

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Atmos Energy)
Corporation for Adjustment of its Natural Gas) Docket No. 19-ATMG-525-RTS
Rates in the State of Kansas)

DIRECT TESTIMONY OF

JOSH FRANTZ

ON BEHALF OF

CITIZENS' UTILITY RATEPAYER BOARD

OCTOBER 31, 2019

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1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Joshua (“Josh”) P. Frantz. My business address is 1500 SW Arrowhead Road,
4 Topeka, Kansas 66604.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Citizens’ Utility Ratepayer Board (CURB) as a Senior Regulatory
7 Analyst.

8 **Q. Please describe your educational background.**

9 A. I earned a Bachelor of Business Administration (BBA) degree in 2005 from Washburn
10 University in Topeka, Kansas. My undergraduate majors were finance, marketing, and
11 management. In 2018, I earned a Master of Business Administration (MBA) degree, also
12 from Washburn University.

13 **Q. Please summarize your professional experience within the utility industry.**

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

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

20 A. Yes. During my prior employment with Commission Staff (“Staff”), I offered testimony
21 in seven proceedings before the Commission. I also submitted more than thirty Report and
22 Recommendations for the Commission’s consideration. A list of those filings is available
23 upon request. This is my first testimony on behalf of CURB.

1 **II. PURPOSE OF TESTIMONY**

2 **Q. Please summarize the purpose of your testimony.**

3 A. As part of Atmos Energy Corporation's ("Atmos" or "Company") Application for
4 Adjustment of its Natural Gas Rates in the State of Kansas ("Application"), submitted in
5 this Docket, Atmos is requesting approval of a System Integrity Program (SIP) tariff. The
6 SIP would create a rate rider to fund accelerated replacement of obsolete materials in
7 Atmos's Kansas system. It is proposed for a 5-year pilot term. The purpose of my
8 testimony is to evaluate Atmos's SIP proposal and recommend a course of action to the
9 Commission on behalf of CURB.

10 **III. SUMMARY OF RECOMMENDATIONS**

11 **Q. Please summarize your recommendations.**

12 A. I recommend rejection of the SIP as proposed. Generally, CURB believes that capital
13 expenditures should be recovered through the traditional rate case process. That said, there
14 are modifications that would make CURB more receptive to a pilot SIP in this particular
15 case, including: (1) the Company should first maximize its gas system reliability surcharge
16 (GSRS) before additional investment is allocated to a SIP for that period; (2) the Company
17 should first invest in safety-related infrastructure beyond what is recoverable through the
18 GSRS and depreciation before additional investment is allocated to a SIP for that period;
19 (3) SIP project eligibility should be limited to replacement of cast iron or bare steel pipeline
20 infrastructure; (4) the SIP surcharge should be updated annually, rather than quarterly as
21 proposed; (5) the initial monthly SIP surcharge should be no more than \$0.40 per
22 residential customer, and with each annual update, the SIP surcharge should not increase

1 by more than \$0.40 per residential customer per month; and (6) the Company should agree
2 to an initial three-year rate moratorium.

3 **IV. DISCUSSION OF THE ISSUES**

4 **A. Accelerated Pipeline Replacement Background**

5 **Q. Please briefly describe the underlying issues driving the need for accelerated pipeline**
6 **replacement.**

7 A. In 2011, following major natural gas pipeline incidents, the Pipeline and Hazardous
8 Materials Safety Administration (PHMSA) issued a Call to Action to accelerate the repair,
9 rehabilitation, and replacement of the highest-risk pipeline infrastructure. Among other
10 factors, pipeline age and material are significant risk indicators. Pipelines constructed of
11 cast and wrought iron, as well as bare (i.e., uncoated) steel, are among those pipelines that
12 pose the highest-risk.¹

