# BEFORE THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION ) OF ATMOS ENERGY CORPORATION FOR )	25-ATMG-278-TAR	
APPROVAL OF THE COMMISSION OF THE )	DOCKET NO. 25-ATMG-XXX-TAR	
FOURTH ANNUAL SYSTEM INTEGRITY ) PROGRAM ("SIP") RATE CHANGE )		
DIRECT TESTIMONY OF		
KATHLEEN R. OCANAS		

**JANUARY 15, 2025** 

#### DIRECT TESTIMONY OF KATHLEEN R. OCANAS

- 2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS AND
- 3 DESCRIBE YOUR ROLE AT ATMOS ENERGY CORPORATION.
- 4 A. My name is Kathleen R. Ocanas, and my business address is 25090 W. 110th
- 5 Terrace, Olathe, Kansas 66061. I am the Vice President of Rates & Regulatory
- 6 Affairs for the Colorado/Kansas Division of Atmos Energy Corporation<sup>1</sup> ("Atmos
- 7 Energy" or the "Company").

## 8 Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL

## 9 **BACKGROUND.**

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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 Rates & Regulatory Project Manager. There, I coordinated, organized, and implemented various rate case activity, maintained relationships with key stakeholders, and supported the public affairs and governmental affairs teams. In July of 2021, I assumed my current role as the

<sup>&</sup>lt;sup>1</sup> 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 Colorado-Kansas Division Vice President of Rates and Regulatory Affairs. I am
- 2 responsible for leading and directing the rates and regulatory activity in the Atmos
- 3 Energy's Colorado-Kansas Division. This responsibility includes executing and
- 4 managing the rate strategy for both states.

## 5 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS

- 6 CORPORATION COMMISSION ("KCC")?
- 7 A. Yes.

#### 8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

- 9 A. The purpose of my testimony is to support the calculation of the revenue
- requirement by customer class for Atmos Energy's fourth Annual System Integrity
- Program ("SIP") rate change ("Annual SIP Rate Change").

#### 12 O. ARE YOU SPONSORING ANY EXHIBITS?

- 13 A. Yes, the Application has nine exhibits, and I am sponsoring those exhibits with the
- exception of a portion of Exhibit 5, which is sponsored by Eric Gant. Exhibit 1
- shows the calculation of the proposed rate adjustment for SIP revenue. Exhibit 2
- shows the class allocation of the SIP surcharge. Exhibit 3 shows the calculation of
- the change in operating income. Exhibit 4 shows the pre-tax rate of return. Exhibit
- 5 details the specific projects and performs the calculation of depreciation,
- accumulated reserve and accumulated deferred income taxes. The specific projects
- are sponsored by Eric Gant. Exhibit 6 accumulates the investment that is retired as
- a result of SIP projects and calculates the reduction in depreciation expense
- 22 associated with the retirements. Exhibit 7 shows the base safety and reliability
- capital expenditures for fiscal year 2024. Exhibit 8 calculates the true-up of SIP

- 1 Recoveries in the previous calendar year. Exhibit 9 is the tariff sheet for the Annual
- 2 SIP Rate Change.
- 3 O. PLEASE EXPLAIN EXHIBIT 1.
- 4 A. Exhibit 1 shows the increase to rate base and the calculation of the SIP revenue
- 5 requirement. The proposed revenue increase is \$618,826.
- 6 Q. PLEASE EXPLAIN THE COMPONENTS OF THE FILED RATE BASE.
- 7 A. Components of the rate base calculation include Gross Plant, which is the original
- 8 cost of all eligible projects, less any related cost of removal and abandonment of
- 9 the existing system; Accumulated Depreciation, which has been calculated by
- project based on the approved depreciation rate for that type of plant; Working
- 11 Capital, which reflects the impact of accrued taxes and accrued interest; and
- 12 Accumulated Deferred Income Taxes, which has been calculated by project based
- on the type of plant. Exhibit 5 details the SIP net plant calculation and the deferred
- taxes calculation for the specific projects in the current test period.
- 15 O. WERE ANY OF THE ELIGIBLE PROJECTS BEING CONSIDERED
- 16 INCLUDED IN ATMOS ENERGY'S LAST GENERAL RATE FILING OR
- 17 IN THE GSRS FILING?
- 18 A. No. None of the projects included in the SIP filing were included in Atmos
- 19 Energy's last rate filing, or in Atmos Energy's last GSRS filing.
- 20 Q. PLEASE EXPLAIN EXHIBIT 2.
- 21 A. Exhibit 2 shows the allocation of the SIP revenue by class. The customer class
- 22 allocation is pursuant to the collaborative rate design agreed to by Atmos Energy,

- 1 Staff and CURB pursuant to the Stipulated Settlement Agreement in Atmos
- Energy's last general rate case, Docket No. 23-ATMG-359-RTS ("359 Docket").
- 3 O. PLEASE EXPLAIN HOW THE RATE OF RETURN WAS CALCULATED
- 4 **ON EXHIBIT 4?**
- 5 A. The calculated pre-tax rate of return based upon the decision made by the
- 6 Commission in the 359 Docket has been updated to 8.7% which reflects the
- 7 reduction in the corporate income rate from 35% to 21% and state income tax
- 8 reduction from 7% to 0%
- 9 O. PLEASE EXPLAIN EXHIBIT 6.
- 10 A. Exhibit 6 shows the detail list of plant that was retired as a result of the SIP project
- 11 additions.
- 12 O. PLEASE EXPLAIN EXHIBIT 7.
- 13 A. Exhibit 7 is the total base safety and reliability capital expenditures for the fiscal
- year that ended on September 30, 2024.
- 15 Q. PLEASE EXPLAIN EXHIBIT 8.
- 16 A. Exhibit 8 is the true-up of recoveries from the previous calendar year.
- 17 O. PLEASE EXPLAIN EXHIBIT 9.
- 18 A. Exhibit 9 is the tariff sheet for the proposed Annual SIP Rate Change.
- 19 Q. PURSUANT TO ATMOS ENERGY'S SIP TARIFF, IN THE EVENT THAT
- 20 ATMOS ENERGY'S BASE SAFETY AND RELIABILITY CAPITAL
- 21 EXPENDITURES FOR THE PREVIOUS ATMOS ENERGY FISCAL YEAR
- DO NOT EXCEED \$22 MILLION, THE AMOUNT OF SIP PLAN CAPITAL
- 23 EXPENDITURES REFLECTED IN THE ANNUAL SIP RATE CHANGE

- 1 FILING SHALL BE REDUCED BY THE AMOUNT OF ATMOS
- 2 ENERGY'S BASE SAFETY AND RELIABILITY CAPITAL
- 3 EXPENDITURES LESS \$22 MILLION. DID ATMOS ENERGY EXCEED
- 4 THE \$22 MILLION IN BASE SAFEFY AND RELIABILITY CAPITAL
- 5 EXPENDITURES FOR THE PREVIOUS ATMOS ENERGY FISCAL
- 6 YEAR?
- 7 A. Yes. Those expenditures were \$34.9 million in the fiscal year that ended on
- 8 September 30, 2024.
- 9 Q. DOES THIS CONCLUDE YOUR TESTIMONY?
- 10 A. Yes, it does.

#### VERIFICATION

STATE OF KANSAS	,
	,
COUNTY OF JOHNSON	7

Kathleen R. Ocanas, being duly sworn upon her oath, deposes and states that she is Vice President of Rates & Regulatory Affairs for 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

Notary Public

My appointment expires: Jan. 20, 2027

ALEXANDRA LAUREN BUCK Notary Public - State of Kansas My Appointment Expires 1202