

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

IN THE MATTER OF THE APPLICATION)	
OF ATMOS ENERGY CORPORATION)	Docket No.
FOR REVIEW AND ADJUSTMENT OF ITS)	26-ATMG-____-RTS
NATURAL GAS RATES)	

DIRECT TESTIMONY OF KATHLEEN R. OCANAS

JULY 25, 2025

**SUBMITTED ON BEHALF OF
ATMOS ENERGY CORPORATION**

TABLE OF CONTENTS

I.	INTRODUCTION AND PURPOSE OF FILING	1
II.	OVERVIEW OF ATMOS ENERGY’S APPLICATION FOR ADJUSTMENT OF NATURAL GAS RATES	6
III.	TARIFF CHANGES	8
IV.	WITNESSES	9
V.	ABBREVIATED RATE CASE REQUEST AND PROPOSAL	11
VI.	CONCLUSION	12

EXHIBITS:

Exhibit KRO-1 – Kansas System Map

1 **I. INTRODUCTION AND PURPOSE OF FILING**

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

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

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

6 I am the Vice President of Rates & Regulatory Affairs for the Colorado/Kansas
7 Division of Atmos Energy Corporation¹ (“Atmos Energy” or the “Company”).

8 **Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF RATES**
9 **& REGULATORY AFFAIRS FOR ATMOS ENERGY?**

10 A. I received my Bachelor of Science degree from Wayland Baptist University in
11 2008. I was hired by Atmos Energy’s West Texas Division in 2008 within the
12 Finance Department and shortly thereafter was promoted to a Rate Analyst in the
13 Rates and Regulatory Affairs department. In 2015, I received a Master of Business
14 Administration degree, minoring in Accounting, from the University of Texas
15 A&M – Commerce and relocated to the Company’s Mid-Tex Division as a Senior
16 Rates Analyst. In 2018, I was promoted to a Rates & Regulatory Project Manager,
17 where I coordinated, organized, and implemented various rate case activity,
18 maintained relationships with key stakeholders, and supported the public affairs
19 and governmental affairs teams. In July 2021, I assumed my current role as the Vice

¹ Atmos Energy is a natural gas-only distributor that delivers natural gas to more than 3.4 million distribution customers in over 1,400 communities across eight states. Atmos Energy provides natural gas service through six unincorporated gas utility operating divisions managed from Flowood, Mississippi (the Mississippi Division); Dallas, Texas (the Mid-Tex Division); Denver, Colorado (the Colorado/Kansas Division); Baton Rouge, Louisiana (the Louisiana Division); Lubbock, Texas (the West Texas Division); and Franklin, Tennessee and Owensboro, Kentucky (the Kentucky/Mid-States Division). In addition, Atmos Energy has an operating division, Atmos Pipeline – Texas (“APT”), which consists of a regulated intrastate pipeline that operates only within Texas.

1 President of Rates and Regulatory Affairs for the Colorado-Kansas Division. In that
2 role, I am responsible for leading and directing the rates and regulatory activity in
3 Atmos Energy's Colorado-Kansas Division, including executing and managing the
4 rate strategy for both states.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**
6 **CORPORATION COMMISSION ("KCC" or "COMMISSION") OR**
7 **OTHER REGULATORY ENTITIES?**

8 A. Yes. I have submitted testimony before the KCC in Docket No(s). 21-ATMG-333-
9 GIG and 22-ATMG-538-TAR and in the Company's last four GSRS filings.²

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

11 A. My testimony describes the Company's operations, provides an overview of the
12 rate filing and Atmos Energy's rate request, and introduces the other witnesses who
13 are filing direct testimony in support of the Company's rate filing. I also describe
14 Atmos Energy's request for an abbreviated rate case proceeding.

15 **Q. PLEASE BRIEFLY DESCRIBE ATMOS ENERGY'S KANSAS GAS**
16 **OPERATIONS.**

17 A. In Kansas, Atmos Energy serves approximately 140,000 customers in 110
18 communities located in 32 counties. These communities are spread throughout the
19 state. In the Kansas City metropolitan area, the Company serves Olathe, Bonner
20 Springs, DeSoto and portions of Kansas City, Overland Park, Shawnee, Lenexa and
21 Lawrence. In Southeast Kansas, the Company serves Independence, Coffeyville
22 and Yates Center. In Central Kansas, the Company serves Council Grove and

² Docket No(s). 22-ATMG-203-TAR, 24-ATMG-132-TAR, 25-ATMG-133-TAR

1 Herington. In South Central and Northwest Kansas, the Company serves Anthony
2 and South Haven, near Wichita, and Ness City. In Southwest Kansas, the Company
3 serves Ulysses and Johnson City. Attached as Exhibit KRO-1 is a map of our
4 Kansas service territory.