13 In 2015, the Commission opened Docket No. 15-GIMG-343-GIG (“Docket 15-
14 343”) to investigate the accelerated replacement of obsolete natural gas pipeline materials
15 considered to be a safety risk. In Docket 15-343, the Commission found the materials in
16 most urgent need of replacement in its jurisdictional gas utilities’ systems were bare steel
17 and cast iron. Those materials pose the highest risk to safety because of their relative length
18 of service and their proclivity for corrosion or stress fractures. Therefore, the Commission
19 found the accelerated, programmatic replacement of bare steel mains, bare steel
20 service/yard lines, and cast iron mains to be in the public interest and necessary.²

¹ *Pipeline Replacement Background*, PHMSA, <<https://www.phmsa.dot.gov/data-and-statistics/pipeline-replacement/pipeline-replacement-background>> (Obtained Oct. 23, 2019)

² Final Order, ¶78, Docket No. 15-GIMG-343-GIG, (Sept. 12, 2017) (15-343 Final Order).

1 **Q. What options does a gas utility have to recover its costs for replacement of obsolete**
2 **infrastructure?**

3 A. To recover the costs of replacement of obsolete infrastructure, a gas utility has four primary
4 options: include those costs in a general rate proceeding; establish/update its GSRS for
5 qualifying projects;³ establish/update its Accelerated Replacement Program (ARP)
6 surcharge for qualifying projects;⁴ and/or propose its own recovery mechanism for
7 accelerated replacement of obsolete infrastructure, which Atmos has elected to do in this
8 proceeding.

9 **Q. What is Atmos's stated reason for requesting an additional mechanism for recovery**
10 **of costs related to replacement of obsolete infrastructure?**

11 A. Atmos believes that safety-related capital projects should not be the driver of frequent rate
12 cases,⁵ but argues that without a streamlined, timely approach for review, approval, and
13 rate recovery of safety-related investments, the Company must instead file more frequent
14 rate cases.⁶ However, the rate case process is both time consuming and expensive, and the
15 Commission has expressed its concern regarding the frequency of rate cases, as the
16 associated expenses are borne by ratepayers. Furthermore, Atmos has reached the GSRS
17 cap and has determined the ARP is unworkable. I will describe the GSRS and ARP in
18 greater detail later in my testimony.

19 **Q. What is a GSRS?**

20 A. As established by K.S.A. Supp. 66-2202 through 66-2204, natural gas public utilities may
21 initiate a GSRS, which is a monthly fixed (non-volumetric) surcharge providing recovery

³ See K.S.A. 2017 supp. 66-2202–66-2204.

⁴ Instituted in 15-343 Final Order, pp. 48–50.

⁵ Direct Testimony of Gary L. Smith, p. 19 lns. 6–7 (Jun. 28, 2019) (Smith Direct).

⁶ Smith Direct, p. 18 lns. 4–6.

1 of costs for investment in eligible system infrastructure. Eligibility includes non-growth
2 infrastructure investments related to safety, security, and risk management (e.g., pipeline
3 system components installed to replace, upgrade, or modernize obsolete facilities).

4 There are additional constraints placed upon the GSRS—of particular note, the
5 initial GSRS filing cannot establish a monthly charge of more than \$0.80 per residential
6 customer over the base rates in effect and, thereafter, each change in the surcharge
7 (effectuated no more often than every 12 months) cannot increase the monthly charge by
8 more than \$0.80 per residential customer over the most recent GSRS filing.

9 **Q. Have there been any recent, significant changes to the GSRS statutes?**

10 A. Yes. In 2018, the defined expenditures covered by GSRS were expanded from
11 infrastructure system “replacements” to infrastructure system “investments”—for instance,
12 investments in “system security” to protect cyber assets are now GSRS eligible.
13 Additionally, the maximum allowable annual surcharge increase doubled from \$0.40 to
14 \$0.80 per month per residential customer.

15 **Q. Has Atmos established a GSRS?**

16 A. Yes. Atmos’s latest approved GSRS filing, effective May 2019, will result in collection of
17 \$1,562,118 in incremental GSRS, which equates to an incremental increase to residential
18 customers' bills of \$0.80 month,⁷ the maximum allowed by statute. To date, Atmos is the
19 only Kansas gas utility to maximize its GSRS surcharge.

