

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

In the Matter of the Investigation into Atmos)
Energy Corporation Regarding the February) Docket No. 21-ATMG-333-GIG
2021 Winter Weather Events, as Contemplated)
by Docket No. 21-GIMX-303-MIS.)

ORDER APPROVING UNANIMOUS SETTLEMENT AGREEMENT
ON ATMOS ENERGY CORPORATION'S FINANCIAL PLAN

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings:

1. On February 15, 2021, pursuant to K.S.A. 77-536(a), the Commission issued an Emergency Order in Docket No. 21-GIMX-303-MIS (Docket 21-303), directing all jurisdictional natural gas and electric utilities to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions to ensure adequate transportation of natural gas and electricity to interconnected, non-jurisdictional Kansas utilities.¹ Jurisdictional natural gas utilities were ordered to do everything necessary to ensure natural gas service continued to be provided to their customers in Kansas.² The Commission authorized every jurisdictional natural gas distribution utility that incurs extraordinary costs associated with ensuring their customers or the customers of interconnected Kansas utilities that are non-jurisdictional to the Commission continue to receive utility service during Winter Storm Uri to defer those costs to a regulatory asset account.³ The Commission mandated that once Winter Storm Uri ended, and after all costs have been

¹ Emergency Order, 21-GIMX-303-MIS, Feb. 15, 2021, ¶ 3.

² *Id.*

³ *Id.* ¶ 4.

accumulated and recorded, each jurisdictional utility is directed to file a compliance report in the 21-303 Docket detailing the extent of such costs incurred, and present a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame.⁴

2. On March 9, 2021, the Commission issued an Order Adopting Staff's Report and Recommendation to Open Company-Specific Investigations, which initiated this Docket.⁵

3. On September 14, 2021, Atmos Energy Corporation (Atmos) filed its Plan to Minimize the Financial Effects of the 2021 Winter Weather Event (Financial Plan), stating it has deferred approximately \$88 million in gas supply related costs.⁶ With carrying costs and other costs related to the anticipated securitization filing, the amount billed to customers is expected to total \$109,809,921.⁷ Atmos' Financial Plan was accompanied by testimony from Jason Schneider, Kenny Malter, Kathleen Ocanas, Bart Armstrong, and Rob Leivo.

4. On February 9, 2022, Atmos, Commission Staff (Staff), and the Citizens' Utility Ratepayer Board (CURB)⁸ filed a Joint Motion to Approve Settlement Agreement (Financial Plan Settlement). Under the Settlement Agreement:

- Joint Movants agree that the \$102,517,847 in Qualified Extraordinary Costs incurred by Atmos were prudently incurred and recoverable;⁹
- To minimize the financial impact to Atmos' customers, Atmos will apply for a Financing Order in a separate docket to authorize the issuance of Securitized Utility Tariff Bonds;¹⁰
- Atmos' carrying cost rate will be 2%;¹¹

⁴ *Id.* ¶ 5.

⁵ Order Adopting Staff's Report and Recommendation to Open Company-Specific Investigations; Order on Petitions to Intervene of Bluemark Energy, LLC and CURB; Protective and Discovery Order, 21-303 Docket, March 9, 2021, ¶ 10.

⁶ Plan to Minimize the Financial Effects of the 2021 Winter Weather Event, Sept. 14, 2021, ¶ 3.

⁷ Direct Testimony of Kathleen R. Ocanas, Sept. 14, 2021, p. 4.

⁸ CURB was granted intervention on March 9, 2021.

⁹ Settlement Agreement, Feb. 9, 2022, ¶ 8.

¹⁰ *Id.*, ¶ 9.

