

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FILING OF SPECIAL INDUSTRIAL CONTRACTS) CASE NO.
BY ATMOS ENERGY CORPORATION) 2017-00035

ORDER

In the final Order in Case No. 2013-00148,¹ the Commission required Atmos Energy Corporation (“Atmos”) to internally conduct and maintain studies, analyses, reports, quantifications, etc., that demonstrate the threat of bypass posed by its special contract customers, and that the special contracts continue to generate sufficient revenue to cover variable costs and contribute to fixed costs. In compliance with the Commission’s Order, Atmos reviewed its special contracts and determined that, while the existing contract rates continued to generate sufficient revenue to cover variable costs and contribute to fixed costs, the current cost of bypassing its system justified higher rates for most of its special contract customers.² In Case No. 2016-00052,³ the Commission approved nine renegotiated special contracts (“Service Agreements”) and conditionally approved an additional Service Agreement subject to Atmos’s filing of a contract amendment. In compliance with the Commission’s Order, Atmos filed an

¹ Case No. 2013-00148, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC Apr. 22, 2014).

² Case No. 2015-00343, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC Nov. 23, 2015), Direct Testimony of Gary L. Smith at 14.

³ Case No. 2016-00052, *The Filing of Seven (7) Special Industrial Contracts by Atmos Energy Corporation* (Ky. PSC Oct. 6, 2016).

amended Service Agreement on October 20, 2016, thus securing final approval for the tenth Service Agreement.

Subsequent to the Commission's final Order in Case No. 2016-00052, on November 9, 2016, and December 29, 2016, Atmos submitted filings in Case No. 2016-00052 requesting approval of two additional Service Agreements, with effective dates based on the dates of Commission approval. The filings were submitted in compliance with the Commission's April 12, 2016 Order in Case No. 2016-00052, which required Atmos to file into the record of that proceeding any additional renegotiated Service Agreements. The Commission having issued its final Order in Case No. 2016-00052 on October 6, 2016, this proceeding was established to investigate the reasonableness of Atmos's additional renegotiated Service Agreements. The record in Case No. 2016-00052 was incorporated into this proceeding, and a procedural schedule providing for two rounds of discovery was established by Commission Order entered March 7, 2017. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), is the only intervenor in this proceeding. Neither Commission Staff nor the Attorney General issued requests for information to Atmos pursuant to the procedural schedule. On March 24, 2017, Atmos filed a request that this case be submitted for decision based on the record.

Because no information was requested from Atmos, and Atmos's March 24, 2017 request has not been contested by the Attorney General, this matter now stands submitted for Commission decision based on the record.

DISCUSSION

Atmos requested confidential treatment of the contract rates and certain other information contained in the two Service Agreements submitted for Commission approval. The Commission notes that, while it cannot divulge the terms of the contracts, Atmos submitted in its various filings and through the process of discovery information demonstrating that each of the contracts and associated rates as proposed: 1) cover the variable costs to serve the customer; 2) make a contribution to the fixed cost of Atmos's system; and 3) are justified by the unique competitive circumstances for each customer. The Commission finds that Atmos has provided substantial evidence to support our determination that physical bypass of its system remains a viable option for each of these special contract customers to varying degrees, and that the special contract rates reflect necessary discounts to prevent loss of revenues and associated costs shifting to Atmos's other customers. The Commission further finds, after reviewing the Service Agreements and supporting cost data, that the Service Agreements are reasonable and should be approved as filed.

IT IS THEREFORE ORDERED that:

1. The Service Agreements filed on November 9, 2016, and December 29, 2016, are approved on and after the date of this Order.
2. Any additional Service Agreements renegotiated pursuant to the special contract reformations discussed in the Direct Testimony of Gary L. Smith in Case No. 2015-00343 shall be filed through the Commission's electronic Tariff Filing System and shall contain information in identical format to that contained in the record of this proceeding which will demonstrate that the contracts and proposed rates: 1) cover the

variable costs to serve the customer; 2) make a contribution to the fixed cost of Atmos's system; and 3) are justified by the unique competitive circumstances for each customer.

By the Commission

ENTERED
APR 12 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2017-00035

*Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

*Kent Chandler
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Atmos Energy Corporation
3275 Highland Pointe Drive
Owensboro, KY 42303

*Mark A Martin
Atmos Energy Corporation
3275 Highland Pointe Drive
Owensboro, KY 42303

*Randy Hutchinson
Wilson, Hutchinson & Littlepage
611 Frederica Street
Owensboro, KENTUCKY 42301

*Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204