COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC. TO IMPLEMENT A HEDGING PROGRAM TO MITIGATE PRICE VOLATILITY IN THE PROCUREMENT OF NATURAL GAS	)))))	CASE NO. 2015-00025

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke"), pursuant to 807 KAR 5:001, Section 8, is to file with the Commission the original in paper medium, two copies, and an electronic version of the following information. The information requested herein is due within ten days of the date of this request. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when

made, is now incorrect in any material respect. For any request to which Duke fails or refuses to furnish all or part of the requested information, Duke shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Duke shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. State whether Duke is aware of the Commission's decisions in Case Nos. 2013-00354[1] and 2013-00421,[2] which deny the requests of Columbia Gas of Kentucky, Inc. and Atmos Energy Corporation, respectively, to continue their gas cost hedging programs.

2. State whether Duke is aware of the letter filed October 16, 2014, by Delta Natural Gas Company, Inc. in Case No. 2012-00025,[3] attached as Appendix A to this request, which informed the Commission of its decision not to file a request to continue

[1] Case No. 2013-00354, *Application of Columbia Gas of Kentucky, Inc. to Extend Its Gas Price Hedging Plan* (Ky. PSC Sept. 17, 2014).

[2] Case No. 2013-00421, *Application of Atmos Energy Corporation for Continuation of Its Hedging Program* (Ky. PSC Sept. 18, 2014).

[3] Case No. 2012-00025, *Application of Delta Natural Gas Company, Inc. to Extend Its Natural Gas Supply Hedging Plan to March 31, 2015* (Ky. PSC May 7, 2012).

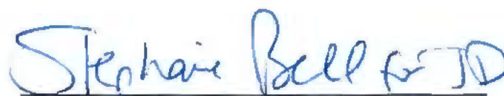
its Gas Supply Hedging Plan beyond March 31, 2015, based on the Commission's decisions in the two cases cited in Item 1 above.

3. If the response to Items 1 and/or 2 is no, state whether Duke will continue to seek extension of its hedging program as proposed in this proceeding. If Duke's intention is to continue to seek approval as proposed, provide the information requested in Item 4 below.

4. If the response to Items 1 and/or 2 is yes, and if Duke believes its program and circumstances are sufficiently distinguishable to support a continuation of its hedging program as proposed:

a. Provide an evaluation of how the proposed hedging program specifically addresses the concerns and findings set out in the Commission's Orders in Case Nos. 2013-00354 and 2013-00421, attached as Appendix B and Appendix C, respectively, to this request.

b. Provide the effect of Duke's hedging program on its gas cost beginning April 1, 2014, through the most recent time period available. The information provided should be in a format similar to that provided in pages 6-10 of Duke's Annual Report on Hedging Activity, filed May 15, 2014, in Case No. 2012-00180.[4]



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED FEB 05 2015

cc: Parties of Record

[4] Case No. 2012-00180, *Application of Duke Energy Kentucky, Inc. to Implement a Hedging Program to Mitigate Price Volatility in the Procurement of Natural Gas* (Ky. PSC Aug. 24, 2012).

APPENDIX A

APPENDIX TO A REQUEST FOR INFORMATION FROM THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00025 DATED FEB 05 2015

DELTA NATURAL GAS COMPANY, INC.

3617 Lexington Road
Winchester, Kentucky 40391-9797

www.deltagas.com

PHONE: 859-744-6171
FAX: 859-744-3623

RECEIVED

OCT 16 2014

PUBLIC SERVICE
COMMISSION

October 13, 2014

Mr. Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: CASE NO. 2012-00025 – Gas Supply Hedging Plan

Dear Mr. Derouen:

This letter is in compliance with the Commission's Order dated May 7, 2012 in Case No. 2012-00025.

Pursuant to Findings Paragraph 3, Delta has not entered into any forward contracts to date and does not plan to enter into any forward contracts for the 12 month period ending March 31, 2015.