- If Atmos recovers any payments as a result of any profit disgorgement, civil suit relief, market manipulation findings, etc., resulting from the Winter Event, it will pass those payments on to its customers through its PGA (Purchased Gas Adjustment tariff);¹²
- Any Atmos sales customer, who intends on converting to a transportation customer will be required to pay a conversion fee, which will be credited to Atmos' other sales customers once a year through the PGA; and¹³
- Atmos agrees to meet with Staff and CURB to discuss its programs in other states to assist low-income customers and determine if those programs could be used in Kansas.¹⁴

5. On February 24, 2022, testimony in support of the Financial Plan Settlement was filed by Kathleen Ocanas, Vice President of Rates & Regulatory Affairs for the Colorado/Kansas Division of Atmos, Josh Frantz of CURB, and Justin Grady of Staff. Grady noted that Atmos' gas purchase costs during Winter Storm Uri were consistent with, if not lower than, prevailing market prices during this timeframe.¹⁵ Specifically, from February 9-21, 2021, Atmos paid a weighted average cost of \$66/MMBtu, which was \$45.82/MMBtu lower than the average market price of \$111.82/MMBtu during that same time.¹⁶ Grady testified that Atmos' gas purchases during Winter Storm Uri were prudent, necessary expenditures to continue providing service during this extraordinary winter weather event.¹⁷

6. On March 4, 2022, the Commission held a hearing on the Unanimous Settlement Agreement on Atmos' Financial Plan. Atmos, Staff, CURB, and the Office of Attorney General

¹¹ *Id.*, ¶ 10.

¹² *Id.*, ¶ 13.

¹³ *Id.*, ¶ 14.

¹⁴ *Id.*, ¶ 17.

¹⁵ Redacted Direct Testimony and Testimony in Support of Settlement Agreement (Grady Testimony), Feb. 24, 2022, p. 24.

¹⁶ *Id.*

¹⁷ *Id.*, p. 25.

Derek Schmidt¹⁸ all appeared by counsel. The Commission heard live testimony from three witnesses: Kathleen Ocanas of Atmos, Josh Frantz of CURB, and Justin Grady of Staff.¹⁹ The Commissioners were given an opportunity to cross-examine the witnesses, and the sponsoring parties had the opportunity to redirect their own witnesses.

7. The Financial Plan Settlement is a unanimous settlement agreement as defined by K.A.R. 82-1-230a. Therefore, there is no need to fully apply the Commission’s five-factor test for evaluation of settlements.²⁰ Instead, the Commission applies a three-factor test. When approving a unanimous settlement, the Commission must make an independent finding as to whether the settlement: (1) is supported by substantial competent evidence in the record as a whole, (2) will establish just and reasonable rates, and (3) is in the public interest.

8. Substantial competent evidence possesses something of substance and relevant consequence, which furnishes a substantial basis of fact to reasonably resolve the issues.²¹ Whether another trier of fact could have reached a different conclusion given the same facts is irrelevant; a Commission decision lacks substantial competent evidence when the Commission’s determination “is so wide of the mark as to be outside the realm of fair debate.”²²

9. There is substantial competent evidence in the record to support the Financial Plan Settlement. Atmos’ Financial Plan is supported by the direct testimony of Jason Schneider, Kenny Malter, Kathleen Ocanas, Bart Armstrong, and Rob Leivo. Staff performed its own independent review of Atmos’ expenditures and associated carrying costs of extending the

¹⁸ The Office of Attorney General Derek Schmidt was granted intervention on July 27, 2021.

¹⁹ Transcript of Hearing (Tr.), March 4, 2022, p. 3.

²⁰ See *Order on KCP&L’s Application for Rate Change*, Docket No. 15-KCPE-116-RTS, Sept. 10, 2015. The five factor test was developed for non-unanimous settlements. Because this settlement is unanimous, the commission will only apply the three factor test.

²¹ *Farmland Indus., Inc. v. Kansas Corp. Comm’n.*, 25 Kan.App.2d 849, 852 (1999).