5 Atmos Energy's active Kansas customer base consists of approximately
6 130,000 residential customers, 10,000 commercial and public authority customers,
7 17 industrial customers, 185 irrigation customers and 490 transportation customers.

8 **Q. WHAT IS ATMOS ENERGY'S TOP PRIORITY?**

9 A. With a Vision to be the safest provider of natural gas services, the safety of Atmos
10 Energy's employees, customers, and communities has always been our number one
11 priority. Safety is at the core of what we do. Our focus on Employee Safety, System
12 Safety, and Public Safety drives our procedures, processes, training, oversight and
13 assurance activities. This requires capital investment, operational excellence, and
14 strong financial metrics so that the Company's facilities and the organization itself
15 are capable of performing not only during normal conditions, but also during
16 unprecedented events.

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

18 A. The filing seeks a general increase in revenues to reflect the Company's actual cost
19 of service to serve its Kansas customers to support continued, safe, reliable service
20 for our customers. As an integral element of that cost of service, this application
21 requests an adequate return on equity that will also provide financial support to
22 finance the modernization of our infrastructure to enhance system safety and
23 reliability.

1 As outlined in the direct testimony of Joel Multer, the filing also requests
2 for approval of a new Corporate Alternative Minimum Tax (“CAMT”) to capture
3 the effects of the Tax Act 2022 and certain other tax-related costs that will change
4 from the amounts included in the base revenue requirement in the Company’s most
5 recent base rate case. These effects include the return on the CAMT deferred tax
6 asset (“DTA”) resulting from the Tax Act 2022, and income tax credits resulting
7 from the Tax Act 2022 included in rate base and in the base revenue requirement in
8 the Company’s most recent base rate case. I also support two minor changes to the
9 Rules and Regulations and Schedule of Service Fees, as described further below.

10 As outlined in the direct testimony of Emily Wiebe, the Company is also
11 requesting approval of the accounting treatment described by Ms. Wiebe regarding
12 Cloud Computing.

13 Finally, the filing seeks Commission approval and authority to file an
14 abbreviated rate case following the conclusion and final order in this rate case
15 proceeding.

16 **Q. WHAT FACTORS ARE INFLUENCING THE RATE CHANGE PROPOSED**
17 **BY THE COMPANY IN THIS CASE?**

18 A. While our Vision and principles remain the same, the operational landscape of
19 natural gas utilities in general and that of Atmos Energy’s Kansas operations has
20 continued to change. First and foremost, as more information on potential industry
21 operational risks and challenges becomes available, both federal and state
22 regulators and the operators they regulate have expanded and refined the minimum
23 safety requirements to proactively address industry risks and maintain a safe system

1 for the present and future. To incorporate prudent actions consistent with these
2 changes, Atmos Energy has undertaken and plans to continue to undertake in the
3 coming year more capital investment and additional and expanded operational
4 activities that affect operations and maintenance (“O&M”) expenses. While all of
5 this has been happening, like other industries, we are also seeing the underlying
6 costs necessary to operate our business, particularly construction costs, continue to
7 rise. In addition, Atmos Energy is including a depreciation study in this case to
8 update depreciation rates. This update to depreciation rates accounts for \$2.7
9 million of the revenue deficiency in this case.

10 **Q. CAN YOU PROVIDE SOME SPECIFIC EXAMPLES OF THE COST**
11 **PRESSURES THAT HAVE IMPACTED ATMOS ENERGY’S COST OF**
12 **SERVICE SINCE ITS LAST RATE CASE?**

13 A. Yes. In terms of revenue requirement, the Company’s cost of service calculations
14 show that Atmos Energy is experiencing a revenue deficiency primarily driven by
15 plant investment and O&M expenses related to regulatory and safety requirements.

16 Regulatory and safety requirements to document, test, survey, repair, plan
17 and replace system assets also continue to increase. The increasing costs associated
18 with these requirements include operating expenses for activities such as leak
19 repair, leak survey, line locating, and distribution integrity management. Atmos
20 Energy has also made additional capital investments in its natural gas distribution
21 system for technology that enhances the Company’s ability to provide safe and
22 reliable service. Infrastructure modernization, compliance with natural gas pipeline
23 safety and system integrity regulations, and technology investment allows the

1 Company to increase operational capabilities and improve customer service. All of
2 these factors have contributed to a revenue deficiency that does not provide the
3 Company with a reasonable opportunity to earn a reasonable return on its
4 investment.

