

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

ANDREA C. CRANE

RE: REVENUE REQUIREMENTS AND POLICY ISSUES

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

January 5, 2016

1 **I. Introduction**

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

3 A. My name is Andrea C. Crane and my business address is PO Box 810, Georgetown,
4 Connecticut 06829. (Mailing address: 16 Old Mill Road, Redding, CT 06877).

5
6 **Q. Did you previously file testimony in this proceeding?**

7 A. Yes, on December 21, 2015, I filed Direct Testimony on behalf of the Citizens' Utility
8 Ratepayer Board ("CURB"). In my Direct Testimony, I recommended that the Kansas
9 Corporation Commission ("KCC") deny Atmos Energy Corporation's ("Atmos" or
10 "Company") request for a base rate increase of approximately \$5.66 million, and instead
11 order a base rate reduction of \$716,730. In addition, I recommended that the KCC deny the
12 Company's request to implement a one-year surcharge to recover rate case costs and deny the
13 Company's request to implement an Annual Rate Mechanism ("ARM"). Finally, I
14 recommended that the KCC defer issues relating to the Company's requested System
15 Integrity Program ("SIP") Tariff to Docket No. 15-GIMG-343-GIG, *In the Matter of the*
16 *General Investigation Regarding the Acceleration of Replacement of Natural Gas Pipelines*
17 *Constructed of Obsolete Materials Considered to be a Safety Risk* ("343 Docket").

18
19 **II. Purpose of Testimony**

20 **Q. What is the purpose of your Cross Answering Testimony?**

21 A. The purpose of my Cross Answering Testimony is to address the Direct Testimony filed by
22 KCC Staff witness Justin Grady regarding the Company's requested SIP Tariff. It should be

1 noted that while I have limited my Cross Answering Testimony to Mr. Grady’s testimony
2 regarding the SIP Tariff, I do not necessarily agree with all of the other positions taken by
3 Staff witnesses in this proceeding. I continue to recommend that the KCC adopt the revenue
4 requirement recommendations addressed in my Direct Testimony.

5
6 **III. Discussion of the SIP Tariff Issue**

7 **Q. Please provide a brief description of the SIP Tariff proposed by Atmos.**

8 A. As noted in my Direct Testimony, Atmos is proposing to implement a SIP Tariff, which
9 would provide for quarterly rate adjustments to recover incremental spending related to
10 natural gas pipe replacement projects. Under the Company’s proposal, the incremental
11 revenue requirement associated with these projects would be calculated quarterly, and would
12 include a return at the weighted average cost of capital authorized in this case, on the net
13 investment related to the projects that have been completed. The revenue requirement would
14 also include retirement and removal costs related to SIP projects, depreciation expense, and
15 associated taxes including property taxes.

16 Atmos proposes to file a multi-year plan on February 1, 2016 and is seeking KCC
17 review and approval of the plan by May 1, 2016. The Company proposes to make its first
18 quarterly adjustment filing in mid-October 2016, covering the period July 1, 2016 through
19 September 30, 2016, with rates effective November 1, 2016. Subsequent quarterly rate
20 adjustments would be effective on February 1, May 1, and August 1, and November 1 of
21 each year. In addition to the quarterly filings, the Company would make annual filings in

1 December of each year. These annual filings would identify the SIP projects for the
2 upcoming plan year and provide details of projects completed through the preceding
3 September.

4
5 **Q. Please summarize Mr. Grady's recommendation with regard to the Company's**
6 **proposal.**

7 A. Mr. Grady recommends that the KCC adopt a SIP Tariff that reflects certain modifications to
8 the Company's proposal. Specifically, Staff is recommending a semi-annual adjustment
9 instead of a quarterly adjustment mechanism. In addition, Staff's modified SIP Tariff would
10 exclude Ad Valorem taxes, since Atmos already has a mechanism in place to recover these
11 taxes through the Ad Valorem tax surcharge. Staff is also recommending a 120-day period
12 for KCC review of the Company's filings. Finally, Staff proposed that Atmos must agree to
13 a three-year rate increase moratorium in order to implement the SIP Tariff.