²² *Id.* at 851, 856.

recovery of these extraordinary costs until the Securitized Bonds can be issued.²³ The Financial Plan was vetted by the Parties through extensive discovery, covering all aspects of the costs incurred by Atmos and the Atmos' decisions regarding gas purchases and system operations during Winter Storm Uri.²⁴ Testimony in support of the Financial Plan Settlement was filed by Kathleen Ocanas on behalf of Atmos, Josh Frantz of CURB, and Justin Grady of Staff. Frantz testified that based on his review of the facts contained in the Atmos' testimony and responses to the data requests, and his discussions with Atmos and Staff, he believes the Settlement Agreement's calculation of Extraordinary Costs is reasonably reflective of the extraordinary costs that Atmos incurred during Winter Storm Uri, and the agreed upon application of carrying charges is reasonably reflective of Atmos' costs associated with financing the Extraordinary Costs until the issuance of Securitized Bonds.²⁵

10. Ocanas believes the Unanimous Settlement Agreement will minimize the financial impact of the Winter Event on gas sales customers while allowing Atmos the opportunity to recover the Qualified Extraordinary Costs it incurred and to bring its credit metrics back in line over a reasonable period of time.²⁶ Staff reviewed Atmos' Financial Plan and believes it is a reasonable and balanced plan that appropriately minimizes the financial impact on sales customers of the extraordinary gas costs Atmos incurred during Winter Storm Uri, while allowing Atmos to maintain its financial integrity and recover the necessary carrying costs of these extraordinary costs until it can issue Securitized Bonds.²⁷ Based on its review of the record as a whole, including: (1) Atmos' testimony explaining its financial plan, (2) Staff's

²³ Grady Testimony, p. 29.

²⁴ Testimony of Kathleen R. Ocanas in Support of the Unanimous Settlement Agreement on the Financial Plan (Ocanas Testimony), Feb. 24, 2022, pp. 5-6; Testimony in Support of Settlement Agreement by Josh Frantz (Frantz Testimony), Feb. 24, 2022, p. 8.

²⁵ Frantz Testimony, p. 9.

²⁶ Ocanas Testimony, p. 12.

²⁷ Grady Testimony, p. 5.

independent review of those expenditures and the carrying costs of deferring recovery of those extraordinary costs until the Securitized Bonds are issued, and (3) the testimony in support of the Financial Plan Settlement from CURB, Atmos, and Staff, the Commission finds the Financial Plan Settlement is supported by substantial competent evidence.

11. Frantz, Ocanas, and Grady all testified that the Financial Plan Settlement will establish just and reasonable rates.²⁸ Frantz notes while using short-term debt and reflection of a carrying charge will add costs for ratepayers, it spreads the financial impacts of the Weather Event over a longer period, reducing monthly bill impacts.²⁹ According to Ocanas, adopting a carrying charge rate of 2.0% to apply to the Qualified Extraordinary Costs, the Unanimous Settlement Agreement reduces the sales customers' total carrying charges by \$7.21 million (from approximately \$9.47 million to approximately \$2.56 million).³⁰ Grady explained the Financial Plan Settlement does not change rates right now, but sets forth a plan for Atmos to file for Securitized Bonds to recover its extraordinary costs over an extended period, thus keeping customer rates affordable, and financing rates low.³¹ Frantz also agreed that approval of the Financial Plan Settlement would result in just and reasonable rates/charges.³² Accordingly, the Commission finds that approval of the Financial Plan Settlement will result in just and reasonable rates for Atmos and its customers. The Commission finds the Financial Plan Settlement fairly represents a balance of the relevant interests and is supported by the evidence.

12. Ocanas, Frantz, and Grady all testified that approving the Financial Plan Settlement is in the public interest.³³ Ocanas explained the Unanimous Settlement Agreement

²⁸ Frantz Testimony, p. 9; Ocanas Testimony, p. 12; Grady Testimony, p. 31.

²⁹ Frantz Testimony, p. 12.

³⁰ Ocanas Testimony, p. 13.

³¹ Grady Testimony, p. 31.

³² Frantz Testimony, p. 9.