20 **Q. Is this the first time Atmos has proposed a SIP?**

21 A. No. In Docket No. 16-ATMG-079-RTS (“Docket 16-079”), Atmos’s prior rate case, it
22 proposed a SIP. The parties in Docket 16-079 (including Atmos, Staff, and CURB)

⁷ Order Approving Gas System Reliability Surcharge, ¶5, Docket No. 19-ATMG-307-TAR (Apr. 24, 2019).

1 eventually filed a Unanimous Settlement Agreement (“Settlement”) which contained a SIP
2 proposal that would have allowed Atmos to recover a total of \$75 million in capital
3 expenditures incurred in the accelerated replacement of obsolete pipe over the course of a
4 five year pilot program.⁸ As part of the Settlement, Atmos agreed to a 3-year moratorium
5 on general rate increases (subject to the availability of abbreviated rate case filings).

6 **Q. What was CURB’s position regarding the SIP in Docket 16-079?**

7 A. CURB’s initial position in Docket 16-079 was that Docket No. 15-GIMG-343-GIG
8 (“Docket 15-343”), a concurrently open and active general investigation docket regarding
9 accelerated replacement of obsolete natural gas pipeline, would be the appropriate forum
10 for review of the issue of accelerated pipeline replacement.⁹ CURB eventually signed off
11 on the SIP proposal in Docket 16-079 as part of a larger Settlement, emphasizing that “the
12 Settlement provides the parties, and the KCC, with the ability to modify the SIP to comply
13 with any KCC determination in the [15-343] Docket, without affecting the enforceability
14 of the other terms of the Settlement.”¹⁰

15 **Q. What was the Commission’s decision in Docket 16-079?**

16 A. In the Commission’s decision in Docket 16-079, it noted that the results of Docket 15-343
17 should be precursors to approval of any one individual program.¹¹ Therefore, the
18 Commission ultimately denied the SIP proposed in the Settlement in Docket 16-079,
19 determining it was premature at that time.¹²

⁸ See Joint Motion to Approve Unanimous Settlement Agreement, Attachment 1 ¶¶23–33, Docket No. 16-ATMG-079-RTS (Jan. 20, 2016) (16-079 Settlement).

⁹ Direct Testimony of Andrea Crane on Behalf of CURB, p. 60, Docket 16-ATMG-079-RTS (Dec. 21, 2015).

¹⁰ Testimony of Andrea C. Crane in Support of Stipulation, p. 14 Ins. 2–4, Docket 16-ATMG-079-RTS (Jan. 21, 2016).

¹¹ Order Approving in Part; Denying in Part Unanimous Settlement Agreement, ¶31, Docket No. 16-ATMG-079-RTS (Mar. 17, 2016).

¹² First denied in Order Approving in Part; Denying in Part Unanimous Settlement Agreement, ¶31, Docket No. 16-ATMG-079-RTS (Mar. 17, 2016). Denial upheld in Final Order, Docket 16-ATMG-079-RTS (Dec. 22, 2016).

1 **Q. What was CURB's position regarding accelerated pipeline replacement in Docket 15-**
2 **343?**

3 A. CURB took the position that there was no evidence that additional accelerated cost
4 recovery mechanisms were necessary at that time in order for the Kansas gas utilities to
5 continue to provide safe and reliable utility service.¹³ CURB further argued Kansas
6 ratepayers should not be burdened with more than one accelerated cost recovery
7 mechanism relating to infrastructure investment.¹⁴ However, CURB expressed support for
8 an increase of the GSRs cap from \$0.40 to \$0.80 per residential customer per month,¹⁵
9 which eventually did happen. CURB proposed that if the KCC determined a cap of \$0.80
10 per year on residential increases was insufficient, then any additional annual increases
11 should be subject to a lower return requirement until such costs are included in base rates.¹⁶

12 **Q. What was the Commission's decision in Docket 15-343?**

13 A. In its Final Order, the Commission found that the accelerated, programmatic replacement
14 of bare steel mains, bare steel service/yard lines, and cast iron mains is in the public interest
15 and necessary, and, therefore, directed the gas utilities to develop a plan for the accelerated
16 systematic replacement of all such pipe within Class 3 locations.¹⁷ Upon review of the
17 record, the Commission was not persuaded that leak detection data provided sufficient
18 evidence to warrant accelerated replacement of obsolete vintage plastic piping.¹⁸

¹³ Direct Testimony of Andrea Crane, p. 6 lns. 4–6, Docket No. 15-GIMG-343-GIG (Jan. 29, 2016) (Crane Direct 15-343).