5 In addition, customer rates have been reduced since October of 2020 due to
6 a change in state law that eliminated the requirement of utilities to pay state income
7 taxes. As a result of this statutory change, an Excess Deferred Income Tax
8 (“EDIT”) liability was created and amortized, which had the impact of lowering
9 customer bills over that timeframe. Now that the amortization is complete, rates
10 must be reset to remove that reduction, which has an impact of \$4 million on the
11 Company’s revenue deficiency.

12 **II. OVERVIEW OF ATMOS ENERGY’S APPLICATION FOR ADJUSTMENT**
13 **OF NATURAL GAS RATES**

14 **Q. WHAT IS THE LEVEL OF THE COMPANY’S PROPOSED REVENUE**
15 **INCREASE?**

16 A. Atmos Energy is requesting an overall revenue increase in base rates of
17 approximately \$19.1 million. The cost of service generating the revenue
18 deficiency excludes investment eligible for recovery through the Company’s two
19 infrastructure mechanisms: Gas System Reliability Surcharge Rider (“GSRS”) and
20 the System Integrity Program (“SIP”).

21 **Q. HAS THE COMPANY EXAMINED THE IMPACT OF THE PROPOSED**
22 **RATE INCREASE ON CUSTOMER BILLS?**

23 A. Yes. The estimated impact of the revenue requirement increase on the average
24 monthly bill of a residential customer is \$9.12.

1 **Q. ARE THERE CHARACTERISTICS SPECIFIC TO ATMOS ENERGY**
2 **THAT DRIVE THE NEED TO CONTINUE PIPE REPLACEMENT**
3 **ACTIVITIES WHEN COMPARED TO OTHER KANSAS UTILITIES?**

4 A. Yes. The characteristics of each utility’s system are unique. The quantity and
5 location of relatively higher risk assets in Atmos Energy’s distribution system is
6 different from the larger natural gas utility in Kansas. For example, Atmos Energy’s
7 service territory includes both a significant number of small towns in rural areas
8 with low customer densities, as well as a significant amount of higher-density areas.
9 Atmos Energy carefully monitors its system, devotes additional resources as
10 necessary, and accelerates work when appropriate. This includes a comprehensive
11 risk-based approach that specifies how Atmos identifies, assesses, prioritizes, and
12 evaluates relative risks to the integrity of distribution lines and the manner in which
13 those risks should be mitigated or eliminated. To maximize the benefits of this
14 approach, the Company needs the flexibility to take into account a variety of risk
15 factors, rather than making decisions focused primarily on the type of materials and
16 age of the asset. This approach is intended to proactively protect our customers and
17 the public in general and permits Atmos Energy to monitor and inspect its system
18 and renew pipe when needed, rather than doing so reactively.

19 **Q. WHEN WAS THE COMPANY’S MOST RECENT GENERAL RATE**
20 **PROCEEDING IN KANSAS?**

21 A. The Company’s most recent rate proceeding, in Docket No. 23-ATMG-359-RTS
22 (“359 Docket”), was filed on September 9, 2022, and was based upon a 12-month
23 test year ending March 31, 2022. The current rates went into effect May 9, 2023.

1 **Q. IS ATMOS ENERGY CURRENTLY EARNING A REASONABLE RETURN**
2 **ON ITS KANSAS OPERATIONS?**

3 A. No. Atmos Energy is not earning a reasonable return under current rates. Atmos
4 Energy's actual return on investment based upon the information contained in this
5 rate application is 3.70%.

6 **Q. HOW DOES THE 8.20% COMPARE TO WHAT THE COMMISSION**
7 **AUTHORIZED IN MAY OF 2023?**

8 A. The rate of return reflected in the Commission's Order in the 359 Docket was
9 7.22%.³ Thus, the Company has been unable to achieve a reasonable return on its
10 investment as compared to the Commission's last approval.

11 **Q. BASED ON THE FOREGOING, HOW IS THE COMPANY PROPOSING**
12 **TO INCORPORATE THE REQUESTED INCREASE INTO CUSTOMER**
13 **RATES?**

14 A. In order to collect the proposed revenue increase, Atmos Energy proposes to
15 increase the Residential monthly Customer Charge by \$5.25 and the Residential
16 Consumption Charge by \$0.05804. Atmos Energy is proposing to increase the
17 monthly Commercial Customer Charge by \$12.00 and the Commercial
18 Consumption Charge by \$0.04211.