³³ *Id.*, p. 13; Ocanas Testimony, p. 14; Grady Testimony, pp. 35-36.

will best minimize the financial impact of the Winter Event on Atmos' gas sales customers by allowing Atmos to issue Securitized Utility Tariff Bonds to cover the Qualified Extraordinary Costs.³⁴ Ocanas added that because the issuance of Securitized Bonds will provide a net benefit to Atmos' gas sales customers, the Unanimous Settlement Agreement is in the public interest.³⁵ Frantz testified that the Unanimous Settlement Agreement is in the public interest because it: (1) allows Atmos to recover the Extraordinary Costs it incurred to provide gas to customers during the Winter Event, with reasonable carrying charges until the issuance of Securitized Bonds.³⁶ In addition to the Securitization Bonds, Frantz cited to provisions of the Unanimous Settlement Agreement that provide customer protections, including potential future relief from the investigations of the Kansas AG's Office, or other governmental agencies, into predatory pricing issues, and ensuring individual customers will not be able to circumvent the Surcharge by switching from a sales class to transportation.³⁷ Frantz also identified Atmos' agreement to discuss potential implementation of programs to assist low-income customers with Staff and CURB as evidence the Unanimous Settlement Agreement is in the public interest.³⁸ Grady explained the public interest is served when ratepayers are protected from unnecessarily high prices, discriminatory prices and/or unreliable service.³⁹ Grady believes the Financial Plan Settlement does that by: (1) reducing the anticipated monthly payment amount of Atmos' requested financial plan from \$4 to \$5.56 a month down to \$3.75 to \$5.19 a month,⁴⁰ (2) providing Atmos with sufficient revenues and cash flows to meet its financial obligations,

³⁴ Ocanas Testimony, p. 14.

³⁵ *Id.*

³⁶ Frantz Testimony, pp. 13-14.

³⁷ Frantz Testimony, p. 14.

³⁸ *Id.*

³⁹ Grady Testimony, p. 35.

⁴⁰ *Id.*

support its investment grade credit rating, and continue to provide reliable service;⁴¹ (3) including a provision to collect a conversion fee from any sales customer that converts to a transportation customer once the Securitized Bonds have been issued;⁴² and (4) including an agreement from Atmos to meet with CURB and Staff to discuss whether programs it has implemented in other states to assist low-income customers can be adopted in Kansas.⁴³

13. The Commission also emphasizes it was in the public interest for Atmos to incur extraordinary costs during this event. At the hearing, Frantz testified that Atmos was not at fault for the price spike.⁴⁴ Atmos' supplier declared force majeure and was unable to deliver a sufficient supply of gas.⁴⁵ Similarly, Grady testified, "Atmos did a really good job of securing gas supplies during this storm ... they didn't do this on purpose. It was one supplier that declared force majeure."⁴⁶ As Grady noted, this was the perfect storm – extremely cold temperatures in the middle of a four-day weekend, when the financial markets were closed.⁴⁷ While the extraordinary costs associated with Winter Storm Uri will be a hardship for many of Atmos' customers, the Settlement Agreement eases some of the burden on ratepayers, who otherwise would have had to pay these costs in a single year.⁴⁸ Winter Storm Uri was a massive, unexpected expenditure, and securitization allows ratepayers to pay the extraordinary charges over an extended period of time to minimize the impact on their personal finances.⁴⁹

⁴¹ *Id.*, p. 36.

⁴² *Id.*

⁴³ *Id.*

⁴⁴ Tr., p. 43.

⁴⁵ *Id.*

⁴⁶ *Id.*, p.68.

⁴⁷ *Id.*, p. 75.

⁴⁸ *Id.*

⁴⁹ *Id.*, pp. 83-84.

14. In the middle of Winter Storm Uri, the Commission issued its Emergency Order directing the utilities to take all necessary steps to provide reliable service.⁵⁰ Atmos complied with the Emergency Order. When the Commission issued its Emergency Order, other states were experiencing life-threatening conditions as people were unable to heat their homes during the frigid conditions. Kansas largely avoided those outcomes, in large part, because utilities, like Atmos, incurred extraordinary costs to ensure the integrity of the gas system and ensure continuous gas service to Kansans. A lesser response could have resulted in catastrophic property damage and serious public safety implications, including potential loss of life. When extraordinary costs are unavoidable and necessary to benefit the public, it is in the public interest to allow recovery of such costs.

