECURITIZED?**

6 A. Table KRO-3 below provides the allocation factor for each class.

7 **Table KRO-3**

	<u>Estimated February 2021 Volume (Ccf)</u>	<u>Allocation %</u>
Residential Sales Service	23,505,675	75.015%
Commercial/Public Authority	7,572,483	24.167%
School Sales Service	82,668	0.264%
Industrial Sales Service	50,073	0.160%
Small Generator	31	0.0001%
Irrigation Engine	123,509	0.394%
Total	31,334,439	100%

8

9 **Q. WHAT IS THE TOTAL AMOUNT TO BE SECURITIZED, INCLUDING**
10 **FINANCING FEES?**

11 A. Mr. Schneider indicates that financing fees associated with issuing Securitized
12 Utility Tariff Bonds are likely to be approximately \$2.88 million. Thus, at this time,
13 the estimated extraordinary costs to be securitized is approximately \$89.8 million.
14 The increase in cost since the Financial Plan Order was issued is predominantly
15 related to the legal and consulting fees incurred by the Company related to the 21-
16 333 Docket and the preparation of this Application and supporting testimony.
17 Again, if the Commission issues a Financing Order, the amount to be securitized

1 will be updated to reflect any additional costs incurred prior to bond issuance,
2 including the additional financing fees.

3 **V. COST RECOVERY DETAILS**

4 **a. SECURITIZED UTILITY TARIFF CHARGE**

5 **Q. HOW DOES THE ACT PROVIDE FOR THE RECOVERY OF**
6 **EXTRAORDINARY COSTS?**

7 A. The Act provides for recovery of Securitized Utility Tariff Bonds (i.e., Qualified
8 Extraordinary Costs), through a Securitized Utility Tariff Charge. The Act defines
9 such charge as:

10 ...the amounts authorized by the commission to provide a source of revenue
11 solely to repay, finance or refinance securitized utility tariff bonds and financing
12 costs and that are nonbypassable charges imposed on, and part of all retail customer
13 bills, including bills to special contract customers as provided in section 2, and
14 amendments thereto, collected by an electric or natural gas public utility or its
15 successors or assignees, or a collection agent, in full, separate and apart from the
16 electric or natural gas public utility's base rates. "Securitized utility tariff changes"
17 are paid by all existing or future retail customers receiving electrical or natural gas
18 service from the public utility or its successors or assignees under commission-
19 approved rate schedules or under special contracts, as provided in section 2, and
20 amendments thereto, even if a retail customer elects to purchase electricity or
21 natural gas from an alternative electricity or natural gas supplier following a
22 fundamental change in regulation of public utilities in this state.¹⁰

23
24 **Q. THE ACT REQUIRES THAT THE SECURITIZED UTILITY TARIFF**
25 **CHARGE BE NONBYPASSABLE. HOW DOES THE ACT DEFINE THIS**
26 **TERM?**

27 A. The Act defines "Nonbypassable" as follows:

28 ...the payment of a securitized utility tariff charge may not be avoided by
29 any existing or future retail customer including special contract customers as
30 provided in section 2, and amendments thereto, located within a public utility
31 service area, as such service area existed on the date of the financing order, or if the

¹⁰ K.S.A. 66-1,240 (b)(20)

1 financing order so provides, as such service area may be expanded, even if the
2 customer elects to purchase electricity or natural gas from a supplier other than the
3 electric or natural gas utility, or its successors or assignees, or receives retail electric
4 or natural gas service from another electric or natural gas service from another
5 electric or natural gas utility operating in the same service area.¹¹
6

7 **Q. HOW COULD ATMOS ENERGY CUSTOMERS ATTEMPT TO BYPASS**
8 **THE SECURITIZED UTILITY TARIFF CHARGE?**

9 A. If the Commission determines that transportation customers are not considered
10 retail customers for purposes of the relevant statute, then the Securitized Utility
11 Tariff Charge will not be imposed on transportation service customers.¹² Therefore,
12 sales customers who are eligible for transportation service could attempt to avoid
13 the charge by electing to receive transportation service.

14 **Q. HOW DOES ATMOS ENERGY PROPOSE TO DEMONSTRATE THAT**
15 **THE SECURITIZED UTILITY TARIFF CHARGE WILL BE**
16 **NONBYPASSABLE?**

17 A. As indicated in Exhibit A to the Financial Plan Order, if the Commission finds it is
18 permitted by the statute, a gas sales service customer who switches to transportation
19 service during the period in which Securitization Utility Tariff Charge is being
20 recovered will be required to pay a settlement fee based on the present value of the
21 expected charges the customer would have paid as a sales customer over the
22 remaining period the Securitized Utility Tariff Charge is being recovered.¹³ Atmos
23 Energy proposes using a discount rate equal to the bond rate. Atmos Energy will

¹¹ K.S.A 66-1,240 (b)(15)

¹² Transportation service is currently available to any gas sales Customer in all divisions within the State of Kansas, who has purchased its own supply of natural gas and requires transportation by the Company to the Customer's facilities.

¹³ Exhibit A to the Financial Plan Order, paragraph 14, pages 6-7.

1 credit this settlement fee to the PGA/ACA once a year. Draft language is included
2 in the proposed Winter Event Securitized Cost Recovery Mechanism tariff attached
3 as Exhibit KRO-1.

4 **b. COST ALLOCATION, RATE DESIGN, RECOVERY PERIOD**

5 **Q. PLEASE DESCRIBE HOW ATMOS ENERGY PROPOSES TO**
6 **ALLOCATE THE EXTRAORDINARY COSTS TO CUSTOMER**
7 **CLASSES.**

8 A. Atmos Energy proposes to allocate Qualified Extraordinary Costs to the
9 Company's gas sales service customers classes for recovery based on each
10 customer class's percentage of the total estimated February 2021 gas sales volumes.
11 The reason Atmos Energy is using estimated sales volumes to allocate its Qualified
12 Extraordinary Costs is because the majority are gas costs. An allocation based on
13 February 2021 usage ensures the costs that a class of customers caused to be
14 incurred will be paid by that class of customers. This allocation method would be
15 utilized until all Qualified Extraordinary Costs are recovered. While the Act allows
16 the allocation of Securitized Utility Tariff Charges to be reallocated during base
17 rate proceedings, Atmos Energy proposes to retain this customer allocation method
18 throughout the life of this securitization proposal since the costs relate to a specific
19 weather-related event with gas costs being the primary driver of the Qualified
20 Extraordinary Costs.

1 **Q. ARE ATMOS ENERGY'S TRANSPORTATION SERVICE CUSTOMERS**
2 **INCLUDED IN THE CUSTOMER CLASSES FROM WHOM THE**
3 **QUALIFIED EXTRAORDINARY COSTS WILL BE RECOVERED?**

4 A. No.

5 As shown above, the Act requires nonbypassable charges to be paid by retail
6 customers. Transportation service customers purchase their gas from third parties
7 (i.e., energy suppliers and marketers), and simply use Atmos Energy's distribution
8 facilities to deliver the customers' *own* gas to their *own* businesses. Thus, unless
9 the Commission finds that the Act requires transportation service customers to be
10 considered retail customers, Atmos Energy will not include transportation service
11 customers in the calculation for recovery of the Qualified Extraordinary Costs.

12 **Q. DOES THIS TREATMENT PRESENT ANY CROSS-SUBSIDIZATION**
13 **CONCERNS BETWEEN THE COMPANY'S RETAIL AND**
14 **TRANSPORTATION SERVICE CUSTOMERS?**

15 A. No. Pursuant to the Commission's order in the 21-333 Docket, penalty amounts
16 collected by Atmos Energy, up to approximately \$334,521, will be used to reduce
17 the Qualified Extraordinary Costs. The Company anticipates collecting all of this
18 amount prior to the bonds being issued.

19 **Q. IS THIS TREATMENT CONSISTENT WITH THE ACT'S**
20 **REQUIREMENTS?**

21 A. While I am not a lawyer, I believe the treatment which excludes transportation
22 service customers from the calculation of the Securitized Utility Tariff Charge is
23 consistent with the Act. The Act requires the nonbypassable charges to be imposed

1 on retail customers; however, “retail” is not defined in the Act. Atmos Energy
2 suggests that transportation customers should not be considered retail customers for
3 purposes of the Act because the Company does not sell the natural gas commodity,
4 which comprises the majority of the Qualified Extraordinary Costs, to
5 transportation customers. Atmos Energy’s General Terms and Conditions Tariff
6 Section 1.D and 1.E defines “Service” and creates separate definitions for “Natural
7 Gas Sales Service” and “Transportation Service.”

8 “Natural Sale Service” is defined as:

9 The sale, delivery, and providing natural gas by the Company to the
10 Customer in accordance with and established by, (a) Company applicable rate
11 schedules, (b) the Company Rules and Regulations in effect and on file with the
12 Commission and, (c) the Commission applicable orders

13
14 “Transportation Service” is defined as:

15 The receipt, transportation, and delivery of natural gas by the Company on
16 behalf of the Customer in accordance with and established by (a) Company
17 applicable rate schedules, (b) the Company Rules and Regulations in effect and on
18 file with the Commission and, (c) the Commission applicable orders.

19
20 Transportation customers differ from sales customers because they are responsible
21 for procuring their own supply of gas directly or through a marketer. For
22 transportation customers, Atmos Energy is not involved in the direct sale of natural
23 gas to the end use customer.

24 **Q. IF TRANSPORTATION CUSTOMERS WERE CONSIDERED RETAIL**
25 **CUSTOMERS, WOULD THIS CHANGE ATMOS ENERGY’S**
26 **ALLOCATION METHODOLOGY?**

27 **A.** No. The Qualified Extraordinary Costs incurred by Atmos Energy were incurred
28 by Atmos Energy to serve its “sales customers.” Penalties have been assessed to

1 individually balanced transportation customers for any unauthorized consumption
2 during the Winter Event and those penalty collections will be credited to gas sales
3 customers by reducing the amount to be securitized or through the PGA. Because
4 of this, no Qualified Extraordinary Costs should be allocated to transportation
5 customers. As discussed, above, this ensures both sales and transportation
6 customers pay their fair share of natural gas costs. Retail sales customers will pay
7 these costs through Securitized Utility Tariff Charges over a period of time.
8 Transportation customers will be charged (or credited) in accordance with the
9 Commission's order on penalties issued in the 21-333 Docket.

