

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

**IN THE MATTER OF THE APPLICATION)
OF ATMOS ENERGY CORPORATION FOR)
FOR RECOVERY OF QUALIFIED) DOCKET NO. 22-ATMG-538-TAR
EXTRAORDINARY COSTS AND ISSUANCE)
OF A FINANCING ORDER)**

**REBUTTAL AND RESPONSIVE
TESTIMONY OF
KATHLEEN R. OCANAS**

September 9, 2022

1 **I. INTRODUCTION**

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 Terrace,
4 Olathe, Kansas 66061.

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

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

8 **Q. ARE YOU THE SAME KATHLEEN R. OCANAS WHO FILED DIRECT**
9 **TESTIMONY ON MAY 25, 2022?**

10 A. Yes, I am.

11 **Q. WAS THIS RESPONSIVE AND REBUTTAL TESTIMONY PREPARED BY YOU**
12 **OR UNDER YOUR DIRECT SUPERVISION?**

13 A. Yes, it was.

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

15 A. Atmos Energy appreciates the collaboration that has occurred with the Kansas Corporation
16 Commission’s (“Commission”) Staff and the representatives of the Citizens’ Utility
17 Ratepayer Board (“CURB”) through the technical conferences that have been conducted
18 in this docket. The Company is in agreement with many of the recommendations of Mr.
19 Justin Grady and Mr. Josh Frantz.

¹ 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 The purpose of the foregoing testimony is to address certain recommendations made by
2 Staff and CURB. Concerning the testimony of Mr. Grady, I address the treatment of
3 investment earnings on the capital subaccount. Concerning Mr. Frantz's testimony, I
4 address the burden of energy bills for customers with lower income, educating customers
5 on the need for and benefit of issuing securitized bonds, and the process for addressing
6 how rates will be established if the Commission denies Atmos Energy's request for a
7 Financing Order.

8 Additionally, I will provide updates to tables that were included in my direct and
9 supplemental testimony to reflect securitization charges given updated interest rates
10 provided by Mr. Schneider and for the Qualified Extraordinary Costs to be securitized
11 which have been updated through August 17, 2022.

12 **II. RESPONSE TO THE TESTIMONY OF MR. GRADY**

13 **Q. WHAT IS MR. GRADY'S RECOMMENDATION CONCERNING THE**
14 **TREATMENT OF INVESTMENT EARNINGS ON THE CAPITAL**
15 **SUBACCOUNT?**

16 A. On pages 32-33 of his direct testimony, Mr. Grady suggests that the investment earnings
17 on the capital subaccount be periodically credited to customers.

18 **Q. DOES ATMOS ENERGY AGREE WITH THIS RECOMMENDATION?**

19 A. Yes, the Company agrees with Mr. Grady's recommendation that investment earnings on
20 the capital subaccount be periodically credited to customers. The direct testimony of Jason
21 Schneider contemplated that the funds remaining in the capital subaccount funded by the
22 Company along with the authorized return would be returned to the Company. To the
23 extent that there are earnings above the authorized amount, it is appropriate to credit them

1 to customers in the manner Mr. Grady contemplates. Atmos Energy agrees that any
2 conflicting language in the proposed Financing Order should be modified to be consistent
3 with the treatment recommended by Mr. Grady.

4 **Q. WHAT IS MR. GRADY'S RECOMMENDATION CONCERNING THE RATE**
5 **DESIGN FOR RECOVERY OF COSTS ASSIGNED TO THE SALES SERVICE**
6 **CUSTOMER CLASS?**

7 A. On page 27 of his direct testimony, Mr. Grady agrees with the Company's position and
8 recommends recovery of costs allocated to sales customers at a fixed per-monthly charge.

9 **Q. CAN YOU PLEASE DESCRIBE THE EDITS MR. GRADY IS SUGGESTING FOR**
10 **THE FINANCING ORDER?**

11 A. Yes. Mr. Grady proposes several changes to the draft financing order in order to effectuate
12 his proposals and positions and clarify the meaning of the language. He also added
13 substantive revisions regarding the role of the Designated Representative of Commission
14 Staff; limiting the duration of the bonds to 10-12 years; and including a lengthy Glossary
15 of terms.

16 **Q. DOES THE COMPANY AGREE WITH ALL OF THESE PROPOSED CHANGES?**

17 A. Yes.

18 **III. RESPONSE TO THE TESTIMONY OF MR. FRANTZ**

19 **Q. HAVE YOU REVIEWED THE RECOMMENDATIONS OF MR. FRANTZ**
20 **RELATED TO A VOLUMETRIC VS. FIXED WESCR CHARGE?**

21 A. Yes. Mr. Frantz expresses that CURB has a general preference for volumetric charges, as
22 they provide customers more control over their bills. However, Mr. Frantz also expresses

1 acceptance of the use of a fixed charge in this instance, if it will result in a higher bond
2 rating and lower overall costs to consumers.