The Commission approved a renewal of Delta's natural gas hedging plan through March 31, 2015. According to Findings Paragraph 4, Delta is permitted to file and request to extend the hedging plan beyond March 31, 2015. Delta has considered this paragraph and, in light of recent Commission orders in Case No. 2013-00421 (Atmos) and Case No. 2013-00354 (Columbia) and the discussions in those orders, Delta has decided at this time not to file a request to continue its plan beyond March 31, 2015. If natural gas market conditions change, Delta may file an application requesting a new natural gas supply hedging plan at such time if it is deemed to be in Delta's customers' best interests.

Please acknowledge receipt of this filing by stamping the extra copy of this letter and returning it to Delta in the envelope provided.

Sincerely,

Connie King

Connie King
Manager – Corporate & Employee Services

APPENDIX B

APPENDIX TO A REQUEST FOR INFORMATION FROM THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00025 DATED FEB 05 2015

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. TO EXTEND ITS GAS PRICE HEDGING PLAN	)))	CASE NO. 2013-00354

ORDER

On September 25, 2013, Columbia Gas of Kentucky, Inc. ("Columbia") filed its request for approval to continue its existing gas cost hedging program for three years. Columbia has had a Commission-approved hedging program in place since March 2005. The most recent version of its hedging program was approved in Case No. 2010-00365.[1] There are no intervenors in this proceeding. Columbia has responded to two Commission Staff Requests for Information. On August 7, 2014, the Commission issued an Order giving Columbia seven days to request a hearing, or otherwise to have this matter submitted for decision. Columbia made no such request, and this matter now stands submitted for Commission decision.

BACKGROUND

On September 12, 2000, the Commission issued an order initiating Administrative Case No. 384[2] ("Admin. 384") to investigate increases in wholesale natural gas prices which had recently occurred and the impacts of such increases on

[1] Case No. 2010-00365, *Application of Columbia Gas of Kentucky, Inc. to Extend its Gas Price Hedging Plan* (Ky. PSC Nov. 23, 2010).

[2] Administrative Case No. 384, *An Investigation of Increasing Wholesale Natural Gas Prices and the Impact of Such Increases on the Retail Customers Served by Kentucky Jurisdictional Natural Gas Distribution Companies* (Ky. PSC Sept. 6, 2001).

the retail customers served by Kentucky's jurisdictional natural gas local distribution companies ("LDCs"). In that Order, the Commission identified several specific issues it intended to explore, one of which concerned possible strategies the LDCs could use to mitigate higher natural gas prices. The Commission's January 30, 2001 Order in Admin. 384 referenced the LDCs' indication that, although hedging strategies would not necessarily be a means of reducing prices, they could be used as a means of reducing the volatility in prices. The Commission stated in that Order that the use of storage facilities, performance-based ratemaking, hedging strategies, and budget payment plans were the most prominent approaches identified as ways of mitigating the impact of higher prices on retail customers. The Commission found that the LDCs should be encouraged to pursue these options in order to ensure that all reasonable efforts were being made to provide natural gas service in a cost-effective, efficient manner. It also required each LDC to file a detailed report describing, among other things, the results of an investigation of financial hedging practices that the Commission directed each of the LDCs to perform. The Commission's July 17, 2001 Order in Admin. 384 found that LDCs should consider limited hedging programs as one means of attaining the objectives of obtaining low-cost gas supplies, minimizing price volatility, and maintaining reliability of supply.

DISCUSSION

As mentioned previously, Columbia has had a Commission-approved hedging program in place since 2005. Columbia proposes to continue its hedging activities with no modifications to its currently approved program for three years through March 31, 2018. Columbia's gas cost hedging program is described in its application and the

results are detailed in its initial (filed within 30 days of the November 1 start of the heating season) and final (filed annually on June 1) hedging reports, the most recent initial report having been filed November 26, 2013, and the most recent final report having been filed on June 2, 2014. During the course of the Commission's review of Columbia's pending request for extension of its hedging program, it considered information filed not only in the record of not only this case and previous Columbia hedging program cases, but also in the records of Admin. 384 and of Columbia's Gas Cost Adjustment ("GCA") cases which reflect Columbia's gas cost rates over the nine years that Columbia has employed its hedging program. The Commission notes that Columbia's hedging program is not designed to produce the lowest purchased gas cost, but to reduce the impact that potentially dramatic winter price spikes can have on the GCA price and to promote a level of price certainty and stability for Columbia's winter season gas supply. This has also been the Commission's primary stated objective, both in Admin. 384 and in past hedging plan cases involving Columbia and other Kentucky LDCs.