10 **Q. WHAT PERCENTAGE OF THE EXTRAORDINARY COSTS WILL BE**
11 **ALLOCATED TO EACH RETAIL SALES CLASS UNDER THIS**
12 **METHODOLOGY?**

13 **A.** As discussed earlier, Atmos Energy proposes that the Qualified Extraordinary
14 Costs be allocated to customer classes based on the percentage of estimated
15 February 2021 usage of retail sales customers as a whole. Again, it is necessary to
16 utilize an estimate of February 2021 usage because Atmos Energy reads meters on
17 a monthly basis. Therefore, the volume of natural gas consumed during the Winter
18 Event is not available. Additionally, because Atmos Energy reads meters and bills
19 in cycles, some of the February 2021 sales volume is reflected in billing data for
20 February and some is reflected in billing data for March. To account for this result,
21 Atmos Energy is using an average of the sales volumes in each month as a
22 reasonable estimate of the February 2021 gas sales volume used to calculate the

1 allocation factors. The following table, Table KRO-4, outlines the allocation
2 percentage by customer class.

3 **Table KRO-4**

<u>Customer Class</u>	<u>Estimated February 2021 Volume (Ccf)</u>	<u>Allocation %</u>
Residential Sales Service	23,505,675	75.015%
Commercial/Public Authority	7,572,483	24.167%
School Sales Service	82,668	0.264%
Industrial Sales Service	50,073	0.160%
Small Generator	31	0.0001%
Irrigation Engine	123,509	0.394%
Total	31,334,439	100%

4 **Q. IF THE COMMISSION APPROVES A FINANCING ORDER, WHAT**
5 **PERIOD OF TIME DOES ATMOS ENERGY PROPOSE FOR RECOVERY**
6 **OF THE EXTRAORDINARY COSTS?**

7 A. The Act does not dictate a specific period to be utilized for recovery of Qualified
8 Extraordinary Costs. However, the definition of Securitized Utility Tariff Bonds
9 indicates that the bonds cannot have a maturity date later than 32 years from the
10 issue date.¹⁴ Because financing costs are lower with securitization, Atmos Energy
11 proposes to recover Qualified Extraordinary Costs over a scheduled period of 10 or
12 15 years. This balances the need to extend the period of scheduled recovery to
13 mitigate the financial impact on customers with the generational inequities that are
14 more likely to occur when costs are spread out over a longer period and future
15 customers, who were not customers at the time of the Winter Event, are required to
16 pay the securitized utility tariff charge. Atmos Energy requests that during the

¹⁴ K.S.A 66-1,240 (b)(19)(A)

1 securitization process, the Company be given flexibility to select the time period
2 between ten to fifteen years that results in the greatest benefit for the customers.
3 Mr. Schneider provides additional discussion on why this flexibility will be helpful
4 in reducing costs for customers. Any of these time periods can lead to a reasonable
5 bill impact for Atmos Energy's gas sales customers.

6 **Q. DOES ATMOS ENERGY PROPOSE RECOVERY OF THE**
7 **EXTRAORDINARY COSTS THROUGH A FIXED CUSTOMER CHARGE**
8 **OR VOLUMETRIC CHARGE?**

9 A. Atmos Energy proposes recovery of the Qualified Extraordinary Costs through a
10 fixed monthly Securitized Utility Tariff Charge per customer. As required by the
11 Act, this charge will be a separate line item on the bill. Mr. Schneider discusses
12 why a charge calculated based on customer count rather than consumption volumes
13 is beneficial when pursuing securitization of the costs. A fixed, per-customer charge
14 provides customers with bill certainty. Atmos Energy proposes that the fixed, per-
15 customer charge be calculated using the customer count reported in the most recent
16 Atmos Energy Annual Report, provided to the Commission annually, available at
17 that time. This customer count will be updated semi-annually for use in the
18 mandatory Adjustment Mechanism as discussed in more detail later in my
19 testimony.

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

22 A. Table KRO-5, beginning on page 29, provides the monthly fixed charge for each
23 customer class. The fixed monthly charges in Table KRO-5 are calculated assuming

1 securitization of the Qualified Extraordinary Costs over the various time-periods
2 using the currently estimated costs through March 31, 2022, carrying charges
3 through March 31, 2023, and the customer count from the 2021 Atmos Energy
4 Annual Report. The monthly fixed, per-customer Securitized Utility Tariff Charge
5 will be adjusted semi-annually, based on the payment schedule established, over-
6 or under-recovery amounts and changes in customer count. Additionally, if the
7 customer count for a particular class declines by more than ten percent (10%) from
8 that identified in the 2021 Annual Report, then the allocation factors will be
9 recalculated using the most recent 12-month weather normalized volume for each
10 customer class. A proposed tariff, the Winter Event Securitized Cost Recovery
11 (“WESCR”) Mechanism is included as Exhibit KRO-1. In addition, all gas sales
12 service rate schedules will be modified to add a reference to this new tariff.

13 **Q. WHEN WILL THE SECURITIZED UTILITY TARIFF CHARGE**
14 **BECOME EFFECTIVE?**

15 A. Atmos Energy proposes that the Securitized Utility Tariff Charge become effective
16 on the day after the Securitized Utility Bonds are issued. The first billing of the
17 Securitized Utility Tariff Charge, the WESCR, would begin with the first billing
18 cycle of the month following bond issuance.

19 **Q. WHEN WILL THE SECURITIZED UTILITY TARIFF CHARGE BE**
20 **REMOVED FROM GAS SALES CUSTOMERS’ BILLS?**

21 A. The Securitized Utility Tariff Charge, the WESCR, will remain on gas sales
22 customers’ bills until all Securitized Utility Tariff Bonds, financing costs and

1 servicing fees, administrative fees etc. related to the bonds are paid in full. This is
2 expected to be at the final scheduled maturity date of the bonds.

3 **Table KRO-5**

Securitization – 10 Year Customer Impact

<u>Customer Class</u>	<u>Annual \$ Allocated to Class</u>	<u>Monthly Fixed Charge</u>
Residential Sales Service	\$8,387,436	\$5.46
Commercial/Public Authority	\$2,702,059	\$22.71
School Sales Service	\$29,498	\$39.65
Industrial Sales Service	\$17,867	\$106.35
Small Generator	\$11	\$0.01
Irrigation Engine	\$44,071	\$15.05
Total	\$11,180,942	

Securitization – 15 Year Customer Impact

<u>Customer Class</u>	<u>Annual \$ Allocated to Class</u>	<u>Monthly Fixed Charge</u>
Residential Sales Service	\$6,114,163	\$3.98
Commercial/Public Authority	\$1,969,711	\$16.55
School Sales Service	\$21,503	\$28.90
Industrial Sales Service	\$13,025	\$77.53
Small Generator	\$8	\$0.01
Irrigation Engine	\$32,126	\$10.97
Total	\$8,150,537	

4 **Q. IF THE COMMISSION DOES NOT APPROVE A FINANCING ORDER,**
5 **WHAT PERIOD OF TIME DOES ATMOS ENERGY PROPOSE FOR**
6 **RECOVERY OF THE QUALIFIED EXTRAORDINARY COSTS?**

7 A. As mentioned above, the financing costs are much lower with the securitization
8 option. If the Company is not able to use this option, Atmos Energy proposes to
9 recover the Qualified Extraordinary Costs using a traditional-ratemaking method
10 over five years through a rider. This recovery period would minimize the carrying
11 costs that would be incurred on the outstanding balance each year. This recovery
12 period would lead to greater, though justifiable, bill impacts for Atmos Energy

1 customers given the carrying charges that would otherwise be imposed on the
 2 outstanding balance. This recovery period also allows Atmos Energy to address the
 3 debt in a reasonable amount of time and improve the Company’s credit rating which
 4 affects future debt costs.

5 **Q. WHAT IS THE MONTHLY FIXED CHARGE ASSOCIATED WITH A**
 6 **FIVE-YEAR RECOVERY PERIOD UNDER TRADITIONAL**
 7 **RATEMAKING?**

8 A. Table KRO-6, provides the monthly fixed charge, for each customer class, that is
 9 required to recover the Qualified Extraordinary Costs as of March 31, 2022. The
 10 calculation for Table KRO-6 is made assuming traditional ratemaking, additional
 11 carrying costs through November 30, 2022, a five-year recovery period, and the
 12 customer count from the 2021 Atmos Energy Annual Report. As stated above, the
 13 lower financing costs will not be available to Atmos Energy; therefore, the carrying
 14 cost from December 1, 2022, forward used in this calculation reflects Atmos
 15 Energy’s weighted average cost of capital. This assumes also that the Commission
 16 will approve a new rider (Winter Event Cost Recovery Rider) with rates to be
 17 implemented December 1, 2022.

18 **Table KRO-6**

19 **Traditional Ratemaking – 5 Year Customer Impact**

<u>Customer Class</u>	<u>Annual \$ Allocated to Class</u>	<u>Monthly Fixed Charge</u>
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	

1
2 **Q. HOW DO THE CHARGES RESULTING FROM EACH OF THE**
3 **AMORTIZATION PERIODS ASSOCIATED WITH TRADITIONAL**
4 **RATEMAKING AND SECURITIZED UTILITY TARIFF CHARGE**
5 **RECOVERY AFFECT THE RESIDENTIAL CUSTOMER’S AVERAGE**
6 **BILL (EXCLUDING TAXES)?**

7 A. The current average monthly residential bill is \$71.40, based on an average
8 residential consumption of 64.07 Ccf. Table KRO-7 below shows the expected
9 monthly customer bill impacts using the fixed monthly charge from Table KRO-5
10 and Table KRO-6. It is clear, that traditional ratemaking results in more extreme
11 customer impacts.

