

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION]
OF ATMOS ENERGY CORPORATION FOR] KCC Docket No. 23-ATMG-359-RTS
ADJUSTMENT OF ITS NATURAL GAS]
RATES IN THE STATE OF KANSAS.]

TESTIMONY IN SUPPORT OF UNANIMOUS SETTLEMENT AGREEMENT

ANDREA C. CRANE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

February 24, 2023

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

2 A. My name is Andrea C. Crane and my business address is 2805 East Oakland Park Boulevard,
3 #401, Fort Lauderdale, Florida 33306.

4
5 **Q. Please provide a brief background of this proceeding.**

6 A. On September 9, 2022, Atmos Energy Corporation (“Atmos” or “Company”) filed an
7 Application with the Kansas Corporation Commission (“KCC” or “Commission”) seeking a
8 net base revenue increase of \$8.318 million, or approximately 12.5%, over total pro forma
9 revenue at present rates for its natural gas operations in Kansas. The Company subsequently
10 updated its revenue deficiency to \$7.761 million, reflecting more recent data and the
11 correction of certain errors. Atmos’ proposed revenue increase included certain costs that are
12 currently being recovered through the annual Gas System Reliability Surcharge (“GSRS”),
13 which is currently recovering approximately \$3.5 million in annual surcharges.

14 In addition to the proposed rate increase, Atmos requested the expansion and
15 extension of the System Integrity Program (“SIP”) Tariff which was authorized in KCC
16 Docket No. 19-ATMG-525-RTS. The SIP provides for periodic rate adjustments related to
17 certain infrastructure replacement projects. Atmos also proposed to eliminate various
18 miscellaneous charges for services such as initiation and reconnection of service, collection
19 charges, and insufficient funds charges. The Company also proposed certain changes to its
20 transportation tariffs regarding metering requirements and required minimum quantities. In
21 addition, the Company proposed to implement a voluntary SmartChoice Carbon Offset

1 (“SCCO”) Tariff for customers that elect to reduce the carbon footprint associated with
2 natural gas usage.

3
4 **Q. Did you previously file testimony in this proceeding?**

5 A. Yes, on January 17, 2023, I filed Direct Testimony on behalf of the State of Kansas, Citizens’
6 Utility Ratepayer Board (“CURB”) regarding the Company’s revenue requirement claim.
7 Testimony on behalf of CURB was also filed by Dr. J. Randall Woolridge on cost of capital
8 issues, by Glenn Watkins on class cost of service and rate design issues, and by Josh Frantz
9 on the Company’s proposed changes to its SIP, its proposal to eliminate miscellaneous
10 service fees, and its proposed SCCO Tariff.

11
12 **Q. Please summarize the recommendations contained in CURB’s Direct Testimony.**

13 A. In my Direct Testimony, I recommended a net revenue increase of approximately \$1.7
14 million, based on the cost of capital recommended by Dr. Woolridge. Dr. Woolridge
15 recommended a capital structure containing 55% equity, and a cost of equity of 9.25%.
16 Glenn Watkins recommended that the Peak and Average Method be used in the Class Cost of
17 Service Study, which resulted in a different class allocation than that proposed by Atmos.
18 Mr. Watkins’ methodology resulted in an allocation to the residential class that was slightly
19 above the system average increase. In addition, Mr. Watkins recommended that the
20 Commission approve a residential customer charge of \$17.08 per month. Mr. Frantz
21 recommended that the Company’s request to expand and extend the SIP be denied. He also

1 recommended that the Commission reject the Company’s request to eliminate miscellaneous
2 service fees. Finally, Mr. Frantz supported the Company’s proposal for a SCCO Tariff, but
3 recommended that the program be introduced on a pilot basis.

4
5 **Q. Since your Direct Testimony was filed, have the parties engaged in settlement**
6 **discussions?**

7 A. Yes, the parties to this case have engaged in extensive settlement discussions. Accordingly,
8 the parties have entered into a Unanimous Settlement Agreement (“Settlement Agreement”)
9 that resolves all issues in this case. Parties to the Settlement Agreement are Atmos, CURB,
10 the Staff of the State Corporation of the State of Kansas (“Staff”), and WoodRiver Energy,
11 LLC, (collectively “Signatories”).