In support of its request for Commission approval to extend its hedging program for an additional three years, Columbia states in its application that the hedging program provides it with the ability to provide a more diversified portfolio approach to the pricing of its gas purchases. According to Columbia, the hedging program has been implemented without problem and has worked according to expectations by replacing winter purchases at market-based prices with hedged prices triggered during the prior 24-month period.

Based on the evidence of record of this and previous Columbia hedging program cases and that of Admin. 384 and Columbia's GCA cases, and being otherwise sufficiently advised, the Commission finds that Columbia's hedging program should not be extended. The Commission finds that current conditions and the outlook for future natural gas supplies and price are sufficiently different in 2014 from what they were in 2001 to allay our concern regarding the potential adverse impact of price volatility and extreme winter spikes on customer bills. We therefore conclude that it is no longer reasonable to impose the cost attendant to hedging, to the extent there is net cost rather than net savings, to be passed along to Columbia's customers as part of their gas cost. The Commission takes note that Columbia's hedging activities resulted in gas cost savings to its customers in 2005. Otherwise, since it was first implemented, Columbia's hedging program has caused an increase in gas costs that has been passed through to its customers. While this result is not contrary to the goal of decreased volatility in the form of a mitigation of price spikes, a review of Columbia's GCA rates beginning with the winter of 2008-2009 does not support the need for continued pursuit of that goal through the use of hedging.

Following the winter of 2008-2009, during which time it began the heating season in November 2008 at $14.23 per thousand cubic feet ("Mcf"), Columbia's GCA rate steadily decreased to approximately $3.61 per Mcf in September 2009 and October 2009. Columbia's GCA rate then experienced price spikes at relatively low levels and volatility in a comparatively narrow range between $3.69 per Mcf at the lowest and $7.00 per Mcf at the highest between November 2009 and September 2014. Since the winter of 2010-2011, when the $7.00 per Mcf GCA rate occurred, the highest GCA rate

has been $6.67 per Mcf in September 2013. The volatility and price levels exhibited by Columbia's GCA rates from 2009 to the present are relatively low in contrast to those of 2005 through 2008, which saw GCA rates from $6.32 per Mcf at the lowest to a high of $14.64 per Mcf following Hurricane Katrina. While there is no guarantee that comparable prices and volatility will not recur, current projections from the United States Energy Information Administration's ("EIA") 2014 Annual Energy Outlook indicate prices not to exceed $8.00 per Mcf through 2040 using the reference case and not to exceed $8.15 per Mcf using the High Growth scenario. More importantly with regard to volatility, the trend in price increases is projected to be gradual and steady in the long run.

As mentioned previously, the Commission's January 30, 2001 Order in Admin. 384 noted that the use of storage facilities, performance-based ratemaking, hedging strategies, and budget payment plans were the most prominent approaches identified as ways of mitigating the impact of higher prices on retail customers. In the case of Columbia with regard to these approaches, it meets approximately two-thirds of its winter heating requirements from gas withdrawn from interstate pipeline storage;[3] has a performance-based ratemaking mechanism, the Gas Cost Incentive Mechanism, approved by the Commission; and has a budget payment plan available to its customers. Furthermore, Columbia is unique among Kentucky LDCs in offering a Small Volume Gas Transportation Service, or Customer Choice Program, which allows customers to fix their gas cost with a participating marketer for some period of time if they so choose. For customers that choose to remain with Columbia for their natural

[3] Response to Item 1 of Commission Staff's Second Request for Information, Attachment A, filed Jan. 2, 2014.

gas supply, gas cost is passed through to them via the quarterly GCA mechanism, which naturally smooths potential volatility that would otherwise be introduced to their bills by following the changes in market prices as they occur.