12 **Table KRO -7**

13

Residential Bill Impacts	
Customer Class	<u>% Increase in Monthly Bill</u>
Traditional 5- Years	15%
Securitized Utility Tarif Change – 10 Years	8%
Securitized Utility Tarif Change – 15 Years	6%

14 **c. ADJUSTMENT MECHANISM**

15 **Q. DOES THE ACT REQUIRE THAT THE SECURITIZED UTILITY TARIFF**
16 **CHARGES BE ADJUSTED PERIODICALLY?**

17 A. Yes. The Act requires an Adjustment Mechanism be implemented to ensure the
18 timely and complete payment of the Securitized Utility Tariff Bonds, financing
19 costs, and other amounts as needed.

20 **Q. HOW IS “ADJUSTMENT MECHANISM” DEFINED BY THE ACT?**

21 A. The Act defines “adjustment mechanism” as follows:

1 . . . a formula-based rate adjustment, or true-up process approved by the
2 commission for making, at least annually, expeditious periodic
3 adjustments to securitized utility tariff charges, subject to timely
4 commission review to confirm compliance, that customers are required
5 to pay, as authorized in a financing order. The “adjustment mechanism”
6 is utilized to make necessary corrections to adjust for over-collection or
7 under-collection of such securitized utility tariff charges or otherwise to
8 ensure the timely and complete payment of the securitized utility tariff
9 bonds and all other financing costs and other required amounts and
10 charges payable in connection with the securitized utility tariff bonds.¹⁵
11

12 **Q. HOW FREQUENTLY MUST AN ADJUSTMENT MECHANISM BE**
13 **FILED WITH THE COMMISSION?**

14 A. The Act indicates that the Adjustment Mechanism must be filed at least annually.¹⁶

15 **Q. WHAT TYPE OF COMMISSION REVIEW OF THE ADJUSTMENT**
16 **MECHANISM IS ANTICIPATED BY THE ACT AND UNDER**
17 **WHAT TIMELINE MUST THE REVIEW BE ACCOMPLISHED?**

18 A. According to the Act, the Commission’s review is “. . .limited to determining if any
19 mathematical or clerical errors are present in the application of the adjustment
20 mechanism relating to the appropriate amount of any over-collection or under-
21 collection of securitized utility tariff charges and the amount of the adjustment.”¹⁷

22 The Commission has 30 days to either approve the adjusted charges or inform Atmos
23 Energy of errors present in the calculation.¹⁸

24 **Q. WHAT DOES ATMOS ENERGY PROPOSE FOR AN ADJUSTMENT**
25 **MECHANISM?**

¹⁵ K.S.A. 66-1,240 (b)2.

¹⁶ K.S.A. 66,1-241(g).

¹⁷ *Id.*

¹⁸ *Id.*

1 A. Atmos Energy proposes to make Adjustment Mechanism filings on a mandatory
2 semi-annual basis to determine any over- or under-collection and ensure the timely
3 and complete payment of the Securitized Utility Tariff Bonds. Atmos Energy also
4 proposes to reserve the right to make more frequent optional adjustments at any
5 time in the event any under-collection is projected. During the last year prior to the
6 scheduled final maturity for the Securitized Utility Tariff Bonds, adjustment
7 calculations must be conducted on a quarterly basis, in order to ensure that the
8 bonds and related ongoing financing costs be paid off in full by the scheduled final
9 maturity. For purposes of discussion in testimony and in the tariff, Atmos Energy
10 refers to the six-month intervals over which the WESCR will be adjusted as
11 “Remittance Periods.”¹⁹

12
13 **Q. HOW WILL THE SECURITIZED UTILITY TARIFF CHARGE**
14 **ADJUSTMENT MECHANISM BE PROVIDED TO THE COMMISSION?**

15 A. On a semi-annual basis (unless greater frequency becomes necessary) Atmos
16 Energy proposes to provide the Commission with administrative notice of the
17 Adjustment Mechanism. Such notice will provide the calculations for the
18 Securitized Utility Tariff Charge Adjustment Mechanism which will be referred to
19 as the WESCR Adjustment Mechanism. The filing will be made so that the new
20 adjusted WESCR charges will be effective approximately three months before each
21 annual debt service payment. The filing will be made 30 days prior to the proposed
22 effective date. A proposed form for the Adjustment Mechanism calculation is

¹⁹ Note that the first Remittance Period will be a period of nine months beginning when the WESCR becomes effective. This is based on the testimony of Mr. Schneider including that the first scheduled payment of principal and interest on the bonds will be approximately nine months after the issuance of the bonds.

1 attached to my testimony as Exhibit KRO-2.

2 **Q. HOW WILL THE ADJUSTMENT MECHANISM BE CALCULATED?**

3 A. The WESCR Adjustment Mechanism will include data for three Remittance
4 Periods. The three Remittance period are referred to as the Prior Remittance Period,
5 the Current Remittance Period, and the Projected Remittance Period. This
6 approach is intended to review revenue requirements including the upcoming debt
7 service payment, as well as the subsequent following debt service payment, which
8 may or may not be level. For the Prior Remittance Period, Atmos Energy will
9 provide data for prior period revenue requirement and remittances. For the Current
10 Remittance Period, data will be provided for the current six-month period revenue
11 requirement, three months of actual remittances in the current period and three
12 months of projected remittances. For the Projected Remittance Period, Atmos
13 Energy will provide the projected revenue requirement for that six-month period.
14 Most of the costs related to the remittance period revenue requirement will be fixed.
15 However, some of the ongoing costs identified by Mr. Schneider in Exhibit JLS-1
16 will have some variability. The projected data for remittances will involve utilizing
17 the Company's forecasts for monthly customer counts, write offs for nonpayment
18 and late payments. To calculate the new adjusted WESCR, first the over- or under-
19 recovery is calculated for the Prior Remittance Period by comparing the actual prior
20 revenue requirement to the actual remittances. Then the over- or under-recovery is
21 calculated for the Current Remittance Period. For this remittance period, the actual
22 revenue requirement is compared to three months of actual and three months of
23 projected remittances. Next, the projected revenue requirement is calculated. The

1 total WESCR Adjustment Mechanism revenue requirement is calculated by adding
2 the over- or under-recovery from the Prior Remittance Period and the Current
3 Remittance Period to the Projected Remittance Period revenue requirement. The
4 allocations factors in Table KRO-4 are then used to allocate the WESCR
5 adjustment Mechanism revenue requirement to each customer class. The amount
6 allocated to each customer class is divided by the forecasted customer count for the
7 current six-month period to arrive at the new WESCR charge. This charge will be
8 applied in the last three months of the Current Remittance Period. This calculation
9 is included in the WESCR tariff attached to my testimony as Exhibit KRO-1. Gas
10 sales service tariffs are updated to reflect the applicability of the WESCR to service
11 under the tariff. A redline version of all gas sales service tariffs are included in
12 Exhibit KRO-3 which is attached to this testimony.

13 **d. OTHER WESCR TARIFF PROVISIONS**

14 **Q. BEYOND THE DISCUSSION OF THE CALUCLATION OF THE INITIAL**
15 **WESCR CHARGE AND THE ADJUSTMENT MECHANISM, ARE THERE**
16 **ADDITIONAL PROVISIONS OF THE WESCR TARIFF THAT MERIT**
17 **DISCUSSION?**

18 A. Yes. The WESCR tariff indicates that the WESCR charge will be given priority of
19 payment notwithstanding the provisions of Section 4.B.2 of Atmos Energy's
20 General Terms and Conditions for Gas Service. That is, payments received by
21 Atmos Energy will be first applied to the WESCR charge and then to the remaining
22 bill. This approach will be a factor supportive of the highest bond ratings. To the
23 extent this requires a waiver of the Commission's Billing Standards as allowed

1 under Section VI, Atmos Energy is requesting that a waiver be granted within this
2 proceeding.

3 **Q. IS THE WESCR CHARGE SUBJECT TO TAXES AND FRANCHISE**
4 **FEES?**

5 A. Yes. The WESCR charge is subject to taxes and franchise fees. The tariff indicates
6 that the WESCR is subject to taxes and fees as set out in Section 4.B.1.i and Section
7 4.L.1 and 2 of Atmos Energy’s General Terms and Conditions for Gas Service.

8 e. **RECONCILIATION PROCESS**

9 **Q. IN THE PRIOR SECTION OF THIS TESTIMONY, YOU MENTIONED**
10 **THE ACT CONTAINS A RECONCILIATION PROVISION. PLEASE**
11 **PROVIDE ADDITIONAL INFORMATION CONCERNING HOW THIS**
12 **PROVISION WILL BE USED BY ATMOS ENERGY.**

13 A. The Act contemplates that not all costs or offsets to the costs to be securitized will
14 be known at the time a utility requests a Financing Order or at the time the bonds
15 are issued. Thus, the Act provides for a later reconciliation of actual costs to those
16 costs initially estimated and included in the securitized financing mechanism.²⁰
17 The reconciliation process allows Atmos Energy to include Qualified
18 Extraordinary Costs and financing costs known at that time the Securitized Utility
19 Tariff Bonds are issued for recovery through the Securitized Utility Tariff Charge
20 and to recover or refund the reconciled amount at a later date. The settlement
21 agreement approved by the Commission in its Financial Plan Order also specifies

²⁰ K.S.A 66-1,241 (c)(10).

1 that the reconciliation process will consider both the deferred tax liability associated
2 with the extraordinary gas cost recoveries, as well as the corresponding and
3 offsetting deferred tax asset associated with the net operating loss carryforward
4 created by the extraordinary costs.²¹

5 **Q. WILL THE RECONCILIATION PROCESS AFFECT THE SECURITIZED**
6 **UTILITY TARIFF CHARGE?**

7 A. No. The Act specifies that the reconciliation cannot affect the Securitized Utility
8 Tariff Charge. Rather, the reconciliation must be accomplished through a
9 traditional ratemaking process.²² Atmos Energy commits to ensuring the
10 reconciliation process does not affect the Securitized Utility Tariff Bonds, the
11 Securitized Utility Tariff Property, or the associated Securitized Utility Tariff
12 Charges paid by customers by proposing that the reconciliation process utilize the
13 existing PGA/ACA mechanism to address additional costs, penalty collections, etc.
14 that are not included in the Securitized Utility Tariff Bonds.