12
13 **Q. Please summarize the terms of the Settlement Agreement relating to revenue**
14 **requirement and accounting issues.**

15 A. The Settlement Agreement provides for a net base revenue increase of \$2.2 million. The
16 Settlement Agreement does not specify a capital structure or cost of capital, however, the
17 Signatories agreed that for purposes of calculating the Company’s GSRS and SIP
18 adjustments, a pre-tax cost of capital of 8.7% will be used. The Signatories also agreed to
19 adopt the Shared Services depreciation rates recommended by Staff in this case, and the
20 Colorado/Kansas rates recommended by Atmos. While the Signatories agreed on these
21 depreciation rates for purposes of this stipulation, the Signatories are not agreeing on the

1 specific depreciation methodologies and are free to propose alternative depreciation
2 methodologies in future cases. The Settlement Agreement also identifies various amounts
3 and amortization periods for ad valorem expenses, pension and other postemployment
4 benefit (“OPEB”) costs, rate case costs, and excess deferred income taxes (“EDIT”). The
5 Signatories also agreed on the class allocation of the revenue requirement and on rate design.
6

7 **Q. Please summarize the additional provisions contained in the Settlement Agreement.**

8 A. The Signatories agreed that the Company’s proposal to expand and extend the SIP should be
9 withdrawn without prejudice. The Signatories also agreed that the SCCO Rider should be
10 approved as a six-year pilot program. The Settlement Agreement also provides for Atmos to
11 retain its current miscellaneous service charges and provides that Atmos is effectively
12 granted any waiver that may be necessary pertaining to credit card fees, which are not
13 currently being charged.

14 The Settlement Agreement adopts Atmos’ proposal requiring Electronic Flow
15 Measurement (“EFM”) equipment for most transportation customers, and provides for a
16 limited exception relating to certain schools. The Settlement Agreement also provides for
17 Atmos to pay for EFM meters for school transportation customers using at least 3,000
18 Dth/year and allows Atmos to recover these costs from all transportation customers in its
19 next base rate case through a nine-year amortization. The Signatories agreed that other
20 transportation customers should be permitted to continue to pay for EFM meters through a
21 monthly charge, as an alternative to paying for the full cost of the EFM meter upfront. The

1 monthly charge calculation has been adjusted. The Settlement Agreement also establishes
2 minimum gas usage requirements for new transportation customers of 1,500 MMBtu in any
3 month or 5,000 MMBtu of natural gas annually.
4

5 **Q. Are you familiar with the standards used by the KCC to evaluate a settlement that is**
6 **proposed to the Commission?**

7 A. Yes, I am. As stated on page 4 of the Joint Motion to Approve Unanimous Settlement
8 Agreement, the KCC has adopted three guidelines for use in evaluating Unanimous
9 Settlement Agreements. These include: (1) Is the agreement supported by substantial
10 competent evidence? (2) Does the agreement result in just and reasonable rates? (3) Are the
11 results of the Settlement Agreement in the public interest?
12

13 **Q. Is the Settlement Agreement supported by substantial competent evidence in the**
14 **record?**

15 A. Yes, it is. As shown in Schedule ACC-1 to my Direct Testimony, CURB recommended a net
16 base revenue increase of approximately \$1.7 million while Staff recommended a net base
17 revenue increase of approximately \$2 million. These recommendations included the roll-in
18 to base rates of the GSRS, and, therefore, are comparable to the \$8.318 million and \$7.761
19 million proposed by Atmos in its original filing and updated cost of service, respectively.
20 While the increase of \$2.2 million included in the Settlement Agreement is slightly higher
21 than the recommendations of CURB and Staff, it is significantly lower than the Company's

1 original request. Therefore, the \$2.2 million increase is within the zone of reasonableness
2 based on all of the testimony that was filed in this case.

3 In addition, while the Settlement Agreement does not specify a cost of capital, the
4 pretax rate of return of 8.7% that will be used to quantify GSRS and SIP adjustments is also
5 within the zone of reasonableness, based on the capital structures and cost rates filed by the
6 Signatories. Moreover, the pretax rate of 8.7% is very close to the pre-tax return resulting
7 from Staff's recommended capital structure and cost rates. The Settlement Agreement also
8 adopts Staff's depreciation rates for Shared Services, which are approximately midway
9 between the current rates, which CURB recommended be retained, and the new rates
10 proposed by Atmos. The Settlement Agreement also provides flexibility and allows the
11 parties to propose different depreciation methodologies or to argue against recovery of
12 unamortized rate case costs in future cases.