In addition to the factors discussed above that tend to moderate gas cost as it is passed on to Columbia's customers, current trends in customers' natural gas usage and changes in LDC rate design also tend to mitigate the impact of gas cost on customer bills. EIA's 2014 Annual Energy Outlook indicates a gradual decline through 2040 in residential customers' future use of natural gas for space heating. Columbia also projected decreasing residential usage in its most recent rate case, Case No. 2013-00167,[4] in which it noted that its ten-year trend of customer usage showed an average decline in annual residential natural gas use of approximately 1.9 percent per year. The documented historical trend of declining sales and projections for the trend to continue into the future have been two reasons the Commission has approved increasingly higher monthly customer charges for gas utilities. This is important to note when considering the future volatility and extreme levels of gas cost as they are translated into monthly bills for Columbia's customers. Since 2001, when the Final Order in Admin. 384 was issued, Columbia's rate design has changed from a minimum bill format to one containing a residential customer charge, which has risen from $9.30 when a customer charge was first implemented in 2007, to $15.00 per customer per month. The collection of more of Columbia's revenue requirement through the fixed monthly customer charge, as customers are using fewer volumes to which the GCA rate will be applied, provides a stabilizing impact on bills in and of itself.

[4] Case No. 2013-00167, *Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates for Gas Service* (Ky. PSC Dec. 13, 2013).

While the Commission finds that any future benefit to customers in terms of reduced volatility and minimization of extreme price spikes does not appear to be sizable enough to justify extension of the hedging program, we also find that Columbia has made every reasonable effort to comply with the express direction contained in the Commission's Orders in Admin. 384. The Commission commends Columbia for those efforts. The Commission further finds that Columbia should file a revised GCA tariff to eliminate the reference to a hedging plan.

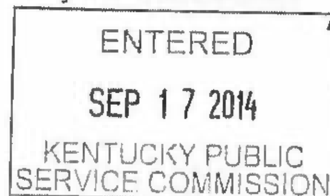
IT IS THEREFORE ORDERED that:

1. Columbia's request to extend its hedging program is denied, and it shall cease hedging activities as of the date of this Order.

2. Columbia shall reflect in its GCA applications the remainder of any net cost and benefits of its approved hedging activities through the date of this Order.

3. Within 20 days of the date of this Order, Columbia shall file with this Commission, using the Commission's electronic Tariff Filing System, revised GCA tariff sheets reflecting the elimination of a hedging plan.

By the Commission



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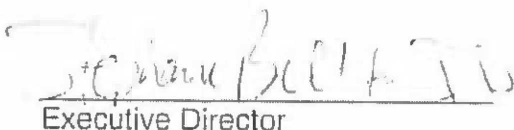


Executive Director

APPENDIX C

APPENDIX TO A REQUEST FOR INFORMATION FROM THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00025 DATED FEB 05 2015

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY CORPORATION FOR CONTINUATION OF ITS HEDGING PROGRAM	)))	CASE NO. 2013-00421

ORDER

On December 2, 2013, Atmos Energy Corporation ("Atmos") filed its request for approval to continue its existing gas cost hedging program for five years, through March 31, 2019. Atmos has had a Commission-approved hedging program in place since June 2001. The most recent version of its hedging program was approved in Case No. 2012-00440.[1] In that case, Atmos requested a five-year extension of its hedging program through March 31, 2018. The Commission approved an extension of only one year, instructing Atmos to file no later than November 30, 2013, if it desired to extend its gas cost hedging program past March 31, 2014. On December 2, 2013, Atmos filed its application in this proceeding requesting continued approval of its gas cost hedging program, with no change in the features of its program, through March 31, 2019. Atmos filed with its application certain information required by the Commission in its final Order in Case No. 2012-00440.

On March 10, 2014, the Commission issued an Order in this proceeding approving the continuation of Atmos's hedging program pending the issuance of a final Commission Order. There are no intervenors in this proceeding. Atmos has responded

[1] Case No. 2012-00440, *Application of Atmos Energy Corporation for Continuation of its Hedging Program* (Ky. PSC Mar. 28, 2013).

to one Commission Staff Request for Information. On August 7, 2014, the Commission issued an Order giving Atmos seven days to request a hearing, or otherwise to have this matter submitted for decision. Atmos made no such request, and this matter now stands submitted for Commission decision.