15 **Q. HOW DOES ATMOS ENERGY PROPOSE TO RECONCILE THE**
16 **SECURITIZED AMOUNT WITH THE ACTUAL COSTS INCURRED**
17 **AND RETURN (COLLECT) TO (FROM) GAS SALES SERVICE**
18 **CUSTOMERS?**

19 A. Atmos Energy proposes that on the first anniversary of the issuance of bonds, a
20 comparison be made of the actual costs incurred and the securitized amount. If the

²¹ While the deferred tax liability and deferred tax asset currently net to zero base impact, the deferred tax asset may reverse over the time period of rate recovery and therefore there would be a net rate base reduction associated with these deferred taxes.

²² K.S.A. 66-1,241 (c)(10)B.

1 actual costs incurred by Atmos Energy are less than the securitized amount, Atmos
2 Energy will amortize the reconciliation amount over the remaining life of the
3 securitization amortization and will return that amount to gas sales service
4 customers through the Company's PGA/ACA. If the actual costs incurred are
5 greater than the securitized amount, Atmos Energy will amortize the reconciliation
6 amount over the remaining life of the securitization amortization charge and that
7 amount will be recovered from gas sales service customers through the Company's
8 PGA/ACA. This process has been added to the PGA tariff and a redline version is
9 include with this testimony as Exhibit KRO-3. Because these issues may not be
10 completely resolved by the first anniversary of the issuance of bonds, this
11 comparison will need to continue annually, as discussed below.

12 **Q. HOW WILL ATMOS ENERGY HANDLE ANY PAYMENTS AS A RESULT**
13 **OF FEDERAL OR STATE GOVERNMENTAL RELIEF IN THE FORM**
14 **OF PROFIT DISGORGEMENT, CIVIL SUIT RELIEF, MARKET**
15 **MANIPULATION FINDINGS, ETC.?**

16 A. If Atmos Energy receives or recovers any payments as a result of any subsequent
17 federal or state governmental relief in the form of profit disgorgement, civil suit
18 relief, market manipulation findings, etc., resulting from the Winter Event, the
19 Company will pass those payments on to its customers through its PGA/ACA, even
20 if those payments may be received or recovered after the expiration of the
21 Securitized Utility Tariff Charge.

22 **f. APPEARANCE ON BILL**

23 **Q. HOW WILL THE SECURITIZED UTILITY TARIFF CHARGE APPEAR**

1 **ON THE BILL?**

2 A. K.S.A 66-1,243 requires that the securitized utility tariff charge be a separate line
3 item on the bill with both the rate and associated total charge. If the Commission
4 approves the use of a monthly fixed charge, the rate will be equal to the total charge.
5 Atmos Energy proposes that the Securitized Utility Tariff Charge be identified as
6 “Winter Event Securitized Cost.”

7 **Q. IF IT IS DETERMINED THAT THE EXTRAORDINARY COSTS SHOULD**
8 **BE RECOVERED THROUGH TRADITIONAL RATE MAKING RATHER**
9 **THAN THROUGH SECURITIZATION, HOW DOES ATMOS ENERGY**
10 **PROPOSE THAT THE CHARGE BE IDENTIFIED ON THE BILL?**

11 A. Atmos Energy proposes that the charge be presented as a separate line item on the
12 bill and identified as “Winter Event Cost Recovery.”

13 **g. TRACEABILITY OF PROCEEDS**

14 **Q. HOW WILL ATMOS ENERGY ENSURE THAT PROCEEDS FROM THE**
15 **WESCR ARE TRACEABLE?**

16 A. Because the WESCR will be placed on a separate line on customer bills, Atmos
17 Energy will be able to assign a specific code, by customer class, in its billing
18 system. This code will allow the Company to trace proceeds from the WESCR.

19 **VI. CUSTOMER EDUCATION**

20 **Q. THE ACT INDICATES THAT THE COMPANY MUST PROVIDE**
21 **INFORMATION TO CUSTOMERS DETAILING THE BENEFITS OF**
22 **SECURITIZATION. DOES ATMOS ENERGY HAVE AN EDUCATION**

1 **PLAN PROPOSAL?**

2 A. Atmos Energy has shared the following general plan for providing educational
3 content to customers with Staff and CURB:

<u>Action</u>	<u>Deadline</u>
Press Release	ASAP after final approval
Email sent to customers who have provided permission for email contact	Within 2 weeks after final approval
Specific webpage for details on securitization to be shared on social media	Within 2 weeks after final approval
Internal communications added to internal Atmos Energy website	Within 2 weeks after final approval
Social Media posts and graphics	Ongoing after approval
Annual communication in concert with annual true-up	Annual after approval

4 Atmos Energy will continue to work with Staff and CURB as they review the
5 Application and testimony filed in this proceeding. Atmos Energy will also work
6 with Staff and CURB to draft the appropriate content for communication and
7 education of customers as details of securitization (such as the amortization period,
8 the type of charge, the amount of the charge and bill impact) are finalized.

9 **VII. CONCLUSION**

10 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

11 A. Yes, it does.

Form RF	Index No.
THE STATE CORPORATION COMMISSION OF KANSAS	
ATMOS ENERGY CORPORATION	<u>SCHEDULE V- Purchased Gas Adjustment (PGA)</u>
(Name of Issuing Utility)	
ENTIRE SERVICE AREA	
(Territory to which Schedule is applicable)	
No Supplement or separate understanding shall modify the tariff as shown hereon.	
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SECTION 4 – WINTER EVENT SECURITIZED CHARGE RIDER (WESCR)

Applicability

This rider is applicable to all service provided under sales rate schedules 910, 915, 920, 930, 940 and 965 beginning with the first billing cycle following the issuance of securitized bonds pursuant to a Financing Order issued in Docket No. 22-ATMG-XXX-TAR. Service is subject to the Definitions and Conditions section below.

Net Monthly Charge

1. The Winter Event Securitized Cost Recovery Rider (WESCR) shall be applied as a fixed monthly charge calculated as described below for recovery of extraordinary costs incurred related to Winter Storm Uri (Winter Event).
2. All WESCR fixed monthly charges shall be calculated to the nearest \$0.01 per customer. All charges set forth in the rate schedule under which the customer takes service shall also apply.
3. Initial Charge: The initial WESCR shall be determined as follows:
 - a. The initial 12 months of principal, interest and servicing costs (adjusted for forecasted write-offs and late payments) for the Securitized Utility Tariff Bonds shall be allocated to the sales rate schedules as follows:

Rate Schedule	Estimate of February 2021 Usage (Ccf)	Allocation %
Residential Sales Service	23,505,675	75.015%
Commercial/Public Authority	7,572,483	24.167%
School Sales Service	82,668	0.264%
Industrial Sales Service	50,073	0.160%
Small Generator Sales Service	31	0.0001%
Irrigation Engine Sales Service	123,509	0.394%
Total	31,334,439	100.000%

- b. The allocated principal, interest, servicing costs shall then be divided by the forecasted annual customer count for each rate schedule to calculate a monthly charge per customer.

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Effective: _____ (Month) (Day) (Year)	
By: <u>s/ Kathleen R. Ocanas, VP Rates & Reg Affairs</u> (Signature of Officer) (Title)	

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THE STATE CORPORATION COMMISSION OF KANSAS

ATMOS ENERGY CORPORATION

SCHEDULE V- Purchased Gas Adjustment (PGA)

(Name of Issuing Utility)

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(Territory to which Schedule is applicable)

No Supplement or separate understanding shall modify the tariff as shown hereon.

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4. WESCR Adjustment Mechanism: No less often than every six months, the Company shall adjust the WESCR charge for the over- or under-collections and to ensure the timely and complete payment of Securitized Utility Tariff Bonds and other financing costs. The WESCR shall be calculated for each rate class in the following manner:

$$\text{WESCR} = (\text{WESCR Adjustment Mechanism Revenue Requirement} * \text{Allocation \% by Class}) / \text{Forecasted Customer Count by Class}$$

Where:

$$\text{WESCR Adjustment Mechanism Revenue Requirement} = \text{Cumulative (Over)/Under Collections for Prior Remittance Period} + \text{Estimated Current Remittance Period (Over)/Under Collections} + \text{Projected Remittance Period Revenue Requirement}$$

Where:

$$\text{Cumulative (Over)/Under Collections for Prior Remittance Period} = \text{Prior Remittance Period Revenue Requirement} + \text{Prior Remittance Period Actual Cash Receipt Transfers and Interest Income} + \text{Cash in Excess Funds}$$

$$\text{Estimated Current Remittance Period (Over)/Under Collections} = \text{Current Remittance Period Revenue Requirement} + \text{Current Remittance Period Cash Receipts} + \text{Current Remittance Period Interest Income} + \text{Forecasted Current Remittance Period Cash Receipts} + \text{Forecasted Current Remittance Period Interest Income}$$

$$\text{Projected Remittance Period Revenue Requirement} = \text{Forecasted Revenue Requirement for the remittance period}$$

Where:

$$\text{Revenue Requirement} = \text{Securitized Utility Tariff Bond Principal} + \text{Interest} + \text{Servicing Costs} + \text{Other Ongoing Costs}$$

$$\text{Forecasted Current Remittance Period Cash Receipts} = \sum(\text{Current Period WESCR by Class} * \text{Forecasted Customer Count by Class}) + \text{Forecasted Write-offs and Late payments}$$

- a. For the Prior Remittance Period, the actual Revenue Requirement and Remittances are used to determine the over- or under- recovery for that period.
- b. For the Current Remittance Period, the actual Revenue Requirement and Remittances for three months are compared to determine the over- or under-recovery for first three months of the period. For the remaining three months of the period, forecasted information for the Revenue Requirement and Remittances are used to determine the remaining over- or under-recovery. The actual and the forecasted over- or under-recovery are added together.

Issued:	_____	_____	_____
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	(Month)	(Day)	(Year)
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	(Signature of Officer)	(Title)	

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THE STATE CORPORATION COMMISSION OF KANSAS

ATMOS ENERGY CORPORATION

SCHEDULE V- Purchased Gas Adjustment (PGA)

(Name of Issuing Utility)

ENTIRE SERVICE AREA

(Territory to which Schedule is applicable)

No Supplement or separate understanding shall modify the tariff as shown hereon.