15. Consistent with the parties' positions, the Commission finds that approval of the Financial Plan Settlement is in the public interest. The terms of the Financial Plan Settlement represent an equitable balancing of the interests of all parties, and the public interest is upheld by minimizing the cost of litigation that would be passed on to ratepayers.⁵¹

16. The Commission finds the attached Financial Plan Settlement is supported by substantial competent evidence in the record as a whole, results in just and reasonable rates, and is in the public interest. Thus, the Commission approves the Financial Plan Settlement in its entirety.

THEREFORE, THE COMMISSION ORDERS:

A. The Joint Motion to Approve the Unanimous Settlement Agreement on Atmos' Financial Plan is granted. The Settlement Agreement on Atmos' Financial Plan, attached as Attachment A, is approved in its entirety and incorporated by reference.

⁵⁰ *Id.*, pp. 85-86.

⁵¹ Grady Testimony, p. 36.

B. Any party may file for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).⁵²

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 03/24/2022

Lynn M. Retz

Lynn M. Retz
Executive Director

BGF

⁵² K.S.A. 77-503(c); K.S.A. 77-531(b).

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Investigation into Atmos Energy)	
Corporation Regarding the February 2021 Winter)	
Weather Events, as Contemplated by Docket No.)	Docket No. 21-ATMG-333-GIG
21-GIMX-303-MIS)	

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into between and among Atmos Energy Corporation ("Atmos Energy"), the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and the Citizens' Utility Ratepayer Board ("CURB"), (collectively Joint Movants"). This Agreement is being submitted to the Commission for approval pursuant to K.A.R. 82-1-230a.

I. INTRODUCTION: PROCEDURAL HISTORY OF DOCKETS

1. On February 15, 2021, the Commission issued an Emergency Order ("Emergency Order") relating to the stress on utility and natural gas providers caused by the sub-zero temperatures which were causing increased energy demand and natural gas supply constraints throughout Kansas and wholesale natural gas prices to increases from 10 to 100 times higher than normal ("Winter Event").¹ The Commission stated that Kansas utilities were facing potential reliability issues related to the prolonged arctic temperatures and, therefore, it intended to exercise its emergency powers pursuant to K.S.A. 77-536(a).² The Commission directed all jurisdictional natural gas and electric utilities to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions

¹Emergency Order, Docket No. 21-GIMX-303-MIS, In the Matter of Record Natural Gas Prices and Potential System Reliability Issues from Unprecedented and Sustained Cold Weather, February 15, 2021, page 1, paragraph 1 ("Emergency Order").

²*Id.*, pages 1-2, paragraph 2.

to ensure adequate transportation and electricity to interconnected, non-jurisdictional Kansas utilities.³ The Commission ordered the utilities to do everything necessary to ensure natural gas and electricity service continue to be provided to their customers in Kansas.⁴ The Commission authorized every electric and natural gas utility to defer extraordinary costs relating to the Winter Event to a regulatory asset account.⁵ The Commission indicated that deferred costs may also include carrying costs at the utility's weighted average cost of capital ("WACC").⁶

2. On March 9, 2021, the Commission opened Docket No. 21-ATMG-333-GIG ("333 Docket") to investigate the effects of the Winter Event on Atmos Energy and its customers.⁷ The Commission intended to analyze any extraordinary costs incurred during the Winter Event.⁸ The Commission ordered Atmos Energy to file a plan to minimize the financial impact of the Winter Event on customers.⁹

3. On September 14, 2021, Atmos Energy submitted its plan to minimize the financial impact of the Winter Event on customers in the 333 Docket ("Financial Plan").¹⁰ Atmos Energy filed pre-filed direct testimony and exhibits in support of its Financial Plan prepared by Barton W.