BACKGROUND

On September 12, 2000, the Commission issued an Order initiating Administrative Case No. 384[2] ("Admin. 384") to investigate increases in wholesale natural gas prices which had recently occurred and the impacts of such increases on the retail customers served by Kentucky's jurisdictional natural gas local distribution companies ("LDCs"). In that Order, the Commission identified several specific issues it intended to explore, one of which concerned possible strategies the LDCs could use to mitigate higher natural gas prices. The Commission's January 30, 2001 Order in Admin. 384 referenced the LDCs' indication that, although hedging strategies would not necessarily be a means of reducing prices, they could be used as a means of reducing the volatility in prices. The Commission stated in that Order that the use of storage facilities, performance-based ratemaking, hedging strategies, and budget payment plans were the most prominent approaches identified as ways of mitigating the impact of higher prices on retail customers. The Commission found that the LDCs should be encouraged to pursue these options in order to ensure that all reasonable efforts were being made to provide natural gas service in a cost-effective, efficient manner. It also required each LDC to file a detailed report describing, among other things, the results of

[2] Administrative Case No. 384, *An Investigation of Increasing Wholesale Natural Gas Prices and the Impact of Such Increases on the Retail Customers Served by Kentucky Jurisdictional Natural Gas Distribution Companies* (Ky. PSC Sept. 6, 2001).

an investigation of financial hedging practices that the Commission directed each of the LDCs to perform. The Commission's July 17, 2001 Order in Admin. 384 found that LDCs should consider limited hedging programs as one means of attaining the objectives of obtaining low-cost gas supplies, minimizing price volatility, and maintaining reliability of supply.

DISCUSSION

As mentioned previously, Atmos has had a Commission-approved hedging program in place since 2001. Atmos proposes to continue its hedging activities with no modifications to its currently approved program for five years through March 31, 2019. Atmos's gas cost hedging program is described in its interim (filed within 30 days of the November 1 start of the heating season) and final (filed within 30 days of the end of the heating season on March 31) hedging reports, the most recent interim report having been filed with Atmos's December 2, 2013 application and the most recent amended final report having been filed on July 16, 2014. During the course of the Commission's review of Atmos's pending request for extension of its hedging program, it considered information filed in the record not only of this case and previous Atmos hedging program cases, but also in the records of Admin. 384 and of Atmos's Gas Cost Adjustment ("GCA") cases which reflect Atmos's gas cost rates over the 13 years that Atmos has employed its hedging program. The Commission notes that Atmos's hedging program is not designed to produce the lowest purchased gas cost, but to help stabilize gas costs for customers. This has also been the Commission's primary stated objective, both in Admin. 384 and in past hedging plan cases involving Atmos and other Kentucky LDCs.

Atmos's substantial company-owned gas storage capacity, along with its hedging program, can provide for a majority of its winter gas needs at costs that are not subject to the market pressures that often exist during the winter heating season. In support of its request for Commission approval to extend its hedging program for an additional five years, Atmos provides a discussion of potential changes to the supply and demand for natural gas that could impact gas prices in the future. In response to a Commission Staff request for information, Atmos discussed the colder-than-normal weather and attendant price increases during the winter of 2013-2014, which it said proved that volatility is still occurring in the natural gas market. Because of this, according to Atmos, it is still convinced that that a disciplined hedging strategy is essential risk management for its Kentucky ratepayers with regard to natural gas price volatility.[3]

Based on the evidence of record of this and previous Atmos hedging program cases and that of Admin. 384 and Atmos's GCA cases, and being otherwise sufficiently advised, the Commission finds that Atmos's hedging program should not be extended. In approving only a one-year extension of the program in Case No. 2012-00440, the Commission's expressed concern was that continued low and stable gas prices could obviate the need for financial hedging, and that is the conclusion we have now reached. The Commission finds that current conditions and the outlook for future natural gas supplies and prices are sufficiently different in 2014 from what they were in 2001 to allay our concern regarding the potential adverse impact of price volatility on customer bills. We therefore conclude that it is no longer reasonable to impose the cost attendant to

[3] Response to Item 1 of Initial Request for Information of Commission Staff, filed Jan. 31, 2014.

hedging, to the extent there is net cost rather than net savings, to be passed along to Atmos's customers as part of their gas cost. The Commission takes note that Atmos's hedging activities resulted in gas cost savings to its customers from 2002 through 2005 and during the most recent winter. Otherwise, since it was first implemented, Atmos's hedging program has caused an increase in gas costs that has been passed through to its customers. While this result is not contrary to the goal of decreased volatility, a review of Atmos's GCA rates beginning with the winter of 2008-2009 does not support the need for continued pursuit of that goal through the use of hedging.