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- c. For the Projected Remittance Period the forecasted Revenue Requirement is provided.
 - d. The WESCR Adjustment Mechanism Revenue Requirement is allocated to rate schedules according to the allocation factors listed in Section 3(a) of this rateschedule.
5. Separation Fee: A customer served under a sales rate schedule who switches to service under transportation rate schedule during the period in which the WESCR charge is being recovered will be required to pay a Separation Fee. The Separation Fee shall be based on the present value of the expected charges the customer would have paid under its sales rate schedule over the remaining period the WESCR charge is being recovered. This is required pursuant to the Commission’s March 24, 2022, Order in Docket No. 21-ATMG-333-GIG. Any Separation Fees collected will be included in the WESCR Adjustment Mechanism as a cash remittance.

Definitions and Conditions

- 1. The WESCR is designed to recover Qualified Extraordinary Costs as set out in K.S.A. 66-1,240 *et seq.*
- 2. The WESCR shall be a separate line item on the customer’s bill.
- 3. The WESCR shall be subject to taxes and franchise fees as set out in the General Terms and Conditions for Gas Service Section 4.B.1.i and Section 4.L.1 and 2.
- 4. Notwithstanding the requirements of The General Terms and Conditions for Gas Service Section 4.B.2, payments will first be applied to the WESCR.
- 5. At least 30 days prior to when the proposed updated charges begin billing, the Company shall file a report with the Commission, at least semi-annually, detailing the calculations of the adjustment mechanism for deriving the charges authorized by this rider to be applied during the subsequent Remittance Period. The Commission’s review is limited to determining if any mathematical or clerical errors are present in the application of the adjustment mechanism.
- 6. The WESCR shall remain in effect until the Securitized Utility Tariff Bonds approved in the Financing Order issued in Docket No. 22-ATMG-XXX-TAR have been paid in full. After the bonds have been paid in full, any over-recovery will be credited to customers in a form of a credit to their natural gas bills.

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	(Month)	(Day)	(Year)
By:	s/ Kathleen R. Ocanas, VP Rates & Reg Affairs		
	(Signature of Officer)	(Title)	

Atmos Energy Corporation
Winter Event Securitized Charge Rider (WESCR) True-Up Mechanism
For the Period _____ through _____

Line #	Description	Reference	Calculation of True-Up (a)	Projected Revenue Requirement to be Billed and Collected (b)	Revenue Requirement for WESCR Charge (c) = (a) + (b)
1	True-Up for Prior Remittance Period Beginning _____ and Ending _____:				
2	<i>Prior Remittance Period Revenue Requirement</i>				
3	Principal				
4	Interest				
5	Servicing Costs				
6	Other Ongoing Costs				
7	Total Prior Remittance Period Revenue Requirement	(Lines 3 + 4 + 5 + 6)	\$ -		
8	<i>Prior Remittance Period Actual Cash Receipt Transfers and Interest Income</i>				
9	Cash Receipts Transferred to the SPE				
10	Interest Income on Subaccounts at the SPE				
11	Total Cash Receipt Transfers and Interest Income	(Lines 9 + 10)	\$ -		
12	(Over)/Under Collections of Prior Remittance Period Requirements	(Lines 7 + 11)	\$ -		
13	Cash in Excess Funds Subaccount at SPE				
14	Cumulative (Over)/Under Collections for Prior Remittance Period	(Lines 12 + 13)	\$ -		\$ -
15					
16					
17	Current Remittance Period Beginning _____ and Ending _____:				
18	<i>Current Remittance Period Revenue Requirement</i>				
19	Principal				
20	Interest				
21	Servicing Costs				
22	Other Ongoing Costs				
23	Total Current Remittance Period Revenue Requirement	(Lines 19 + 20 + 21 + 22)	\$ -		
24					
25	<i>Current Remittance Period Cash Receipt Transfers and Interest Income</i>				
26	Cash Receipts Transferred to the SPE				
27	Interest Income on Subaccounts at the SPE				
28	Total Cash Receipt Transfers and Interest Income	(Lines 26 + 27)	\$ -	\$ -	
29	Estimated Current Remittance Period (Over)/Under Collection	(Lines 23 + 28)	\$ -	\$ -	\$ -
30					
31					
32	Projected Remittance Period Beginning _____ and Ending _____:				
33	<i>Projected Remittance Period Revenue Requirement</i>				
34	Principal				
35	Interest				
36	Servicing Costs				
37	Other Ongoing Costs				
38	Total Projected Remittance Period Revenue Requirement	(Lines 34 + 35 + 36 + 37)		\$ -	\$ -
39					
40	Total WESCR Adjustment Mechanism Revenue Requirements	(Lines 14 + 29 + 38)			\$ -
41					
42					
43					

Customer Class	Forecasted 6-Month Customer Count	Allocation Factor	Projected Revenue Requirement Allocated to Customer Class	WESCR Charge
44				
45	Residential Sales Service	75.015%	\$ -	#DIV/0!
46	Commercial/Public Authority Sales Service	24.167%	\$ -	#DIV/0!
47	School Sales Service	0.264%	\$ -	#DIV/0!
48	Industrial Sales Service	0.160%	\$ -	#DIV/0!
49	Small Generator Sales Service	0.0001%	\$ -	#DIV/0!
50	Irrigation Engine Sales Service	0.394%	\$ -	#DIV/0!
51			\$ -	

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THE STATE CORPORATION COMMISSION OF KANSAS

ATMOS ENERGY CORPORATION

(Name of Issuing Utility)

ENTIRE SERVICE AREA

(Territory to which Schedule is applicable)

No Supplement or separate understanding shall modify the tariff as shown hereon.

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SHEET

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- 1 B. COMPUTATION FORMULA (FOR EACH ZONE AND CLASS)
- 3 C. COMPUTATION PERIOD
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- 5 H. OVERRUN PENALTIES
- 6 I. REPORTING REQUIREMENTS
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- 6 K. DEMAND CHARGE SAVINGS UNDER 2015 SOUTHERN STAR AGREEMENT

SECTION 2 - PURCHASED GAS COST REFUND ADJUSTMENT PROCEDURE

- 6 A. SUPPLIER REFUND PROVISION

SECTION 3 - PURCHASED GAS COST SURCHARGES

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SECTION 4 – WINTER EVENT SECURITIZED CHARGE RIDER (WESCR)

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Issued: _____ (Month) (Day) (Year)	
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By: _____ (Signature of Officer) (Title)	

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ATMOS ENERGY CORPORATION <small>(Name of Issuing Utility)</small>	<u>SCHEDULE I: Rules and Regulations</u>
ENTIRE SERVICE AREA <small>(Territory to which Schedule is applicable)</small>	<small>Replaces" Rules & Regulations — All Divisions Filed January 26, 2004 through September 2007</small>
No Supplement or separate understanding shall modify the tariff as shown hereon.	
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- b. the date of the meter reading and the date of the bill;
- c. the final date on which a payment can be received before a delinquency charge is imposed;
- d. the actual or estimated usage during the billing period;
- e. the amount due for prompt payment and the amount due after delinquency in payment;
- f. The purchase gas cost adjustment in dollars per one hundred cubic feet (\$ Ccf) or, in cents per one-thousand cubic feet (\$ Mcf) and the total amount of the adjustment due;
- g. the amount of additional charges due for past due accounts, security deposits, collection, connection or disconnection charges, installment payments, and other utility charges authorized by the Commission;
- h. the total amount due for the current billing period;
- i. the amount due for franchise fees and sales taxes and research and development surcharges;
- j. the telephone number of the Company, where a Customer may report a disputed bill, make an inquiry concerning the bill, delinquency or termination of service or otherwise express a concern.

2. The Company may include on the bill for Gas Services other charges for special services designated clearly and separately. If the Customer makes a partial payment for the total bill, the Company shall credit payment: a) first to the Winter Event Securitized Charge Rider (WESCR); b) then to the balance outstanding for Gas Service beginning with the oldest

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By:	/s/ Karen Wilkes <u>Kathleen R. Ocanas</u> VP- Reg & Public Affairs <small>(Signature of Officer) (Title)</small>	

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~~outstanding for Gas Service beginning with the oldest~~ Gas Service debt; ~~bc~~) then to additional charges; and, ~~ed~~) then to special charges.

3. If the Customer is paying under the Levelized Budget Billing Plan or the Modified Levelized Budget Billing Plan, each bill shall also clearly disclose the overage or underage of the amounts paid to date as compared to the cumulative actual usage, in dollars, to date.

4. If the Customer is paying down an arrearage under the Cold Weather Rule or other payment plan, those monthly amounts shall be printed on the bill and clearly labeled.

5. The Customer's bill shall show any adjustment necessary to previous billings that were based on estimated usage or Customer meter readings after actual usage has been determined from a subsequent meter reading by the Company. The adjustment will be calculated for a period between the last valid meter reading and the most recent meter reading by the Company. If the adjustment shows a net balance due the Company, the Customer shall be given the opportunity, if requested, to pay the additional charges in equal installments over a period of time equal to the adjusted billing period. If a net balance is due the Customer, the Customer shall be given either a credit on subsequent bills or a refund, if the overpayment exceeds ten dollars (\$10) and a refund is requested.

C. METER READING PERIODS

Unless otherwise provided in the Rate Schedules, meters shall be read in a range of no less than 26 days and no more than 36 days for monthly billing. The Company may vary its meter reads from this period to take into account the effects of connections, disconnections, and for customers directly affected by rerouting.

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	<small>(Month) (Day) (Year)</small>		
By:	/s/ Karen Wilkes <u>Kathleen R. Ocanas</u>	VP-	
	<small>(Signature of Officer)</small>	<small>(Title)</small>	

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THE STATE CORPORATION COMMISSION OF KANSAS	
ATMOS ENERGY CORPORATION (Name of Issuing Utility)	SCHEDULE IV: Sales and Transportation Rates
ENTIRE SERVICE AREA (Territory to which Schedule is applicable)	
No Supplement or separate understanding shall modify the tariff as shown hereon.	
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SECTION 2 - FIRM SALES SERVICE

A. Residential Sales Service (Rate Schedule 910)

1. APPLICABILITY

Available in and around the communities specified in the Section 1 A. to residential customers at a single location.