13
14 **Q. Are the other provisions of the Settlement Agreement based on competent evidence?**

15 A. Yes, they are. The provision to withdraw the Company's proposed SIP expansion and
16 extension is consistent with Josh Frantz's recommendations. It is also consistent with the
17 Company's Rebuttal Testimony whereby Atmos offered to withdraw the expansion and
18 extension proposals related to the SIP. The provision regarding retention of miscellaneous
19 service charges is also consistent with his testimony. The provision regarding the credit card
20 waiver recognizes that Atmos is not currently charging a credit card fee and that the
21 Commission has supported eliminating credit card fees in other cases. The provisions

1 regarding transportation service balance the operational concerns raised by Atmos as a result
2 of Winter Storm Uri with the concerns raised by WoodRiver Energy witness Don
3 Krattenmaker regarding the impact of the proposed equipment requirements on schools.
4

5 **Q. Will the Settlement Agreement result in just and reasonable rates?**

6 A. Yes, the Settlement Agreement will result in just and reasonable rates. As noted above, the
7 net base revenue increase is well supported by the evidence in this case. Moreover, the
8 allocation of the revenue increase will result in an increase to residential customers of 3.36%,
9 just slightly above the system average increase of 3.342%, as shown in Appendix B of the
10 Settlement Agreement. The Settlement Agreement provides for a residential fixed charge of
11 \$19.75, slightly below the current GSRs-adjusted fixed customer charge of \$20.20.¹
12 Accordingly, the rates resulting from the Settlement Agreement are just and reasonable.
13

14 **Q. Are the results of the Settlement Agreement in the public interest?**

15 A. This Settlement Agreement is in the public interest and no party is opposed to the Settlement
16 Agreement. The Settlement Agreement results in a modest net base revenue increase, in
17 reasonable allocation of that increase to the various customer classes, and in a slight
18 reduction to the current fixed residential charge. In addition, the Settlement Agreement
19 resolves issues relating to depreciation rates without approving specific depreciation
20

¹ The current fixed charge of \$20.20 includes a base fixed customer charge of \$18.89, a GSRs of \$1.60, and a tax credit of (\$0.29). The GSRs and the tax credit will both be reset to \$0 as a result of this case.

1 methodologies. The Settlement Agreement identifies both costs and amortization periods
2 that are needed to clarify the ratemaking treatment of certain pension, OPEB, and deferred
3 tax balances in future cases.

4 The Settlement Agreement addresses the withdrawal without prejudice of the
5 Company's request for expansion and extension of the SIP. It also retains the miscellaneous
6 service charges that are currently being collected by Atmos. The Settlement Agreement
7 provides for a pilot SCCO program for customers who want to reduce their carbon footprint.
8 The Settlement Agreement provides for resolution of certain issues regarding the metering of
9 transportation customers and establishes minimum requirements for transportation service.
10 Finally, the Settlement Agreement will eliminate the costs associated with continued
11 litigation of this case. Given all of these provisions and benefits, the Settlement Agreement
12 is clearly in the public interest.

13
14 **Q. What do you recommend?**

15 A. I recommend that the KCC find that the Settlement Agreement is supported by substantial
16 competent evidence in the record, that the Settlement Agreement results in just and
17 reasonable rates, and that the Settlement Agreement is in the public interest. Therefore, I
18 recommend that the KCC approve the Settlement Agreement as filed.

19
20 **Q. Does this conclude your testimony?**

21 A. Yes, it does.

VERIFICATION

STATE OF FLORIDA)
) ss:
COUNTY OF BROWARD)

Andrea C. Crane, President of The Columbia Group, Inc., upon being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing Testimony in Support of Unanimous Settlement Agreement of Andrea C. Crane, and that the statements made therein are true and correct to the best of her knowledge, information and belief.

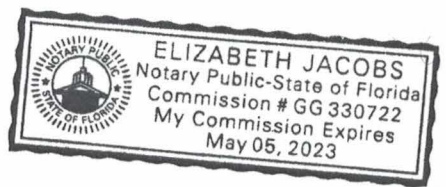
SIGNED this 24th day of February, 2023.


ANDREA C. CRANE

SUBSCRIBED AND SWORN TO before me by Andrea C. Crane on this 24th day of February, 2023.


**NOTARY PUBLIC IN AND FOR THE
STATE OF FLORIDA**

My Commission Expires: 3/5/23



CERTIFICATE OF SERVICE

23-ATMG-359-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 24th day of February, 2023, to the following:

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