3 **Q. HAS ATMOS ENERGY CONSIDERED CURB’S ALTERNATIVE SUGGESTION**
4 **TO IMPLEMENT A VOLUMETRIC RATE TO RECOVER THE COSTS IF THE**
5 **COMMISSION REJECTS SECURITIZATION?**

6 A. Yes. In the event that the Commission rejects the proposal for securitization and instead
7 the costs are recovered without a bond issuance, the Company would not oppose the use
8 of a volumetric charge, since there would no longer be a bond rating to consider.

9 **Q. IS ATMOS ENERGY COMMITTED TO WORKING WITH CURB AND STAFF**
10 **ON A TARIFF TO ASSIST CUSTOMERS WITH LOWER INCOMES?**

11 A. Yes. The Company is required to meet with CURB and Staff to address this issue. The
12 settlement filed with the Commission on February 9, 2022, in Docket No. 21-ATMG-333-
13 GIG (“Financial Plan Settlement”), and approved by the Commission on March 24, 2022,
14 obligates Atmos Energy to meet with Staff and CURB to discuss programs that it has
15 implemented in other states to assist low-income customers to determine if those programs
16 could be used to assist low-income customers in Kansas..

17 **IV. UPDATED INFORMATION**

18 **Q. DO YOU HAVE AN UPDATE TO THE QUALIFIED EXTRAORDINARY COSTS**
19 **TO BE SECURITIZED?**

20 A. Yes. Updated information was shared with Staff and CURB after the Technical
21 Conferences in this proceeding. Please see Rebuttal Table 1 for an estimate of Qualified
22 Extraordinary Costs through August 17, 2022.

23 **Rebuttal Table 1**

QUALIFIED EXTRAORDINARY COST DESCRIPTION	AMOUNT
Gas Costs	\$76,652,625
Carrying Costs from March 2021 until Start of Billing	\$3,142,758
Docket Cost (inclusive of customer education)	\$779,000
KGS Penalties Less Passthroughs to Transport Customers	\$9,224,851
Securitization Issuance Costs	\$2,885,000
Total Amount to be Securitized	\$92,684,223
Illustrative Interest Expense Relating to Securitization	\$22,157,796
Operation & Admin/Net Reserve Funding Costs	\$3,672,001
Total Qualified Extraordinary Costs	\$118,514,030

Q. PLEASE PROVIDE THE UPDATED SECURITIZED UTILITY TARIFF CHARGE THAT WOULD RESULT FROM THE UPDATED QUALIFIED EXTRAORDINARY COSTS PRESENTED ABOVE BASED UPON RECENT INTEREST RATE PROJECTIONS.

A. Please see Rebuttal Table 2 for our most recently updated Securitized Utility Tariff Charges.

Rebuttal Table 2

Securitized Utility Tariff Charge			10 Year Recovery	
Class	Customer Count	Allocation %	Annual \$ Allocated to Class	Monthly Fixed Charge
Residential	128,074	69.8%	\$8,890,385	\$5.78
Commercial/Public Authority	9,915	23.8%	2,864,087	24.07
School Sales Service	62	0.2%	31,267	42.03
Industrial Sales Service	14	0.4%	18,939	112.73
Small Generator Service	72	0.0%	12	0.01
Irrigation Engine	244	5.8%	46,714	15.95
Total	138,381	100.000%	\$11,851,403	

Q. DO YOU HAVE AN UPDATE ON THE CHARGES THAT WOULD RESULT FROM TRADITIONAL RECOVERY OF THE QUALIFIED EXTRAORDINARY COSTS?

A. Yes. Please see Rebuttal Table 3 for an update to charges that would result from traditional recovery of the Qualified Extraordinary Costs.

Rebuttal Table 3

Traditional Ratemaking Recovery – 5 Years		
Class	Annual \$ Allocated to Class	Monthly Fixed Charge
Residential	\$16,209,359	\$10.55
Commercial/Public Authority	\$5,221,935	\$43.89
School Sales Service	\$57,007	\$76.62
Industrial Sales Service	\$34,530	\$205.54
Small Generator Service	\$21	\$0.02
Irrigation Engine	\$85,171	\$29.09
Total	\$21,608.023	


1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A. Yes, it does at the current time.**

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 of Atmos Energy Corporation's Colorado-Kansas Division; that she has read and is familiar with the foregoing Rebuttal 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 9th day of September, 2022.



NOTARY PUBLIC

My appointment expires: 05/12/26

CYNTHIA L. SEDGWICK Notary Public-State of Kansas My Appt. Expires <u>05/12/26</u>

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail, this 9th day of September, 2022, addressed to:

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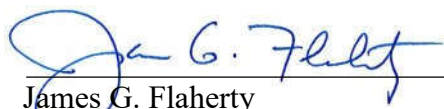
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