2. MONTHLY BILL

- a. Facilities Charge: \$ 18.89 per month
- b. Commodity Charge: \$0.15352 per 100 cubic feet (Ccf) plus applicable adjustments and charges provided in the Company's PGA, WESCR and WNA Schedules.

The minimum monthly bill shall be no less than the Facility Charge plus any applicable service charges.

3. BASIS OF MEASUREMENT

Natural gas delivered shall be measured at prevailing meter pressures and the volumes thereof shall be computed at a pressure base of 14.65 pounds per square inch at a temperature of 60 degrees Fahrenheit. The Company may assume that the gas delivered obeys Boyle's Law and atmospheric pressure is 14.4 pounds per square inch and the flowing temperature of the gas in the meter is 60 degrees Fahrenheit.

4. OTHER TERMS AND CONDITIONS

Service hereunder is subject to the Company's General Terms and Conditions for Service including Curtailment of Service, Service Fee Schedule and Schedule of Customer Advances for Construction of Mains and Company Service Lines as approved by the State Corporation Commission of the State of Kansas.

5. GAS LIGHTS

For all gas light services, the charge for such services shall be based on actual usage through a metered source at this tariff rate. For all unmetered gas light service, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Issued:	June 25 2020	
	(Month) (Day) (Year)	
Effective:	October 1 2020	19-ATMG-525-RTS Approved DH Kansas Corporation Commission June 25, 2020 /s/ Lynn Retz
	(Month) (Day) (Year)	
By:	/s/ Jared Geiger Vice President, Rates & Regulatory Affairs	
	Kathleen Ocanas (Signature of) (Title)	

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ENTIRE SERVICE AREA (Territory to which Schedule is applicable)	
No Supplement or separate understanding shall modify the tariff as shown hereon.	
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B. Commercial/Public Authority (General) Sales Service (Rate Schedule 915)

1. APPLICABILITY

Available in and around the communities specified in the Section 1 A. to commercial and public authority customers at a single location.

2. MONTHLY BILL

- a. Facilities Charge: \$42.50 per month
- b. Commodity Charge: \$0.15375 per 100 cubic feet (Ccf) plus applicable adjustments and charges provided in the Company's PGA, WESCR and WNA Schedules.

The minimum monthly bill shall be no less than the Facility Charge plus any applicable service charges.

3. BASIS OF MEASUREMENT

Natural gas delivered shall be measured at prevailing meter pressures and the volumes thereof shall be computed at a pressure base of 14.65 pounds per square inch at a temperature of 60 degrees Fahrenheit. The Company may assume that the gas delivered obeys Boyle's Law and atmospheric pressure is 14.4 pounds per square inch and the flowing temperature of the gas in the meter is 60 degrees Fahrenheit.

4. OTHER TERMS AND CONDITIONS

Service hereunder is subject to the Company's General Terms and Conditions for Service including Curtailment of Service, Service Fee Schedule and Schedule of Customer Advances for Construction of Mains and Company Service Lines as approved by the State Corporation Commission of the State of Kansas

5. GAS LIGHTS

For all gas light services, the charge for such services shall be based on actual usage through a metered source at this tariff rate. For all unmetered gas light service, the Company may estimate and determine the appropriate consumption of the light and charge the applicable rate under this rate schedule.

Issued:	June 25 2020	
	(Month) (Day) (Year)	
Effective :	<u>October</u> <u>1</u> <u>2020</u>	19-ATMG-525-RTS Approved <u>DH</u> Kansas Corporation Commission June 25, 2020 /s/ Lynn Retz
	(Month) (Day) (Year)	
By:	<u>/s/ Jared Geiger</u> Vice President, Rates & Regulatory Affairs	
	<u>Kathleen Ocanas</u> (Signature of (Title)	

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No Supplement or separate understanding shall modify the tariff as shown hereon.	
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C. School Sales Service (Rate Schedule 920)

1. APPLICABILITY

Available in and around the communities specified in the Section 1 A. to state, county, city and private educational institutions or universities constructed before January 1, 1995 at a single location.

2. MONTHLY BILL

- a. Facilities Charge: \$50.50 per month
- b. Commodity Charge: \$0.16873 per 100 cubic feet (Ccf plus applicable adjustments and charges provided in the Company's PGA, WESCR and WNA Schedules.

The minimum monthly bill shall be no less than the Facility Charge plus any applicable service charges.

3. BASIS OF MEASUREMENT

Natural gas delivered shall be measured at prevailing meter pressures and the volumes thereof shall be computed at a pressure base of 14.65 pounds per square inch at a temperature of 60 degrees Fahrenheit. The Company may assume that the gas delivered obeys Boyle's Law and atmospheric pressure is 14.4 pounds per square inch and the flowing temperature of the gas in the meter is 60 degrees Fahrenheit.

4. OTHER TERMS AND CONDITIONS

Service hereunder is subject to the Company's General Terms and Conditions for Service including Curtailment of Service, Service Fee Schedule and Schedule of Customer Advances for Construction of Mains and Company Service Lines as approved by the State Corporation Commission of the State of Kansas.

Issued:	June 25 2020	
	(Month) (Day) (Year)	
Effective :	<u>October</u> <u>1</u> <u>2020</u>	19-ATMG-525-RTS Approved <u>DH</u> Kansas Corporation Commission June 25, 2020 /s/ Lynn Retz
	(Month) (Day) (Year)	
By:	<u>/s/ Jared Geiger</u> Vice President, Rates & Regulatory Affairs	
	<u>Kathleen Ocanas</u> (Signature of) (Title)	

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ENTIRE SERVICE AREA (Territory to which Schedule is applicable)	
No Supplement or separate understanding shall modify the tariff as shown hereon.	
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D. Industrial Sales Service (Rate Schedule 930)

1. APPLICABILITY

Available in and around the communities specified in the Section 1 A. to industrial customers at a single location.

2. MONTHLY BILL

- a. Facilities Charge: \$88.00 per month
- b. Commodity Charge: \$0.16042 per 100 cubic feet (Ccf) plus applicable adjustments and charges provided in the Company's PGA, WESCR and WNA Schedules.

The minimum monthly bill shall be no less than the Facility Charge plus any applicable service charges.

3. BASIS OF MEASUREMENT

Natural gas delivered shall be measured at prevailing meter pressures and the volumes thereof shall be computed at a pressure base of 14.65 pounds per square inch at a temperature of 60 degrees Fahrenheit. The Company may assume that the gas delivered obeys Boyle's Law and atmospheric pressure is 14.4 pounds per square inch and the flowing temperature of the gas in the meter is 60 degrees Fahrenheit.

4. OTHER TERMS AND CONDITIONS

Service hereunder is subject to the Company's General Terms and Conditions for Service including Curtailment of Service, Service Fee Schedule and Schedule of Customer Advances for Construction of Mains and Company Service Lines as approved by the State Corporation Commission of the State of Kansas.

Issued:	<u>June</u> (Month)	<u>25</u> (Day)	<u>2020</u> (Year)	
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By:	/s/ Jared Geiger (Signature of Officer)			Kathleen, Vice President, Rates & Regulatory Affairs (Title)

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No Supplement or separate understanding shall modify the tariff as shown hereon.	
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E. Small Generator Sales Service (Rate Schedule 940)

1. APPLICABILITY

Available in and around the communities specified in the Section 1 A. to commercial customers, at a single location, for separately metered electric generators of less than 20 kilowatts of capacity.

2. MONTHLY BILL

- a. Facilities Charge: \$41.70 per month
- b. Commodity Charge: \$0.00000 per 100 cubic feet (Ccf) plus applicable adjustments and charges provided in the Company's PGA and WESCR Schedules.

The minimum bill shall be no less than the Facility Charge plus any applicable service charges.

3. BASIS OF MEASUREMENT

Natural gas delivered shall be measured at prevailing meter pressures and the volumes thereof shall be computed at a pressure base of 14.65 pounds per square inch at a temperature of 60 degrees Fahrenheit. The Company may assume that the gas delivered obeys Boyle's Law and atmospheric pressure is 14.4 pounds per square inch and the flowing temperature of the gas in the meter is 60 degrees Fahrenheit.

4. OTHER TERMS AND CONDITIONS

Service hereunder is subject to the Company's General Terms and Conditions for Service including Curtailment of Service, Service Fee Schedule and Schedule of Customer Advances for Construction of Mains and Company Service Lines as approved by the State Corporation Commission of the State of Kansas.

Issued:	<u>June</u> (Month)	<u>25</u> (Day)	<u>2020</u> (Year)	
Effective :	<u>October</u> (Month)	<u>1</u> (Day)	<u>2020</u> (Year)	19-ATMG-525-RTS Approved <u>DH</u> Kansas Corporation Commission June 25, 2020 /s/ Lynn Retz
By:	<u>/s/ Jared Geiger</u> (Signature of Officer)			Kathleen DePree, President, Rates & Regulatory Affairs (Title)

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ATMOS ENERGY CORPORATION (Name of Issuing Utility)	SCHEDULE IV: Sales and Transportation Rates
ENTIRE SERVICE AREA (Territory to which Schedule is applicable)	
No Supplement or separate understanding shall modify the tariff as shown hereon.	
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F. Irrigation Engine Sales Service (Rate Schedule 965)

1. APPLICABILITY

Available in and around the communities specified in the Section 1 A. to engine irrigation customers at a single location.

2. MONTHLY BILL

- a. Facilities Charge: \$76.00 per month
- b. Commodity Charge: \$0.11429 per 100 cubic feet (Ccf) plus applicable adjustments and charges provided in the Company's PGA, WESCR and WNA Schedules.

The minimum monthly bill shall be no less than the Facility Charge plus any applicable service charges.