Following the winter of 2008-2009, during which time it was approximately $11.00 per thousand cubic feet ("Mcf"), Atmos's GCA rate steadily decreased to approximately $5.00 per Mcf in August through October 2009. Atmos's GCA rate then exhibited volatility in a relatively narrow range between $6.49 per Mcf at the highest and $4.11 per Mcf at the lowest between November 2009 and April 2014. The highest GCA rate since the winter of 2008-2009 was $7.05 per Mcf during the GCA quarter May through July 2014. The volatility and price levels exhibited by Atmos's GCA rates from 2009 to the present are relatively low in contrast to those of 2004 through 2008, which saw GCA rates from $8.22 per Mcf at the lowest to a high of $15.67 per Mcf following Hurricane Katrina. While there is no guarantee that comparable prices and volatility will not recur, current projections from the United States Energy Information Administration's ("EIA") 2014 Annual Energy Outlook indicate prices not to exceed $8.00 per Mcf through 2040 using the reference case and not to exceed $8.15 per Mcf using the High Growth scenario. More importantly with regard to volatility, the trend in price increases is projected by EIA to be gradual and steady in the long run.

As mentioned previously, the Commission's January 30, 2001 Order in Admin. 384 noted that the use of storage facilities, performance-based ratemaking, hedging strategies, and budget payment plans were the most prominent approaches identified as ways of mitigating the impact of higher prices on retail customers. In the case of Atmos with regard to these approaches, it meets approximately one-third of its winter heating requirements from company-owned storage; has a performance-based ratemaking mechanism approved by the Commission; and has a budget payment plan available to its customers. Furthermore, its gas cost is passed through to its customers via a quarterly GCA mechanism, which naturally smooths potential volatility that would otherwise be introduced to customer bills by following the changes in market prices as they occur.

In addition to the factors discussed above that tend to moderate gas cost as it is passed on to Atmos's customers, current trends in customers' natural gas usage and changes in LDC rate design since 2001 also tend to mitigate the impact of gas cost on customer bills. EIA's 2014 Annual Energy Outlook indicates a gradual decline through 2040 in residential customers' use of natural gas for space heating. Atmos also projected decreasing residential usage in its most recent rate case, Case No. 2013-00148,[4] in which it noted that its ten-year trend of customer usage showed an average decline in use of approximately 0.9 Mcf per year per residential customer for the period ending in 2012. The documented historical trend of declining sales and projections for the trend to continue into the future have been two reasons the Commission has approved increasingly higher monthly customer charges for gas utilities. This is

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

important to note when considering the future volatility of gas cost as it is translated into monthly bills for Atmos's customers. Since 2001 when the Final Order in Admin. 384 was issued, Atmos's residential customer charge has risen from $7.50 to $16.00 per customer per month. The collection of more of Atmos's revenue requirement through the fixed monthly customer charge, as customers are using fewer volumes to which the GCA rate will be applied, provides a stabilizing impact on bills in and of itself.

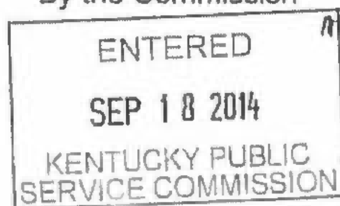
While the Commission finds that any future benefit to customers in terms of reduced volatility does not appear to be sizable enough to justify extension of the hedging program, we also find that Atmos has made every reasonable effort to comply with the express direction contained in the Commission's Orders in Admin. 384. The Commission commends Atmos for those efforts.

IT IS THEREFORE ORDERED that:

1. Atmos's request to extend its hedging program is denied, and it shall cease hedging activities as of the date following the date of this Order.

2. Atmos shall reflect in its GCA applications the net cost and benefits of its approved hedging activities associated with its natural gas procurement and supply performed through the date of this Order for the winters of 2014-2015 and 2015-2016.

By the Commission



ATTEST:

Executive Director

*Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201

*Adele Frisch
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201

*Kristen Ryan
Senior Paralegal
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201