¹⁴ Crane Direct 15-343, p. 6 lns. 14–15.

¹⁵ Crane Direct 15-343, p. 34 lns. 19–21.

¹⁶ Crane Direct 15-343, p. 6 lns. 11–13.

¹⁷ Final Order, ¶78, Docket No. 15-GIMG-343-GIG (Sep. 12, 2017) (15-343 Final Order).

¹⁸ 15-343 Final Order, ¶80.

1 **Q. What is the Accelerated Replacement Program (ARP)?**

2 A. Due to the safety concerns raised in Docket 15-343, the Commission found an Accelerated
3 Replacement Program (ARP) to be in the public interest¹⁹ and, therefore, instituted the
4 voluntary ARP as a four-year pilot that allows natural gas utilities to implement an
5 additional surcharge—separate from the GSRS—to further accelerate the recovery of bare
6 steel and cast iron pipeline infrastructure replacement costs.²⁰

7 Similar to the GSRS, there are constraints placed upon the ARP. For instance, the
8 annual surcharge increase is capped at \$0.40 per residential customer per month²¹ and
9 participation in the ARP requires an initial ten-year plan containing a proposal to eliminate
10 all bare steel mains within Class 3 locations.^{22, 23} Additionally, participating utilities would
11 incur penalties for filing a rate case within three years of initiating its ARP.²⁴

12 **Q. Has Atmos established an ARP surcharge?**

13 A. No. In fact, no Kansas gas utilities have established an ARP surcharge. The ARP is
14 voluntary, and Atmos, Black Hills Energy (“Black Hills”), and Kansas Gas Service
15 (KGS) have all expressed disinterest in the ARP, primarily due to the combination of
16 capped recovery and the 10-year deadline.^{25, 26, 27}

¹⁹ 15-343 Final Order, ¶82.

²⁰ 15-343 Final Order, ¶98.

²¹ 15-343 Final Order, ¶98(a).

²² 15-343 Final Order, ¶98(b).

²³ See 49 CFR 192.5 for definitions of class locations. In essence, Classes 1–3 relate to the population density (Class 3 being the most populous) located within an area that extends 220 yards on either side of the centerline of any continuous 1-mile length of pipeline.

²⁴ See 15-343 Final Order, ¶96.

²⁵ For Atmos, See Smith Direct, pp. 11–14. In particular, p. 14 lns. 17–18: “[S]ome of the provisions of the ARP in the form proposed by the Commission in the [15-343] Docket are unworkable for Atmos Energy.”

²⁶ For Black Hills, See Petition for Reconsideration of Black Hills Energy, Docket 15-343 (Sep. 27, 2017). In particular, ¶17: “Black Hills Energy will not be able to use the [ARP] as it is currently structured.”

²⁷ For KGS, See Petition for Reconsideration of Kansas Gas Service, Docket 15-343 (Sep. 27, 2017).

1 **Q. Did the Commission indicate it was open to alternative accelerated replacement plan**
2 **designs?**

3 A. Yes. In Docket 15-343, the Commission stated:

4 The Commission offered the ARP as guidance for the type of
5 proposal the Commission would consider a substantial reduction in
6 risk to public safety and an adequate balance of shareholder and
7 ratepayer interests. Therefore, the Commission clarifies that
8 participation in the ARP is strictly voluntary. If the Gas Utilities
9 believe the ARP, as proposed, is unworkable, they are free to
10 propose modifications.²⁸

11 **Q. Could the Commission *require* Atmos to accelerate its replacement of obsolete pipe**
12 **without approving an additional surcharge?**

13 A. Yes, although I am not an attorney, I have been advised by CURB Counsel that the
14 Commission could require Atmos to accelerate its replacement of obsolete pipe without
15 approving the SIP or other additional alternative ratemaking mechanism beyond the GSRS
16 in order to provide reasonably efficient and sufficient service/facilities. Through K.S.A.
17 66-1,202, the Commission has the power to require every natural gas public utility to
18 furnish reasonably efficient and sufficient service and facilities for the use of any and all
19 products or services rendered.