3. BASIS OF MEASUREMENT

Natural gas delivered shall be measured at prevailing meter pressures and the volumes thereof shall be computed at a pressure base of 14.65 pounds per square inch at a temperature of 60 degrees Fahrenheit. The Company may assume that the gas delivered obeys Boyle's Law and atmospheric pressure is 14.4 pounds per square inch and the flowing temperature of the gas in the meter is 60 degrees Fahrenheit.

4. OTHER TERMS AND CONDITIONS

Service hereunder is subject to the Company's General Terms and Conditions for Service including Curtailment of Service, Service Fee Schedule and Schedule of Customer Advances for Construction of Mains and Company Service Lines as approved by the State Corporation Commission of the State of Kansas.

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By:	<u>/s/ Jared Geiger</u> (Signature of Officer)			Kathleen V. Geiger, President, Rates & Regulatory Affairs (Title)

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SCHEDULE V - PURCHASED GAS ADJUSTMENT (PGA)

SECTION 1 - PURCHASED GAS COST ADJUSTMENT PROCEDURE

A. RATE SCHEDULES COVERED

All of the Company's sales rate schedules shall be subject to a purchased gas cost adjustment:

Firm Sales Services include: Residential Sales Service (Rate Schedule 910), Commercial/Public Authority (General) Sales Service (Rate Schedule 915), School Sales Service (Rate Schedule 920), Industrial Sales Service (Rate Schedule 930), Small Generator Sales Service (Rate Schedule 940), Irrigation Engine Sales Service (Rate Schedule 965) and Economic Development Sales Service (Rate Schedule 960).

Interruptible Sales Services include: Large Industrial Sales Service (Rate Schedule 955), and Economic Development Sales Service (Rate Schedule 960).

B. COMPUTATION FORMULA

The Company's rates for gas service are subject to adjustment for change in the average cost of gas from all sources of supply purchased. At the end of the twelve-month period ending August 31, the Company will project the average cost of gas for the twelve months ending August 31 of the following year. If at any time during this twelve month period the Company experiences a change or changes in supplier rates or in sources of supply, the cumulative effect of which change or changes is to produce an increase or decrease in the new projected effective rate for purchased gas from all suppliers of at least \$.010 per Ccf, then an adjusted average rate shall be determined. The annual cost of gas projection and any revised projections throughout the year will be computed using the following formula:

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$$\frac{P + E + S}{V} = \text{Adjustment}$$

Where:

P = The estimated total dollar cost of purchased gas to be sold calculated by summing the products of the most recent unit cost of purchased gas from each supplier and the estimated unit purchases from each supplier for the twelve month period ending August 31. In the event that changes in the rates paid for purchased gas will take place within the current twelve month period ending August 31, as specified by contract provisions currently in effect, the estimated average unit cost of purchased gas from each supplier for the current twelve month period ending August 31, may be used in the calculation in place of the most recent unit cost.

E = Estimated net cost (positive or negative) arising from exchange gas transactions that are expected to occur during the twelve month period ending August 31 (Account 806), not including storage gas transactions.

S = Estimated cost of stored gas to be withdrawn from storage (Account 808) and sold.

V = The estimated sales volume in Ccf for the twelve month period ending August 31. (If the actual sales volume reflects a line loss factor greater than the limit value, restatement of sales volume, based on the limit value for line loss, shall be required.)

Interruptible volumes sold under Rate Schedule 955 and 960 shall not be billed the demand costs, or its equivalent, contained in the PGA computed in accordance with the above-stated formula, but shall be billed the remaining costs contained in the PGA formula.

In addition to the PGA less demand costs, or its equivalent, Rate Schedule 955 and 960 shall also have applied to the volumes sold the sum of the Southern Star Central Gas Pipeline, Inc.'s maximum ITS-P and ITS-M commodity rates, adjusted for fuel reimbursement percentages, as set forth in Southern Star Central Gas Pipeline, Inc.'s tariff on file with the Federal Energy Regulatory Commission.

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C. COMPUTATION PERIOD

The computation period shall be the subsequent twelve month period ending August 31.

D. COMPUTATION FREQUENCY

The computation shall be made annually or each time a change or changes occur in supplier rates or sources of supply. The cumulative effect of which change or changes is to produce an increase or decrease in the new effective rate paid for purchased gas by at least \$.010/Ccf.

E. COSTS INCLUDED

The formula includes only costs which are properly included in FERC Accounts 800, 801, 802, 803, 804 and 858, applicable to Kansas; 805, 806, 808, and 809.

F. ACTUAL COST ADJUSTMENT

Subsequent to the effective date of this clause, the Company shall maintain a continuing monthly comparison of the actual (as billed) cost of gas as shown on the books and records of the Company, exclusive of refunds, and the cost recovery for the same month calculated by applying to the volumes sold during said month the purchased gas cost adjustments calculated pursuant to these purchased gas cost adjustment provisions. For each twelve month period ended August 31, the differences of the comparisons described above, including any balance or credit for the previous year, shall be accumulated to produce a cumulative balance of over-recovered or under-recovered costs.

1. An "Actual Cost Adjustment" (ACA) shall be computed by dividing the cumulative balance of under-recovered or over-recovered costs by the volume of total sales during the twelve month period ending on that date. This adjustment shall be rounded to the nearest \$.0001 per Ccf and applied to sales billed on or after the first day of the month following the month in which the adjustment has been approved by the Commission. The "Actual Cost Adjustments" shall remain in effect until superseded by subsequent "Actual Cost Adjustments" calculated according to this provision.

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2. The Gas Cost portion of uncollectible accounts is recoverable through the ACA. The cumulative balance of over-recovered or under-recovered costs shall include the Gas Cost portion of uncollectible PGA customer accounts billed under this Schedule during the preceding Computation Year, which remain unpaid. The uncollectible amounts included in the annual ACA computation shall not contain interest or collection fees or charges. This sub-component of the ACA will be a separate line item on Sheet 1 of the Purchased Gas Adjustment.
3. The ACA shall include any balance remaining in the supplier refund reserve account. Refer to Section 2 - Purchased Gas Cost Refund Adjustment Procedure.
4. The ACA shall include any balance remaining in the hedge program factor account. The Hedge Program normally runs 12 months beginning with April and ending with March. Refer to Section 3 – Purchased Gas Cost Surcharges.

G. CAPACITY RELEASE

The Company shall forecast, on a monthly basis, the capacity release credits expected to be received (applicable to its Kansas jurisdiction).

1. The Company shall then calculate a Monthly Capacity Release Factor by dividing fifty percent of this total monthly forecast by estimated monthly sales. The Total Capacity Release Factor shall be applied to the Purchased Gas Cost Factor.
2. The Company shall maintain a continuing monthly comparison of 50% of the actual capacity release credits received and the capacity release credits distributed. The differences of the comparisons described above shall be accumulated to produce an Accumulated Capacity Release Balance, that is, a cumulative balance of under or over distributed credits.

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3. An Accumulated Capacity Release Factor will be calculated annually by dividing the accumulated balance of under or over distributed credits by the volume of actual sales during the twelve month period ending August 31. The Accumulated Capacity Release Factor will be added to the Monthly Capacity Release Factor to equal the Total Capacity Release Factor.
4. The Accumulated Capacity Release Balance will be adjusted by the monthly capacity release under/over disbursements.

H. OVERRUN PENALTIES

Overrun penalties applicable to the Company's Kansas jurisdiction shall be separately accumulated and shall be administered in compliance with the provisions contained in the Commission Order in Docket No. 190,061-U.

1. The Company shall maintain a continuing monthly comparison of the actual penalties received (applicable to its Kansas jurisdiction) and the amount recovered from its customers.
2. The differences of the comparisons described above shall be accumulated to produce an Accumulated Penalty Balance, that is, a cumulative balance of under or over recovered penalties.
3. An Accumulated Penalty Recovery Factor will be calculated annually by dividing the accumulated balance of under or over recovered penalties by the volume of actual sales during the twelve month period ending August 31.
4. The Accumulated Penalty Recovery Factor will be applied to the Purchased Gas Cost Factor each month
5. The Accumulated Penalty Balance will be adjusted by the monthly penalty under/over recovery

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I. REPORTING REQUIREMENTS

The Company shall submit to the Commission purchased gas cost filings at least 15 days before the filing is to be effective. The exception to this requirement is the Hedge Settlement Filing for November to March, which is required to be filed at least 1 day before the effective date. Purchased gas cost filings and cost adjustment reports shall use the format prescribed by the Commission.

J. LINE LOSS LIMITATIONS

The Company shall compute one actual line loss for the entire State of Kansas. In the event that the actual line loss (unaccounted for gas) statistic for the computation period exceeds the line loss limit of 4%, the Company will compute the purchased gas adjustment using the limit value rather than the actual operating statistic value.

K. DEMAND CHARGE SAVINGS UNDER 2015 SOUTHERN STAR AGREEMENT

The company shall identify the demand charge savings expected to be received (applicable to its Kansas jurisdiction) under the 2015 Southern Star Agreement approved in Docket No. 14-ATMG-230-TAR

1. The Demand Charge Savings will be shared between the Customers and the Company. The Customer shall receive seventy-eight percent (78%) of the savings and the Company shall receive twenty-two percent (22%) of the savings
2. The Customers' share of the savings would be provided to them by applying the savings to the utility PGA on a monthly basis. As monthly savings are realized, the savings will be reflected in the monthly gas costs.
3. The 22% of Demand Charge Savings not passed through to the Customer through the PGA shall be retained by the Company as provided for in the Commission's Order dated April 7, 2015, in Docket No. 14-ATMG-230-TAR

L. WINTER EVENT SECURITIZED UTILITY TARIFF BONDS RECONCILIATION

The reconciliation of the amount of Securitized Utility Tariff Bonds to actual Winter Event costs incurred along with any reductions to those costs as set out in Docket No. 22-ATMG-XXX-TAR. On the first anniversary of the issuance of Securitized Utility Tariff Bonds a comparison is made of actual costs incurred to the securitized amount and any penalty collections received after bond issuance. The difference will be amortized over the remaining life of the securitized bonds. This comparison will take place annually until the disputed invoice and penalty amounts are fully addressed.