19 **III. TARIFF CHANGES**

20 **Q. WHAT TARIFF CHANGES IS THE COMPANY SEEKING IN THIS**
21 **PROCEEDING?**

22 A. The Company is proposing two tariff changes: (1) a new Tax Rider Tariff, which is

³ This was expressed in the Commission's Final Order in the 359 Docket as a pre-tax cost of capital of 8.70%.

described and supported in the Direct Testimony of Company Witness Joel Multer, and (2) some minor, clarifying changes related to Electronic Flow Measurement (“EFM”) equipment.

Q. PLEASE DESCRIBE THESE CHANGES TO THE TARIFF RELATED TO EFM EQUIPMENT.

A. The Company is proposing to clarify the EFM Equipment definition to include the replacement or upgrade costs of the equipment being the responsibility of the End User. The Company is also proposing language to the Company’s Schedule II., EFM Equipment Charge, to clarify that, upon the replacement or upgrade of the EFM equipment, the monthly EFM equipment charge restarts the nine-year clock for recovery.

IV. WITNESSES

Q. WHO ELSE WILL BE PRESENTING DIRECT TESTIMONY IN THIS CASE?

A. In addition to my testimony, Atmos Energy will present the direct testimony and exhibits of eight other witnesses.

* Mr. Jack Hill, Vice President of Technical Services for the Colorado/Kansas Division, provides a description of Atmos Energy’s system in Kansas and the capital investment that must be made in the Kansas system to enhance safe and reliable operations and comply with increasingly stringent state and federal regulatory requirements. His testimony explains Atmos Energy’s approach to proactively address system risks to enhance the long-term safety, reliability, and resiliency of our distribution service for our Kansas customers. As part of this

1 discussion, he describes the pipeline safety regulatory requirements applicable to
2 the Company's distribution system and how those requirements inform the
3 Company's approach to risk management.

4 * Mr. Gregory K. Waller, Director of Rates & Regulatory Affairs (Shared
5 Services), sponsors testimony regarding Revenue Requirement, Cost of Service
6 Model, Rate Base and Rate Base Adjustments, Operations and Maintenance
7 ("O&M") Adjustments, and Depreciation Expense.

8 * Mr. Joe T. Christian, an independent consultant, provides testimony
9 regarding the Company's Capital Structure.

10 * Mr. Joel J. Multer, Vice President of Tax (Shared Services), sponsors the
11 Company's proposed Tax Rider Tariff.

12 * Ms. Emily B. Wiebe, Director, Accounting Services & Financial Reporting
13 (Shared Services), sponsors the Company's Books and Records and Cost Allocation
14 Manual ("CAM") and the Company's request for new accounting treatment of its
15 cloud computing assets.

16 * Mr. Dylan D'Ascendis, a consultant with the firm ScottMadden, Inc.,
17 sponsors the Company's Return on Equity.

18 * Mr. Dane Watson, the managing partner for Alliance Consulting Group,
19 provides testimony regarding the Company's proposed new depreciation rates for
20 the Company's allocated utility plant.

21 * Mr. Talha Sheikh, a consultant with the firm ScottMadden Inc., sponsors
22 testimony related to Billing Determinants, Rate Design and Class Cost of Service
23 ("CCOS").

1 **V. ABBREVIATED RATE CASE REQUEST AND PROPOSAL**

2 **Q. SHOULD THE COMMISSION APPROVE THE COMPANY’S REQUEST**
3 **FOR AN ABBREVIATED RATE CASE FOLLOWING THE CONCLUSION**
4 **AND FINAL ORDER IN THIS RATE CASE PROCEEDING?**

5 **A.** Yes. The Company is requesting Commission approval and authority to file an
6 abbreviated rate case following the conclusion and final order in this rate case
7 proceeding. The Company’s abbreviated rate case will allow (a) the Commission to
8 thoroughly consider projects included within the abbreviated case instead of
9 including project estimates in this proceeding; and (b) more timely recovery of the
10 Company’s necessary capital investments.

