

BEFORE THE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION ]  
OF ATMOS ENERGY CORPORATION ]  
FOR ADJUSTMENT OF ITS NATURAL ] KCC Docket No. 16-ATMG-079-RTS  
GAS RATES IN THE STATE OF KANSAS ]

CROSS-ANSWERING TESTIMONY OF  
BRIAN KALCIC

ON BEHALF OF  
THE CITIZENS' UTILITY RATEPAYER BOARD

January 5, 2016

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

2 A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

3

4 **Q. Are you the same Brian Kalcic who filed direct testimony in this docket on December**  
5 **21, 2015?**

6 A. Yes.

7

8 **Q. What is the subject of your cross-answering testimony?**

9 A. I will respond to the direct testimony of Rick Pemberton on behalf of Continuum Retail  
10 Energy Services, L.L.C. (“Continuum”).

11

12 **Class Revenue Allocation**

13

14 **Q. Does Mr. Pemberton agree with the Company’s class revenue allocation proposal in**  
15 **this proceeding?**

16 A. No. In Mr. Pemberton’s view, the Company proposed increases to the Commercial/Public  
17 Authority (“C/PA”) and Transportation classes are excessive.

18

19 **Q. What does Mr. Pemberton recommend?**

20 A. At the Company’s filed revenue requirement level, Mr. Pemberton proposes to (i) limit the  
21 C/PA increase to no more than 0.2% and (ii) assign an unspecified decrease to the

1 Transportation classes. Alternatively, Mr. Pemberton proposes that the Transportation  
2 classes “receive none of the proposed revenue increase.”<sup>1</sup>

3 In addition, Mr. Pemberton recommends “if the revenue increase requested by the  
4 Company is adjusted downward, that the Transportation classes and the Commercial/Public  
5 Authority Sales class still receive either a decrease or no increase in order to move the  
6 classes closer in line with the relative ror [rate of return].”<sup>2</sup>

7

8 **Q. Do you agree with Mr. Pemberton that the Transportation classes, and possible the  
9 C/PA class, should receive a rate decrease in this case?**

10 A. No, I do not. No class should receive a rate decrease in the event that the KCC awards  
11 Atmos an overall revenue increase in the proceeding, since doing so would require those  
12 classes that are assigned an increase to bear responsibility for more than 100% of the  
13 Company’s overall revenue increase. In my opinion, such an outcome would be  
14 inequitable, and violate the ratemaking principle of gradualism.

15

16 **Q. What about the case where the KCC orders an overall *decrease* in the Company’s  
17 revenues?**

18 A. In that case, I agree that it would be appropriate to assign a decrease to the  
19 Transportation and C/PA classes.

20

21 **Q. Did you, in fact, assign decreases to the Transportation and C/PA classes in CURB’s  
22 recommended revenue allocation shown in Schedule BK-2?**

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<sup>1</sup> See the Direct Testimony of Rick Pemberton at page 6.

<sup>2</sup> See the Direct Testimony of Rick Pemberton at pages 6-7.

1 A. Yes, I did. Moreover, as shown on lines 2 and 12 of Schedule BK-2, I assigned greater than  
2 system average decreases to such classes (in order to move those classes toward cost of  
3 service).

4

5 **Transportation Service Rate Design**

6

7 **Q. Does Mr. Pemberton sponsor any rate design recommendations?**

8 A. Yes. On page 7 of his direct testimony, Mr. Pemberton recommends “that each  
9 Transportation Service customer be charged the same charges, facility and commodity, as  
10 identified in their applicable companion Sales rate schedule for which they are qualified.”

11

12 **Q. Does Atmos propose to equalize any sales and (companion) transportation rates in  
13 this proceeding?**

14 A. Yes. The Company proposes to align the tariff charges contained in its Industrial Sales  
15 (930) and Firm Transportation (FT900) rate schedules.

16

17 **Q. Are all of the Company’s Firm Transportation customers also industrial customers?**

18 A. I can’t say. I presume that at least the majority of the Company’s current (152) Firm  
19 Transportation customers are former Industrial Sales customers, since Atmos is proposing  
20 to align its *Industrial Sales* (930) and Firm Transportation (FT900) tariff charges.

21 However, Mr. Pemberton appears to suggest that at least some Firm Transportation  
22 (FT900) customers are former C/PA sales customers, and he recommends that the tariff  
23 charges applicable to C/PA sales and *transportation* customers be equalized.