³*Id.*, page 2, paragraph 3.

⁴*Id.*

⁵*Id.*, page 2, paragraph 4.

⁶*Id.*

⁷Order Adopting Staff's R&R to Open Company Specific Investigations, Docket No. 21-ATMG-333-GIG, March 9, 2021, page 4, paragraph 10.

⁸*Id.*, page 2, paragraph 3.

⁹*Id.*, page 5, paragraph 10

¹⁰Atmos Energy's Plan to Minimize Financial Effects of Cold Weather Event, Docket No. 21-ATMG-333-GIG, September 14, 2021 ("Financial Plan").

Armstrong, Rob R. Leivo, Kenneth M. Malter, Kathleen R. Ocanas, and Jason L. Schneider.¹¹ Under the Financial Plan, Atmos Energy would apply for a Financing Order in a separate docket pursuant to the applicable provisions contained in the Utility Financing and Securitization Act passed by the Kansas Legislature in 2021 ("Act").¹² The Financing Order would authorize the issuance of Securitized Utility Tariff Bonds to finance the Qualified Extraordinary Costs (as defined by the Act) incurred by Atmos Energy as a result of the 2021 winter weather event ("Winter Event") in order to minimize the financial impact on the Company and its customers.

The other main elements of the Plan included the: (1) identification and quantification of the Qualified Extraordinary Costs to be financed under the Plan; (2) range of time periods to be used to collect the Qualified Extraordinary Costs from customers under a Securitized Utility Tariff Charge that would be the same as the term of the Securitized Utility Tariff Bonds; (3) method of allocating the Qualified Extraordinary Costs among sales classes and the use of a fixed monthly Securitized Utility Tariff Charge to recover the Qualified Extraordinary Costs from customers; and (4) future rate-making process to reconcile any differences between the Securitized Utility Tariff Costs financed by the Securitized Utility Tariff Bonds and the final Securitized Utility Tariff Costs incurred by Atmos Energy relating to the Winter Event. The reconciliation process would include, but is not limited to, Atmos Energy crediting customers for: (i) the net penalty amounts recovered by Atmos Energy after the Securitized Utility Tariff Bonds have been issued; (ii) the ultimate

¹¹Direct Testimony of Barton W. Armstrong, Direct Testimony of Rob R. Leivo, Direct Testimony of Kenneth M. Malter, Direct Testimony of Kathleen R. Ocanas, and Direct Testimony of Jason L. Schneider in Support of Plan, Docket No. 21-ATMG-333-GIG, September 14, 2021.

¹²Kansas Utility Financing and Securitization Act, Senate Substitution for House Bill No. 2072, published in Kansas Register April 22, 2021, sos.ks.gov/publications/register/volume-40/issue%2016/04-22-21-49065.html. Capitalized terms contained in this filing have the meanings set forth in new Section 1(b) of the Act.

resolution of the net disputed purchased gas cost invoice amounts, if any, recovered or received by Atmos Energy after the Securitized Utility Tariff Bonds have been issued and (iii) any subsequent federal or state governmental relief in the form of profit disgorgement, civil suit relief, market manipulation findings, etc., recovered by Atmos Energy after the Securitized Utility Tariff Bonds have been issued. To the extent that Atmos Energy would need a waiver of any of its existing tariffs in order to implement its Plan, including its Purchased Gas Adjustment ("PGA") tariff, the Company requests approval of said waivers.

4. On November 4, 2021, the Commission issued an order establishing a procedural schedule for the Financial Plan.¹³

5. The Commission granted intervention to the following parties (collectively including Atmos Energy, "Parties") in the 333 Docket:

- (a) State of Kansas, *ex rel.*, Derek Schmidt, Attorney General ("AG"); and
- (b) CURB.¹⁴

6. All of the Parties participated in a technical/settlement conference held on January 27, 2022. Settlement discussions occurred through February 3, 2022. The Agreement provided to the Commission by the Joint Movants was reached on February 8, 2022, and filed on February 9, 2022. The Joint Movants plan to file testimony in support of the Agreement. The AG indicated it

¹³Order Establishing Procedural Schedule for the Financial Plan, Docket No. 21-ATMG-333-GIG filed October 28, 2021. The Commission issued an order modifying the procedural schedule for the Financial Plan on January 4, 2022.