11 The abbreviated rate case proceeding following this proceeding will be
12 limited in scope. In addition, the abbreviated case will benefit all stakeholders by
13 providing for orderly growth and development of the Company’s gas distribution
14 system under full purview of the Commission and Atmos Energy’s customers. An
15 abbreviated rate proceeding will benefit Atmos Energy in that the Company will be
16 able to recover the cost of capital investment as set forth in Kansas law. *See* K.S.A.
17 § 66-128(b)(2), which grants a utility one year from the date of a general filing to
18 recover the costs of construction projects that are commenced, completed, and
19 placed in service. The abbreviated case capital projects will be reviewed by the
20 Commission to confirm that the capital project expenditures are efficient and
21 prudent as required by K.S.A. § 66-128(b)(3).

VERIFICATION

STATE OF KANSAS)
)
COUNTY OF JOHNSON)

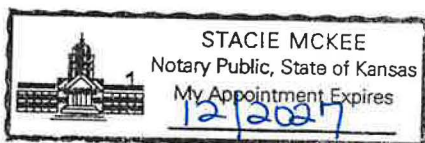
Kathleen R. Ocanas, being duly sworn upon her oath, deposes and states that she is Vice President Rates and Regulatory Affairs of Atmos Energy Corporation's Colorado-Kansas Division; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein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


Kathleen R. Ocanas

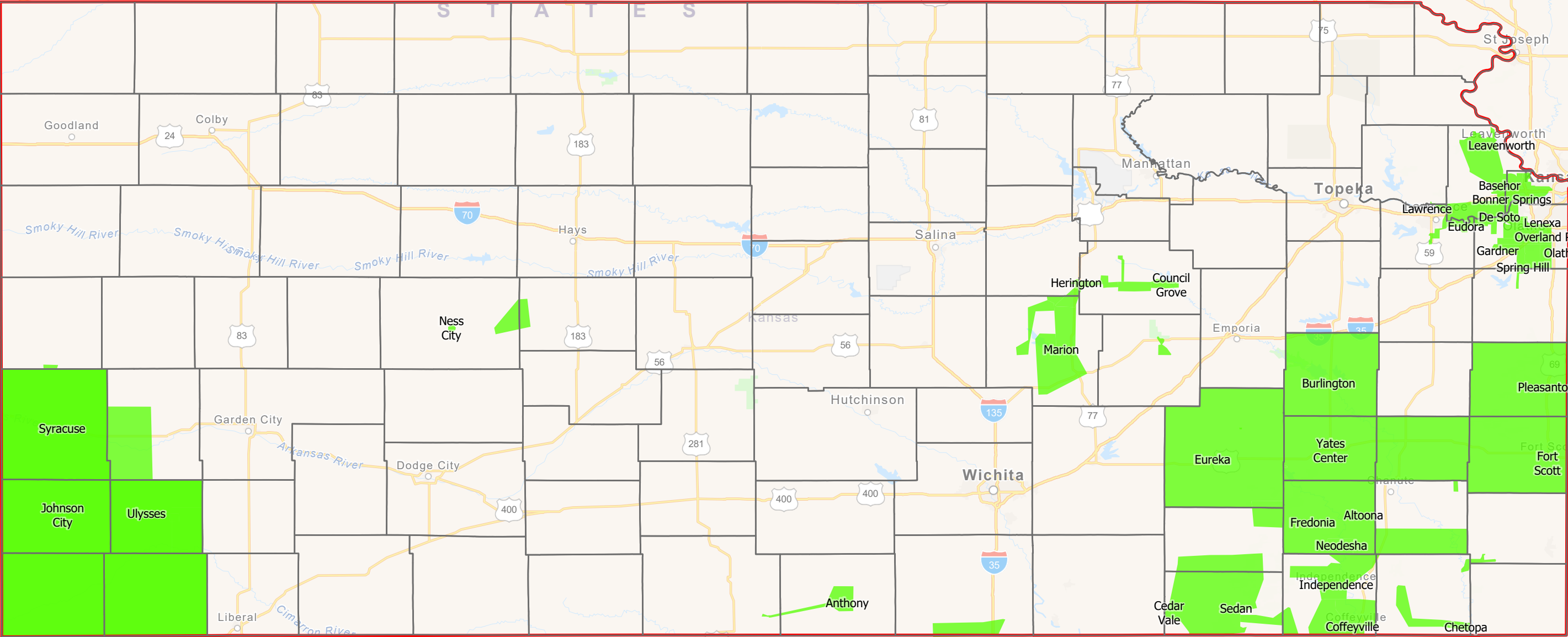
Subscribed and sworn before me this 17th day of July, 2025.


Notary Public

My appointment expires: 12/2027



Atmos Service Territories - Kansas



0 50 100 Miles