20 **B. Atmos's Current SIP Proposal**

21 **Q. Please describe Atmos's current SIP proposal.**

22 A. Atmos's current SIP proposal would establish a 5-year pilot surcharge for the replacement
23 of obsolete pipeline materials (identified by risk-based prioritization) with a quarterly
24 review and update schedule. No rate moratorium provisions were included in the proposal.
25 Furthermore, Atmos has not proposed a specific cap on expenditures, nor has it established

²⁸ Order Denying Petitions for Reconsideration and Granting Clarification, ¶48, Docket 15-343 (Oct. 26, 2017).

1 a timeline for replacement—when asked for additional details through discovery, Atmos’s
2 response was, “The Company plans to discuss the replacement pace and corresponding
3 level of expenditures in a collaborative fashion with Staff and CURB during the conduct
4 of this docket.”²⁹ To date, a replacement pace and corresponding level of expenditures has
5 not been proffered for CURB’s input.

6 **C. CURB’s Position**

7 **Q. Do you support the SIP proposed by Atmos?**

8 A. No, for reasons I set forth below, I do not support the SIP as proposed.

9 **Q. Would you support another mechanism (like a SIP) in addition to the GSRS for**
10 **recovery of accelerated pipeline replacement costs?**

11 A. I have concerns about aspects of Atmos’s proposal, but there are modifications that could
12 be made that would make CURB more receptive to a SIP. I generally stand behind CURB’s
13 prior position that it would be less confusing for customers if there was only one surcharge
14 for recovery of accelerated pipeline replacement costs, however, there were changes
15 recently made to the GSRS that I do not believe should apply if additional recovery is
16 necessary beyond the GSRS. Therefore, a separate mechanism could be appropriate under
17 certain circumstances.

18 **Q. In your opinion, how should a SIP co-exist with the GSRS?**

19 A. A SIP should be designed to supplement the GSRS, if necessary, but certainly should not
20 supplant the GSRS. The other gas utilities in Kansas have not yet maximized the GSRS
21 surcharge since the cap was increased, so Atmos should not be rewarded with a SIP having
22 more favorable terms than the GSRS while the GSRS is sufficient for the other gas utilities.

²⁹ See responses to CURB data requests 91–93. Direct quote is from response to request 92.

1 If Atmos does not maximize the GSRS surcharge during the pertinent period, it should not
2 be allowed to collect recovery through the SIP for that period.

3 **Q. Is the SIP necessary for Atmos’s current level of investment in safety-related**
4 **infrastructure?**

5 A. No. Atmos is already recovering all of its infrastructure investments through depreciation
6 and GSRS. At a high level, this is actually illustrated in the testimony of Atmos’s witness
7 Gary Gregory. Mr. Gregory states, “Atmos Energy invested \$64.4 million in Kansas from
8 2016 to 2018, 82% of which has been in risk-based Distribution Integrity Plan safety-
9 related infrastructure... \$32.1 million - or 50% of this safety-related investment - has been
10 above and beyond that qualified for recovery through the [GSRS]. This investment also is
11 about double the depreciation expense reflected in our rates.” He goes on to state that “this
12 level of investment without an enhanced method of cost recovery is not practicable
13 sustainable,” but that is untrue. Using Mr. Gregory’s own numbers, the \$32.1 million
14 beyond what qualified for recovery through the GSRS would be recovered through
15 approximately \$32.2 million in depreciation expense (half of \$64.4 million). Therefore, I
16 recommend that even if a SIP is approved, the Company should first reach a level of
17 investment in safety-related infrastructure beyond what is recoverable through GSRS and
18 depreciation before recovering additional investment through a SIP surcharge. This would
19 actually result in *accelerated* pipeline replacement. It is my understanding that this issue
20 will be discussed in much greater detail in Staff’s testimony.