¹⁴Order Granting Petition to Intervene of the Office of Kansas Attorney General, Docket No. 21-ATMG-333-GIG filed July 27, 2021; CURB was granted intervention in this 333 Docket by Order dated March 9, 2021, Ordering Paragraph B in Docket No. 21-GIMX-303-MIS.

does not oppose the settlement.

7. The Joint Movants believe that the Agreement represents a reasonable and fair resolution of this matter and that the terms contained therein are in the public interest.

II. SETTLEMENT PROVISIONS

8. Subject to the true-up and verification requirement set forth in this paragraph 8, the Joint Movants agree that the \$102,517,847 in Qualified Extraordinary Costs incurred by Atmos Energy during the Winter Event were prudently incurred by the utility and that Atmos Energy shall be allowed to recover said costs pursuant to the terms contained in this Agreement ("Qualified Extraordinary Costs"). Attached as Appendix A to this Agreement is a list of Qualified Extraordinary Costs and the amount of those costs. The Qualified Extraordinary Costs shall be trueed-up and verified as part of Atmos Energy's separate filing to obtain a securitization order under the Act.

9. In order to minimize the financial impact to Atmos Energy's customers of the Qualified Extraordinary Costs incurred as a result of the Winter Event, Atmos Energy shall apply for a Financing Order in a separate docket pursuant to the applicable provisions contained in the Act. The Financing Order would authorize the issuance of Securitized Utility Tariff Bonds to finance the Qualified Extraordinary Costs incurred by Atmos Energy as a result of the Winter Event, which are set forth in Appendix A to this Agreement.

10. Atmos Energy shall also be permitted to recover carrying charges on the Qualified Extraordinary Costs. However, instead of incorporating the Commission authorized calculation of a carrying cost based on Atmos Energy's weighted average cost of capital of 8.3960%, Atmos Energy has agreed to lower the carrying charge rate to 2.0% on those Qualified Extraordinary Costs

incurred between the time the costs were incurred until the Securitized Utility Bonds are issued and Atmos Energy begins to charge customers a Securitized Utility Tariff Charge. This reduction in the carrying charges results in reducing the carrying charges from approximately \$9.47 million over the above referenced period to approximately \$2.56 million, producing a savings of \$7.21 million.

11. Atmos Energy agrees to defer determination by the Commission on items relating to the Securitized Utility Tariff Bonds, such as the term of the bonds and how the Securitized Utility Tariff Charge will be recovered from Atmos Energy's sales customers to Atmos Energy's separate filing for approval of its issuance of Securitized Utility Tariff Bonds.

12. Any reconciliation proposal included by Atmos Energy in its separate filing for approval to issue the Securitized Utility Tariff Bonds shall consider both the deferred tax liability associated with the extraordinary gas cost recoveries, as well as the corresponding and offsetting deferred tax asset associated with the net operating loss carryforward created by the extraordinary costs.¹⁵

13. If Atmos Energy receives or recovers any payments as a result of any subsequent federal or state governmental relief in the form of profit disgorgement, civil suit relief, market manipulation findings, etc., resulting from the Winter Event, it shall pass those payments on to its customers through its PGA, even if those payments may be received or recovered after the expiration of the Securitized Utility Tariff Charge.

14. Provided that such would be allowed under the Act, any Atmos Energy sales customer, who intends on becoming a Atmos Energy's transportation customer during the period in

¹⁵While the deferred tax liability and deferred tax asset currently net to zero rate base impact, the deferred tax asset may reverse over the time period of rate recovery and therefore there would be a net rate base reduction associated with these deferred taxes.

which the Securitized Utility Tariff Charge is being recovered shall be required to pay Atmos Energy a conversion fee prior to becoming a transportation customer. The conversion fee owed by the customer shall be based on the present value of the expected charges the customer would have paid as a sales customer over the remaining period in which the Securitized Utility Tariff Charge is being recovered. This conversion fee will be credited to Atmos Energy's other sales customers once a year through the PGA.