14
15 **Q. Do you support the revised SIP Tariff as proposed by Mr. Grady?**

16 A. While I find that Staff's revised SIP Tariff is an improvement over the SIP Tariff proposed
17 by Atmos in this case, I believe it would be premature for the KCC to approve any cost
18 recovery mechanism for infrastructure improvement projects at this time. As noted in my
19 Direct Testimony, the KCC is examining issues relating to accelerated infrastructure
20 replacement, including cost recovery issues, in the 343 Docket. The 343 Docket was initiated
21 so that the KCC and other parties could examine infrastructure replacement issues on a

1 generic basis and would have the opportunity to develop a full record on these complex
2 issues. Since it is likely that any decision made by the KCC in this case would directly
3 impact the other utilities that are participating in the 343 Docket, I recommend that the KCC
4 defer consideration of Atmos' proposal and Staff's revised SIP Tariff proposal to the 343
5 Docket, where they can be considered along with other utility proposals.
6

7 **Q. Would your recommendation change the timelines included in Staff's modified SIP**
8 **Tariff proposal?**

9 A. No, Staff is recommending that Atmos make its initial SIP Tariff filing by July 1, 2016, after
10 the Commission Order in the 343 Docket. Moreover, Mr. Grady recognizes that the outcome
11 of the 343 Docket could impact Atmos' SIP Tariff, when he notes on page 19 of his
12 testimony that "Atmos' first SIP Plan filing could be revised to capture whatever changes the
13 Commission ordered as a result of the 15-343 Docket." I suggest that the Commission avoid
14 premature approval of a SIP Tariff in this case that may not comport with KCC decisions that
15 will be made in the 343 Docket. To avoid creating the perception that the KCC is "pre-
16 deciding" issues in this case that were intended to be decided in a generic proceeding, the
17 Commission should simply defer consideration and resolution of any SIP issues to the 343
18 Docket.
19

20 **Q. Does the condition of the Atmos system necessitate a decision by the KCC in this case?**

1 A. No, it does not. As noted by CURB witness Edward McGee on page 4 of his Direct
2 Testimony, the Company has successfully managed leaks in its system and its leak rate has
3 consistently declined over the past 25 years. Therefore, there is no reason why the KCC
4 cannot take a few additional months to develop a full record in the 343 Docket before
5 approving any cost recovery mechanism for infrastructure replacement projects. The Gas
6 System Reliability Surcharge ("GSRS") will continue to be available to Atmos and the other
7 natural gas utilities as a means of recovering eligible safety-related infrastructure costs that
8 may be incurred during the interim.

9

10 **Q. Do you have any other comments regarding Mr. Grady's modified SIP Tariff?**

11 A. Yes. Mr. Grady notes on page 5 of his testimony that the current GSRS would permit Atmos
12 to make approximately \$7.5 million of annual capital expenditures, while the Company's
13 projected initial cost of an accelerated replacement program is \$17 million. Even if the KCC
14 finds that an accelerated cost recovery mechanism is appropriate, sufficient funding could be
15 made available by increasing the GSRS cap. This would have the benefit of building on an
16 existing program that has already been approved by the Legislature, rather than creating a
17 new cost recovery mechanism. Accordingly, I believe that requesting the Kansas Legislature
18 to increase the GSRS cap should be considered by the KCC prior to the Commission
19 approving yet another cost recovery program for utilities. I understand that the former
20 Consumer Counsel of CURB, as well as its current Acting Consumer Counsel, have both
21 expressed public support for an increase of the GSRS cap to 80 cents per month per year as

1 an alternative to creating another surcharge. Moreover, depending upon the level of the
2 replacement program approved by the KCC, a further increase in the GSRS cap may be
3 warranted. I anticipate that the Commission will evaluate the benefits of making such a
4 legislative proposal to increase the GSRS cap, along with its review of the other proposals
5 presented in the 343 Docket.

6

7 **Q. Does this conclude your testimony?**

8 **A. Yes, it does.**

VERIFICATION

STATE OF CONNECTICUT)
COUNTY OF FAIRFIELD) ss:

Andrea C. Crane, 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 Cross Answering Testimony, and that the statements made herein are true to the best of her knowledge, information and belief.

Andrea C. Crane
Andrea C. Crane

Subscribed and sworn before me this 30th day of December, 2015.

Notary Public Benjamin D. Cotton

BENJAMIN D COTTON
Notary Public-Connecticut
My Commission Expires
June 30, 2017

My Commission Expires: _____

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 5th day of January, 2016, to the following:

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