21 **Q. Should cost recovery through a SIP be subject to a lower interest rate?**

22 A. Although it was CURB’s prior position that any additional annual increases beyond the
23 GSRS cap should be subject to a lower return requirement until such costs are included in

1 base rates, I would be willing to back away from that position in this particular case, so
2 that the SIP could be structured similarly to the GSRS which uses the weighted average
3 cost of capital last approved by the Commission.

4 **Q. Should a SIP cover the same “system investments” as the GSRS?**

5 A. No. This is one way in which I believe a SIP should deviate from the GSRS. I do not
6 recommend SIP eligibility for non-replacement system investments such as cyber security.
7 Even further, I recommend a SIP be modeled after the ARP when it comes to the specified
8 material requirement of bare steel and cast iron pipeline infrastructure for replacement
9 (although Atmos no longer has cast iron pipeline infrastructure), at least initially. These
10 are the materials for which the Commission has specifically deemed replacement to be in
11 the public interest.

12 **Q. Do you support a quarterly SIP surcharge update?**

13 A. No, I do not support a quarterly SIP surcharge update. In Docket 15-343, the Commission
14 stated:

15 [T]he Commission draws upon the wisdom of the Legislature, and
16 finds that any program for accelerated replacement of obsolete
17 infrastructure should be structured very similarly to that enacted by
18 the Legislature in the GSRS in order to ensure similar consumer
19 protections granted by the Legislature. The Commission also finds
20 that this approach would be administratively efficient because the
21 Gas Utilities, CURB, and Staff are accustomed to the GSRS process.
22 Therefore, the Commission finds that an annual surcharge best
23 balances the interests of ratepayers and shareholders.³⁰

24 I agree with the Commission’s assessment that a SIP should be structured very
25 similarly to the GSRS and, therefore, agree an annual surcharge update is appropriate. The
26 threat underlying Atmos’s SIP proposal is that, without an additional mechanism to recover

³⁰ 15-343 Final Order, ¶85.

1 the level of capital investment it intends to make in system integrity projects, the Company
2 would file more frequent rate case applications. Because of the preparation required for a
3 rate case filing, the required notification of intent to file no less than 30 days ahead of the
4 rate case application,³¹ and the standard 240-day timeframe of the proceeding,³² it would
5 be practically impossible for a utility to file rate cases quarterly or even semi-annually.
6 Therefore, an annual SIP surcharge update should provide enough incentive to stave off
7 frequent rate case filings.

8 **Q. Should cost recovery through a SIP be subject to a cap?**

9 A. Yes, I certainly believe establishing a SIP surcharge cap is important to ensure consumer
10 protections similar to those imposed by the Kansas Legislature in the GSRS. However, it
11 is difficult to develop a prospective cap value without a proposed replacement pace and
12 corresponding expected level of expenditures. Mimicking the ARP, I would recommend
13 an initial SIP surcharge *no higher* than \$0.40 per residential customer over the base rates
14 in effect and, thereafter, each change in the SIP surcharge (effectuated no more often than
15 every 12 months) should not increase the monthly charge by more than \$0.40 per
16 residential customer over the most recent SIP filing.

17 **Q. Should a SIP come with an expectation of less frequent rate case proceedings?**

18 A. Yes. In the absence of a SIP, Atmos's stated approach to accelerating pipeline replacement
19 would entail submitting more frequent rate case applications. Therefore, if Atmos is
20 granted a SIP there should be an expectation of less frequent rate proceedings. I
21 recommend that if Atmos is granted a SIP, it should agree to a three-year rate moratorium,
22 similar to the moratorium provision in the Docket 16-079 Settlement.

³¹ See K.A.R. 82-1-214.

³² See K.S.A. 66-117(c).