15. All penalty payments received by Atmos Energy from marketers or transport customers (identified in Appendix B to this Agreement) that are received prior to the filing of the separate application for a Financing Order will be used by Atmos Energy to reduce the Qualified Extraordinary Costs to be recovered using the Securitized Utility Bonds. All penalty amounts received after that filing will be credited by Atmos Energy to Atmos Energy's sales customers through the PGA/ACA on an annual basis.

16. Atmos Energy agrees to reduce the carrying charge rate applied to its Extraordinary Gas Costs to the 2.0% carry charge rate.

17. Atmos Energy agrees to meet with Staff and CURB to discuss programs that it has implemented in other states to assist low-income customers to determine if those programs could be used to assist low-income customers in Kansas.

18. Nothing in this Agreement is intended to impinge or restrict, in any manner, the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation, including the obligation to ensure that Atmos Energy is providing efficient and sufficient service at just and reasonable rates.

19. The Joint Movants shall have the right to present pre filed testimony in support of

this Agreement. Such testimony shall be filed formally in the docket and presented by witnesses at a hearing on this Agreement. Such testimony shall be filed as required by the procedural schedule, or any modification to the procedural schedule filed in this docket.

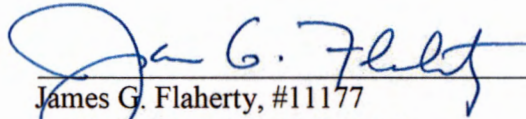
20. This Agreement represents a negotiated settlement that fully resolves all of the issues in this docket among the Joint Movants. The Joint Movants represent that the terms of this Agreement constitute a fair and reasonable resolution of the issues addressed herein. Except as specified herein, the Joint Movants shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement in the instant proceeding. If the Commission accepts this Agreement in its entirety and incorporates the same into a final order without material modification, the Joint Movants shall be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein and in accordance with the terms hereof, and will not appeal the Commission's order on these issues provided that Commission approval of this Agreement shall not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

21. The provisions of this Agreement have resulted from negotiations among the Joint Movants and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, the Agreement shall be voidable and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof. Further, in such event, this Agreement shall be considered privileged and not admissible in evidence or made a part of the record in any proceeding.

22. To the extent this Agreement provides for information, documents or other data to

be furnished to the Commission or Staff, such information, documents or data shall be filed with the Commission and a copy served upon the Commission's Director of Utilities. Such information, documents, or data shall be marked and identified with the docket number of this proceeding.

IN WITNESS WHEREOF, the Joint Movants have executed and approved this Stipulated Settlement Agreement, effective as of the 9th day February 2022, by subscribing their signatures below.



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APPENDIX A

LIST OF QUALIFIED EXTRAORDINARY COSTS

DESCRIPTION	AMOUNT
Gas Costs	\$76,652,625
Carrying Costs – at 2% through 8/31/2022	\$2,256,994
KGS Penalties From 21-KGSG-332-GIG	\$9,559,372
Financing Fees Relating to Securitization	\$13,230,139
Legal/Consulting Fees (excluding financing fees) Relating to this Docket and Securitization	\$818,717
Total Extraordinary Costs	\$102,517,847

APPENDIX B

Atmos Energy Corporation
Docket No. 21-ATMG-333-GIG
(2021 February Weather Event)
Penalty Flow Through

Marketer	Usage (MMBTu)	Net Amount
* *	1500.300	\$211,487.62
* *	827.564	\$123,033.64
Total	2327.86	\$334,521.25

CERTIFICATE OF SERVICE

21-ATMG-333-GIG

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 03/24/2022.

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CERTIFICATE OF SERVICE

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/s/ DeeAnn Shupe

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