24

1 **Q. Do you agree with Mr. Pemberton’s C/PA transportation rate design proposal?**

2 A. No. First, Mr. Pemberton’s proposal presumes the existence of a separate C/PA  
3 *transportation* class. However, no such class currently exists. As such, there is no separate  
4 C/PA transportation rate to align with the C/PA sales rate in this proceeding. Second, to  
5 establish a separate C/PA transportation rate, the Company would need to create a new  
6 C/PA transportation class (as distinct from Atmos’ existing Firm Transportation class) in a  
7 future cost-of-service study (“COSS”). Depending on the underlying cost characteristics of  
8 that new class, the resulting C/PA transportation rate could be far different from the  
9 Company’s existing Firm Transportation rate.

10

11 **Q. What do you recommend?**

12 A. Until such time as Atmos establishes a separate C/PA transportation class, it would be  
13 inappropriate: 1) to provide C/PA transportation service via a separate C/PA transportation  
14 rate schedule; or 2) to attempt to align C/PA sales and “transportation” tariff charges.  
15 Therefore, I recommend that the KCC reject Continuum’s C/PA rate design proposal.

16

17 **Q. Mr. Kalcic, do you have any comment on Mr. Pemberton’s proposal to align the tariff**  
18 **charges contained in the Company’s Schools Sales (920) and Schools Transportation**  
19 **(FT920) rate schedules?**

20 A. Yes. Atmos currently offers Schools Transportation service via a separate rate schedule.  
21 Therefore, unlike the case of C/PA transportation service, it is technically feasible to align  
22 the tariff charges contained Rate Schedules 920 and FT920 at the conclusion of this  
23 proceeding.

1 CURB takes no position as to whether any such rate alignment should take place.  
2 However, if the KCC chooses to adopt Continuum's proposal, any resulting (consolidated)  
3 rate design should be revenue neutral across the Company's Schools Sales and Schools  
4 Transportation rate classes. In other words, no additional revenue responsibility should be  
5 shifted to the Company's non-school rate classes as a result of consolidating Rate  
6 Schedules 920 and FT920.

7  
8 **Transportation Program Requirements**

9  
10 **Q. Does Mr. Pemberton recommend any changes to Atmos' existing transportation**  
11 **program requirements?**

12 A. Yes. In order to make transportation service available to smaller commercial and industrial  
13 ("Small C&I") customers, Mr. Pemberton recommends that the KCC eliminate the  
14 Company's existing requirement that transportation customers consume at least 15,000  
15 CCF annually. In addition, Mr. Pemberton recommends that Atmos' "costly requirement"  
16 that transportation customers install either Electronic Flow Measurement ("EFM") or  
17 Automated Meter Reading ("ARM") equipment be waived, except for transportation  
18 customers that use more than 90,000 CCF per year.

19  
20 **Q. How many transportation customers does Atmos currently serve?**

21 A. According to the Company's filing, Atmos serves 426 transportation customers, which is  
22 0.3% of the total (approximately 129,000) customers served by the Company.

23  
24 **Q. How many C/PA and Industrial sales customers does Atmos currently serve?**

1 A. Approximately 9,600.

2

3 **Q. Would making transportation service available for up to 9,600 Small C&I customers**  
4 **raise any issues or concerns that are not addressed in Mr. Pemberton's direct**  
5 **testimony?**

6 A. Yes. A primary concern is whether Atmos would continue to procure pipeline capacity in  
7 order to provide firm delivery service to Small C&I transportation customers that elect to  
8 return to sales service, and, if so, how Atmos would recover the cost of that capacity.

9

10 **Q. Please explain.**

11 A. Transportation customers are required to purchase their own natural gas supplies and  
12 arrange delivery of such supplies to the Company's system or "city-gate." To effectuate  
13 delivery to the Company's city-gate, transportation customers must contract (pay) for all  
14 the pipeline capacity needed to bring their gas to the city-gate. Since transportation  
15 customers provide their own pipeline capacity, Atmos need not (nor should not) contract  
16 for that same amount of capacity going forward. Accordingly, once a large customer  
17 switches to transportation, and once Atmos reduces the amount of pipeline capacity under  
18 contract to serve its remaining sales customers, Atmos (i) no longer incurs any pipeline  
19 capacity costs needed to serve that transportation customer and (ii) no longer has the ability  
20 to provide *firm sales service* to that transportation customer (should that customer seek to  
21 return to sales service). Presumably, large transportation customers are sophisticated  
22 enough to recognize that switching to transportation service is, in many ways, a one-way  
23 street.