1 **Q. Should the Commission be influenced by Atmos’s assertion that other jurisdictions**
2 **offer the Company more favorable rate treatment for accelerated pipeline**
3 **replacement?**

4 A. No. The Commission should not fall prey to Atmos’s use of peer pressure as a tactic to
5 gain favorable rate treatment in its Kansas jurisdiction. The implication is that Atmos will
6 follow the money and prioritize investment in pipeline replacement for jurisdictions with
7 less regulatory lag or other favorable rate treatments, rather than Kansas. However, that
8 behavior doesn’t align with statements from the Company such as, “Safety is our highest
9 priority,”³³ and, “[T]he safety and reliability of our system is a paramount goal.”³⁴ Atmos
10 attempted a similar tactic in Docket 15-343 and was deservedly chastised by the
11 Commission:

12 The Commission is concerned about Atmos' linkage of alternative
13 recovery mechanisms with the appropriate prioritization of safety
14 concerns. In the Commission's mind the existence of an alternative
15 recovery mechanism should have no bearing on appropriate
16 prioritization of safety concerns.

17 The Commission interprets Atmos' testimony regarding... the role
18 alternative rate mechanisms have in allowing safety concerns to be
19 appropriately prioritized... to mean that, despite its protestations to
20 the contrary, Atmos places a higher emphasis on shareholder profits
21 than the safety of its Kansas ratepayers.³⁵

22 **V. RECOMMENDATION**

23 **Q. What is your recommendation?**

24 A. I do not support the SIP as proposed, however, there are modifications that could be
25 made that would make CURB more receptive to a pilot SIP in this particular case:

³³ Public Hearing (Sep. 17, 2019).

³⁴ Direct Testimony of Barton Armstrong, p. 3 lns. 11–12 (Jun. 28, 2019).

³⁵ 15-343 Final Order, ¶¶76–77.

- 1 1. A SIP should be designed to supplement the GSRS, if necessary, but should not
2 supplant the GSRS. If the Company does not maximize the GSRS surcharge in
3 the pertinent period, it should not be allowed to collect recovery through a SIP
4 for that period.
- 5 2. Even if a SIP is approved, the Company should first reach a level of investment
6 in safety-related infrastructure beyond what is recoverable through GSRS and
7 depreciation before recovering additional investment through a SIP surcharge.
- 8 3. A SIP should be modeled after the ARP when it comes to the specified material
9 requirement of cast iron or bare steel pipeline infrastructure for replacement, at
10 least initially.
- 11 4. A SIP should be structured very similarly to the GSRS and, therefore, an annual
12 SIP surcharge update, rather than quarterly, would be appropriate and should
13 provide enough incentive to stave off frequent rate case filings.
- 14 5. I recommend a SIP surcharge cap that mimics the cap of the ARP—initially *no*
15 *higher* than \$0.40 per residential customer over the base rates in effect and,
16 thereafter, each change in the SIP surcharge (effectuated no more often than
17 every 12 months) should not increase the monthly charge by more than \$0.40
18 per residential customer over the most recent SIP filing.
- 19 6. If Atmos is granted a SIP, it should agree to a three-year rate moratorium,
20 similar to the moratorium provision in the Docket 16-079 Settlement.

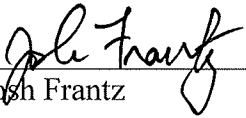
21 **Q. Does this conclude your testimony?**

22 A. Yes.

VERIFICATION

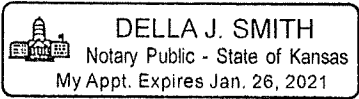
STATE OF KANSAS)
)
COUNTY OF SHAWNEE) ss:

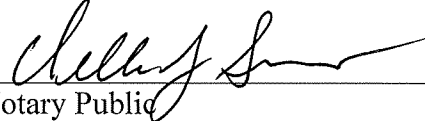
I, Josh Frantz, of lawful age and being first duly sworn upon my oath, state that I am a consultant for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge,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



Josh Frantz

SUBSCRIBED AND SWORN to before me this 31st day of October, 2019.





Notary Public

My Commission expires: 01-26-2021.

CERTIFICATE OF SERVICE

19-ATMG-525-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 31st day of October, 2019, to the following:

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