

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

**IN THE MATTER OF THE APPLICATION)
OF ATMOS ENERGY CORPORATION FOR)
APPROVAL OF THE COMMISSION OF THE) DOCKET NO. 25-ATMG-278-TAR
FOURTH ANNUAL SYSTEM INTEGRITY)
PROGRAM (“SIP”) RATE CHANGE)**

DIRECT TESTIMONY OF

KATHLEEN R. OCANAS

JANUARY 15, 2025

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
10 requirement by customer class for Atmos Energy's fourth Annual System Integrity
11 Program (“SIP”) rate change (“Annual SIP Rate Change”).

12 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

13 A. Yes, the Application has nine exhibits, and I am sponsoring those exhibits with the
14 exception of a portion of Exhibit 5, which is sponsored by Eric Gant. Exhibit 1
15 shows the calculation of the proposed rate adjustment for SIP revenue. Exhibit 2
16 shows the class allocation of the SIP surcharge. Exhibit 3 shows the calculation of
17 the change in operating income. Exhibit 4 shows the pre-tax rate of return. Exhibit
18 5 details the specific projects and performs the calculation of depreciation,
19 accumulated reserve and accumulated deferred income taxes. The specific projects
20 are sponsored by Eric Gant. Exhibit 6 accumulates the investment that is retired as
21 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
23 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 **Q. 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
10 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
13 on the type of plant. Exhibit 5 details the SIP net plant calculation and the deferred
14 taxes calculation for the specific projects in the current test period.

15 **Q. 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
2 Energy's last general rate case, Docket No. 23-ATMG-359-RTS ("359 Docket").

3 **Q. 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 **Q. 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 **Q. PLEASE EXPLAIN EXHIBIT 7.**

13 A. Exhibit 7 is the total base safety and reliability capital expenditures for the fiscal
14 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 **Q. 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**
22 **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 SAFETY 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.

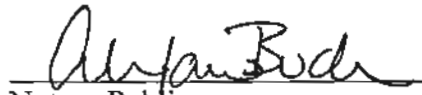
VERIFICATION

STATE OF KANSAS)
)
COUNTY OF JOHNSON)

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

Subscribed and sworn before me this 14th day of January 2025.


Notary Public

My appointment expires: Jan. 20, 2027

