

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY)	
CORPORATION FOR APPROVAL OF A)	CASE NO. 2014-00187
SPECIAL CONTRACT PRUSUANT TO)	
ITS ECONOMIC DEVELOPMENT RIDER)	

ORDER

On June 3, 2014, Atmos Energy Corporation (“Atmos”) filed a request for approval of a special contract with Kobe Aluminum Automotive Products, LLC (“Kobe”) pursuant to its Economic Development Rider (“EDR”), which the Commission authorized on August 27, 2012.¹ The Large Volume Natural Gas Service Agreement (“EDR Special Contract”) with Kobe is meant to replace and terminate an existing agreement between Atmos and Kobe.² Atmos has responded to three requests for information issued by Commission Staff. There are no intervenors in this proceeding.

DISCUSSION

This case represents Atmos’s first application filed pursuant to its EDR tariff, which was approved in Case No. 2012-00066. In that case, the Commission found that Atmos’s proposed EDR tariff was consistent with our Order in Administrative Case No. 327 (“Admin. 327”), which identified the essential criteria for EDR tariffs, including

¹ Case No. 2012-00066, *Application of Atmos Energy Corporation for an Order Approving Economic Development Riders* (Ky. PSC Aug. 27, 2012).

² Application, Exhibit A, Item 1. Large Volume Natural Gas Service Agreement No. WKG-1538 (effective Nov. 1, 2004). Response to Commission Staff’s Initial Request for Information, Item 1.c.

reporting requirements.³ Kobe, which is currently being served by Atmos at its facility located at or near Bowling Green, Kentucky, is expanding its existing facility and anticipates that this expansion will require a capital investment of approximately \$66 million and will create approximately 100 jobs.⁴ Atmos maintains that with Kobe's expansion, there will be an increase in natural gas consumption of more than the 4,500 Mcf per year that the EDR tariff requires, based on Kobe's normalized base load of 19,000 Mcf per month.⁵ Kobe's usage is projected to average more than 31,000 Mcf per month by 2016.⁶ Atmos also states that in accordance with its EDR tariff, the EDR Special Contract provides a discount of 25 percent per year on volumes in excess of the normalized base load of 19,000 Mcf per month, with the tariff rate discounted during the first four years of the contract's eight-year term.⁷ In addition, Atmos maintains that it has sufficient system pipeline capacity,⁸ will not need to undertake any construction,⁹ and does not anticipate incurring any fixed costs or any additional annual expense in order

³ Administrative Case No. 327, *An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities* (Ky. PSC Sept. 24, 1990). The Commission found that EDRs would provide important incentives to large commercial and industrial customers to either locate or expand their facilities in Kentucky, bringing jobs and capital investment to the Commonwealth. The Commission also found that utilities should have the flexibility to design EDRs according to the needs of their customers and service areas and to offer them to new and existing customers who require an incentive to locate or expand facilities.

⁴ Application at 1.

⁵ *Id.*

⁶ Response to Commission Staff's Initial Request for Information ("Staff's Initial Request"), Item 2, Attachment 2.

⁷ *Id.*

⁸ Response to Commission Staff's Initial Request, Item 5.

⁹ *Id.*, Item 7.

to accommodate the increased Kobe volumes.¹⁰ Finally, Atmos states that all information required by Item 2 of the Special Terms and Conditions of its EDR tariff are contained in the EDR Special Contract, other than Atmos's current marginal cost-of-service study, which was filed in Atmos's recent rate case, Case No. 2013-00148.¹¹

Based on our review of the Application, including the proposed EDR Special Contract and Atmos's responses to Commission Staff's Requests for Information, and being otherwise sufficiently advised, the Commission finds that the proposed EDR Special Contract between Atmos and Kobe is reasonable under the particular facts presented, meets the requirements of Atmos's EDR tariff, and should be approved, with the exception that Kobe's monthly normalized base load should be established based on the average of Kobe's 12 months' usage immediately preceding the date of the May 15, 2014 EDR Special Contract execution. The EDR Special Contract specifies a normalized base load at 19,000 Mcf per month, based on the calendar year 2013, with all volumes above that level qualifying for the 25 percent rate discount.¹² Based on information provided in response to Item 1 of Staff's Third Request, which includes Kobe's usage for the 12 months ended April 2014, we find that the normalized base load should be increased from 19,000 Mcf per month to 20,200 Mcf per month.

¹⁰ *Id.*, Item 1.

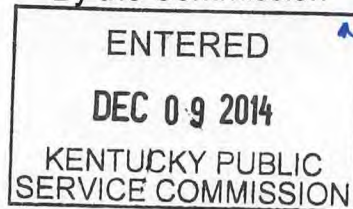
¹¹ Case No. 2013-00148, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC Apr. 22, 2014).

¹² Application, Exhibit A at 2.

IT IS THEREFORE ORDERED that:

1. Atmos's EDR Special Contract with Kobe is approved effective with the date of this Order, with the exception that paragraph 3, the pricing provision, shall be revised to establish a normalized base load of 20,200 Mcf per month.
2. Atmos shall begin filing an annual Economic Development Rate Contract Report beginning March 31, 2016, consistent with Appendix A.
3. Within 20 days of the date of this Order, Atmos shall file with this Commission, using the Commission's electronic Tariff Filing System, its EDR Special Contract as revised in accordance with ordering paragraph 1 herein.

By the Commission



ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00187 DATED **DEC 09 2014**

ECONOMIC DEVELOPMENT RATE CONTRACT REPORT

UTILITY: _____

YEAR: _____

	<u>Current Reporting PERIOD</u>	<u>CUMULATIVE</u>
1) Number of EDR Contracts -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____
2) Number of Jobs Created -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____
3) Amount of Capital Investment -		
Total:	_____	_____
Existing Customers:	_____	_____
New Customers:	_____	_____

4) Consumption -

Current Reporting Period Cumulative

(A) DEMAND

Total:	_____ Mcf	_____ Mcf
Existing Customers:	_____ Mcf	_____ Mcf
New Customers:	_____ Mcf	_____ Mcf

(B) ENERGY/CONSUMPTION

Total:	_____ Mcf	_____ Mcf
Existing Customers:	_____ Mcf	_____ Mcf
New Customers:	_____ Mcf	_____ Mcf

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