1

2 **Q. Is switching to transportation service also a one-way street for Small C&I customers?**

3 A. No. In my experience, public service commissions consider residential and Small C&I  
4 customers to be “priority customers.” Each regulated gas utility is required to procure and  
5 maintain sufficient capacity to provide firm delivery service to all priority customers. As  
6 such, gas utilities must always take into account the capacity requirements of Small C&I  
7 customers in their gas procurement plans. Utilities cannot simply reduce pipeline capacity  
8 as they do when large (non-priority) customers elect to take transportation service.

9

10 **Q. Does that mean that other jurisdictions do not permit Small C&I customers to take**  
11 **transportation service?**

12 A. No, but gas utilities must stand ready to serve Small C&I transportation customers if they  
13 should return to sales service. Again, this requirement necessitates that gas utilities  
14 maintain a sufficient amount of pipeline capacity to serve Small C&I customers, even  
15 though such capacity is not needed when Small C&I customers take transportation service.

16

17 **Q. In the event that the KCC were to adopt Continuum’s proposal to expand**  
18 **transportation service to Small C&I customers, should the KCC permit Atmos to**  
19 **recover the cost of the pipeline capacity that would be needed to serve Small C&I**  
20 **transportation customers from the Company’s remaining sales customers?**

21 A. No, because that type of cost recovery approach would require sales customers to subsidize  
22 Small C&I transportation service.

23



1 **Q. If transportation service were to be extended to Small C&I customers, how should**  
2 **Atmos recover the cost of the pipeline capacity that would be needed to serve Small**  
3 **C&I transportation customers (should such customers elect to return to sales**  
4 **service)?**

5 A. In that event, I would recommend that the KCC follow the approach used in other  
6 jurisdictions and direct Atmos to develop a mandatory capacity assignment program, which  
7 would apply to all third-party (gas) suppliers (“TPS”) of Small C&I customers. Under a  
8 mandatory capacity assignment program, TPSs would be assigned a proportionate share of  
9 the Company’s pipeline capacity portfolio, commensurate with the total capacity  
10 requirements of the TPSs’ Small C&I customers, at Atmos’ full contract rates. TPSs would  
11 use the assigned capacity to deliver gas supplies to the Company’s city-gate. Finally, TPSs  
12 would recover their assigned capacity costs from their Small C&I customers.

13

14 **Q. Are you aware of any Kansas gas utility that requires a TPS to accept a prorata**  
15 **assignment of the utility’s pipeline capacity as a condition for serving Small C&I**  
16 **customers?**

17 A. Yes, I understand that Black Hills Energy requires mandatory capacity assignment.

18

19 **Q. Would a mandatory capacity assignment program require sales customers to**  
20 **subsidize Small C&I transportation service?**

21 A. No, because Atmos would apply all capacity payments from TPSs as a credit against its  
22 purchased gas costs, which would flow back to non-transportation customers through the  
23 Company’s Purchased Gas Adjustment, or PGA.

1

2 **Q. Mr. Kalcic, is your recommendation that the KCC require mandatory capacity**  
3 **assignment, if it approves Continuum's Small C&I transportation proposal meant to**  
4 **suggest that CURB supports extending transportation service to Atmos' Small C&I**  
5 **customers?**

6 A. No. To my knowledge, CURB has not developed a formal position regarding the  
7 extension of transportation service to Small C&I customers. The purpose of my  
8 cross-answering testimony is to highlight a primary concern associated with  
9 extending transportation service to priority customers, and to offer the KCC an  
10 option for addressing that concern.

11

12 **Q. Does this conclude your cross-answering testimony?**

13 A. Yes.

VERIFICATION

STATE OF MISSOURI )  
 ) ss:  
COUNTY OF ST. LOUIS )

I, Brian Kalcic, of lawful age, being first duly sworn upon his oath states:

That he is a consultant for the Citizens' Utility Ratepayer Board; that he has read the above and foregoing Cross-Answering Testimony, and, upon information and belief, states that the matters therein appearing are true and correct.

*Brian Kalcic*

Brian Kalcic

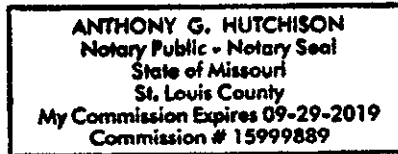
SUBSCRIBED AND SWORN to before me this 4<sup>th</sup> day of January, 2016.

*Anthony G. Hutchison*

Notary Public

My Commission expires:

9-29-2019



**CERTIFICATE OF SERVICE**

16-ATMG-079-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 5<sup>th</sup> day of January, 2016, to the following:

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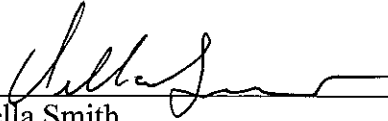
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