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SECTION 2 - PURCHASED GAS COST REFUND ADJUSTMENT PROCEDURE

A. SUPPLIER REFUND PROVISION

Supplier Refunds of Company's payments in excess of those ultimately authorized by the governing regulatory body, including interest received, shall be credited to the refund reserve accounts and refunded to the customers through the Supplier Refund Factor. The Company should make a best effort to refund the type of customer that was overcharged.

1. The Supplier Refund Factor shall be determined by dividing the appropriate refund amount by the estimated Ccf sales as shown on Sheet 1 line 6 of the PGA filing.
2. If the Supplier Refund Factor is less than \$.002 per Ccf, the refund shall be held in the reserve account until the close of the current computation year, at which time the amount will be included in the total accumulated under/over recovery for the ACA calculation.
3. If the Supplier Refund factor is equal to or greater than \$.002 per Ccf the Company shall include the refund factor as a reduction in the PGA computed to the nearest \$.00001 per Ccf. Any balance remaining in the Company's refund reserve account upon completion of a refund shall be held in the reserve until the close of the current computation year, at which time the amount will be included in the total accumulated under/over recovery for the ACA calculation.
4. The company shall report to the Commission its intended Supplier Refund plan proposed to make effective within ninety (90) days of the receipt of a refund in excess of \$.002 per Ccf.
5. The length of the refund period shall generally be twelve (12) months, except that each refund period may be lengthened or shortened by the Company to avoid a refund materially above or below the refundable amount.
6. Nothing contained herein shall preclude the Commission from modifying the Company's refund procedure on a case-by-case basis.

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SECTION 3 - PURCHASED GAS COST SURCHARGES

A. GAS HEDGE PROGRAM

The Company shall operate its Gas Hedge Program pursuant to the relevant order in Docket No. 05-ATMG-617-HED.

1. Costs and revenues associated with any purchase or sale of straight call options, and other alternative risk management strategies, such as call spreads, the net balance of which shall not exceed approved annual budget amount.
2. The estimated net balance shall be recovered as a separate cost component during the months of April through October each year from all PGA customers except irrigation.
3. Any over or under recovery, and any of the allowed budget amount not used by the Company over the course of the Hedge Program year, shall be reflected in the Company's next ACA filing. Costs and revenues generated from the settlement of all financial derivatives shall be flowed back as a separate component during the months of November through March to all PGA customers except irrigation.
4. This settlement component shall be a volumetric charge or credit that is calculated each month from November to March by dividing the monthly estimated hedge payoff amount by the sales volume projected to occur during that respective month.
5. The estimated payoff amount shall be adjusted to the actual payoff amount in the following month's calculation of the settlement component. No settlement component will be added if it is less than \$.002 per Ccf, rather the amount will be accumulated until the component results in a rate more than \$.002 per Ccf.

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SECTION 4 – WINTER EVENT SECURITIZED CHARGE RIDER (WESCR)

Applicability

This rider is applicable to all service provided under sales rate schedules 910, 915, 920, 930, 940 and 965 beginning with the first billing cycle following the issuance of securitized bonds pursuant to a Financing Order issued in Docket No. 22-ATMG-XXX-TAR. Service is subject to the Definitions and Conditions section below.

Net Monthly Charge

1. The Winter Event Securitized Cost Recovery Rider (WESCR) shall be applied as a fixed monthly charge calculated as described below for recovery of extraordinary costs incurred related to Winter Storm Uri (Winter Event).
2. All WESCR fixed monthly charges shall be calculated to the nearest \$0.01 per customer. All charges set forth in the rate schedule under which the customer takes service shall also apply.
3. Initial Charge: The initial WESCR shall be determined as follows:
 - a. The initial 12 months of principal, interest and servicing costs (adjusted for forecasted write-offs and late payments) for the Securitized Utility Tariff Bonds shall be allocated to the sales rate schedules as follows:

<u>Rate Schedule</u>	<u>Estimate of February 2021 Usage (Ccf)</u>	<u>Allocation %</u>
<u>Residential Sales Service</u>	<u>23,505,675</u>	<u>75.015%</u>
<u>Commercial Sales Service</u>	<u>7,000,393</u>	<u>22.341%</u>
<u>Public Authority Sales Service</u>	<u>572,090</u>	<u>1.826%</u>
<u>School Sales Service</u>	<u>82,668</u>	<u>0.264%</u>
<u>Industrial Sales Service</u>	<u>50,073</u>	<u>0.160%</u>
<u>Small Generator Sales Service</u>	<u>31</u>	<u>0.0001%</u>
<u>Irrigation Engine Sales Service</u>	<u>123,509</u>	<u>0.394%</u>
<u>Total</u>	<u>31,334,439</u>	<u>100.000%</u>

- b. The allocated principal, interest, servicing costs shall then be divided by the forecasted annual customer count for each rate schedule to calculate a monthly charge per customer.

4. WESCR Adjustment Mechanism: No less often than every six months, the Company shall adjust the WESCR charge for the over- or under-collections and to ensure the timely and complete payment of

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Securitized Utility Tariff Bonds and other financing costs. The WESCR shall be calculated for each rate class in the following manner:

$$\text{WESCR} = \frac{\text{WESCR Adjustment Mechanism Revenue Requirement} * \text{Allocation \% by Class}}{\text{Forecasted Customer Count by Class}}$$

Where:

$$\text{WESCR Adjustment Mechanism Revenue Requirement} = \text{Cumulative (Over)/Under Collections for Prior Remittance Period} + \text{Estimated Current Remittance Period (Over)/Under Collections} + \text{Projected Remittance Period Revenue Requirement}$$

Where:

$$\text{Cumulative (Over)/Under Collections for Prior Remittance Period} = \text{Prior Remittance Period Revenue Requirement} + \text{Prior Remittance Period Actual Cash Receipt Transfers and Interest Income} + \text{Cash in Excess Funds}$$

$$\text{Estimated Current Remittance Period (Over)/Under Collections} = \text{Current Remittance Period Revenue Requirement} + \text{Current Remittance Period Cash Receipts} + \text{Current Remittance Period Interest Income} + \text{Forecasted Current Remittance Period Cash Receipts} + \text{Forecasted Current Remittance Period Interest Income}$$

$$\text{Projected Remittance Period Revenue Requirement} = \text{Forecasted Revenue Requirement for the remittance period}$$

Where:

$$\text{Revenue Requirement} = \text{Securitized Utility Tariff Bond Principal} + \text{Interest} + \text{Servicing Costs} + \text{Other Ongoing Costs}$$

$$\text{Forecasted Current Remittance Period Cash Receipts} = \sum(\text{Current Period WESCR by Class} * \text{Forecasted Customer Count by Class}) + \text{Forecasted Write-offs and Late payments}$$

a. For the Prior Remittance Period, the actual Revenue Requirement and Remittances are used to determine the over- or under- recovery for that period.

b. For the Current Remittance Period, the actual Revenue Requirement and Remittances for three months are compared to determine the over- or under-recovery for first three months of the period. For the remaining three months of the period, forecasted information for the Revenue Requirement and Remittances are used to determine the remaining over- or under-recovery. The actual and the forecasted over- or under-recovery are added together.

c. For the Projected Remittance Period the forecasted Revenue Requirement is provided.

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d. The WESCR Adjustment Mechanism Revenue Requirement is allocated to rate schedules according to the allocation factors listed in Section 3(a) of this rate schedule.

5. Separation Fee: A customer served under a sales rate schedule who switches to service under transportation rate schedule during the period in which the WESCR charge is being recovered will be required to pay a Separation Fee. The Separation Fee shall be based on the present value of the expected charges the customer would have paid under its sales rate schedule over the remaining period the WESCR charge is being recovered. This is required pursuant to the Commission's March 24, 2022, Order in Docket No. 21-ATMG-333-GIG. Any Separation Fees collected will be included in the WESCR Adjustment Mechanism as a cash remittance.

Definitions and Conditions

1. The WESCR is designed to recover Qualified Extraordinary Costs as set out in K.S.A. 66-1,240 et seq.
2. The WESCR shall be a separate line item on the customer's bill.
3. The WESCR shall be subject to taxes and franchise fees as set out in the General Terms and Conditions for Gas Service Section 4.B.1.i and Section 4.L.1 and 2.
4. Notwithstanding the requirements of The General Terms and Conditions for Gas Service Section 4.B.2, payments will first be applied to the WESCR.
5. At least 30 days prior to when the proposed updated charges begin billing, the Company shall file a report with the Commission, at least semi-annually, detailing the calculations of the adjustment mechanism for deriving the charges authorized by this rider to be applied during the subsequent Remittance Period. The Commission's review is limited to determining if any mathematical or clerical errors are present in the application of the adjustment mechanism.
6. The WESCR shall remain in effect until the Securitized Utility Tariff Bonds approved in the Financing Order issued in Docket No. 22- ATMG -XXX-TAR have been paid in full. After the bonds have been paid in full, any over-recovery will be credited to customers in a form of a credit to their natural gas bills.

Issued: <u>April</u> <u>7</u> <u>2015</u> (Month) (Day) (Year)	14-ATMG-230-TAR Kansas Corporation Commission April 7, 2015 /s/ Amy L Green
Effective: <u>April</u> <u>7</u> <u>2015</u> (Month) (Day) (Year)	
By: <u>s/ Kathleen R. Ocanas, VP Rates & Reg Affairs</u> (Signature of Officer) (Title)	

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail this 25th day of May, addressed to:

Shelly M. Bass
shelly.bass@atmosenergy.com

Kathleen R. Ocanas
Kathleen.Ocanas@atmosenergy.com

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

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

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

Shonda Rabb
s.rabb@curb.kansas.gov

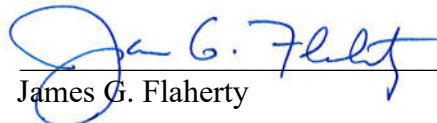
Della Smith
d.smith@curb.kansas.gov

Melanie S. Jack
Melanie.Jack@ag.ks.gov

Derek Schmidt
Derek.Schmidt@ag.ks.gov

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

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


James G. Flaherty