

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
ATMOS ENERGY CORPORATION)	CASE NO.
FOR PRP RIDER RATES)	2017-00308

ORDER

On July 28, 2017, Atmos Energy Corporation (“Atmos”) filed with this Commission its annual application to establish Pipe Replacement Program (“PRP”) Rider rates for the 12-month period beginning October 1, 2017. On September 8, 2017, the Attorney General (“AG”), by and through his Office of Rate Intervention, was granted intervention in this matter. Atmos responded to two requests for information from Commission Staff and the AG, and an informal conference (“IC”) was held September 22, 2017. Neither Atmos nor the AG requested a hearing be held in this matter. The case now stands submitted for decision.

Atmos’s PRP revenue requirement for the 12-month period beginning October 1, 2017 is \$10,619,394. The PRP Rider rates reflect Atmos’s current PRP revenue requirement, as well as its balancing adjustment of \$88,354 to collect under-recovered amounts from the 12-month period October 1, 2015, through September 30, 2016.

Atmos included in its 2017 PRP projects the replacement of the Lake City Line, which it first described in response to the AG’s Data Requests (“AG’s First Request”). Atmos characterized the Lake City Line project as a pipe replacement that did not meet the initial PRP criteria of bare steel replacement, and referenced the Commission’s

approval of the Shelbyville Line project as basis for its inclusion for 2017 PRP recovery.¹ In Atmos's response to the Commission's IC memo, it stated that "[t]he Company will proactively communicate to Staff any projects that are included in future PRP filings which are projects that fall outside of the scope of projects as outlined in the Company's testimony in Case No. 2009-00354 and the reason(s) for the project(s) inclusion in the PRP program." The Commission notes that in Case No. 2009-00354, Atmos proposed to include "bare steel (whether or not cathodically protected), cathodically unprotected coated steel, and ineffectively coated steel (whether or not cathodically protected)" to be replaced under the PRP program.² The Commission finds that, based on the record developed through the process of discovery, the replacement of the Lake City Line was necessary to provide safe and reliable service and that it is appropriate for inclusion for PRP cost recovery. In Atmos's future PRP applications, it should provide a listing of any replacement projects that do not coincide with the types of pipeline listed above, and provide the reason or reasons why the project should be eligible for replacement under the PRP program.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that the information contained in Atmos's application, along with its responses to Commission Staff's and the AG's requests for information, is in sufficient detail to support the reasonableness of Atmos's proposed PRP Rider rates. However, the Commission finds that when Atmos's PRP Rider was approved in 2010, the 15-year program included the replacement of 250 miles of bare steel pipe and

¹ AG's First Request, Response to Item 1.c.

² Case No. 2009-00354, *Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC May 28, 2010), Direct Testimony of Earnest B. Napier, P.E. at 13.

services at a cost estimated to be \$124 million.³ Atmos subsequently discovered that there was an additional 100 miles of bare steel pipe to be replaced, and then added the replacement of the Shelbyville Line at a cost of \$21.7 million and the Lake City Line at a cost of \$5.7 million, both due to safety and reliability concerns.⁴ Atmos now estimates the cost of the pipeline replacement program to be \$438 million for 350 miles of bare steel pipes and services and the two additional projects. Thus, the cost per mile for replacing the bare steel pipe and services has more than doubled, from just under \$500,000 per mile to just over \$1.17 million per mile. This significant increase in cost warrants a more detailed review of Atmos's PRP, which the Commission will conduct in its currently pending rate case.⁵

IT IS HEREBY ORDERED that:

1. The PRP rates in the Appendix to this Order are approved for service rendered by Atmos on and after the date of this Order.

2. In Atmos's future PRP applications, it shall provide a listing of any replacement projects that are not bare steel (whether or not cathodically protected), cathodically unprotected coated steel, and ineffectively coated steel (whether or not cathodically protected), and provide the reason or reasons why the project should be eligible for replacement under the PRP.

3. Within 20 days of the date of this Order, Atmos shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff

³ Atmos Response to AG's First Data Request, Item 1.

⁴ *Id.*

⁵ Case No. 2017-00349, Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications.

sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED
OCT 27 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00308 DATED **OCT 27 2017**

The following rates and charges are prescribed for the customers in the area served by Atmos Energy Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Pipe Replacement Program Rider Rates

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>
Rate G-1 (Residential)	\$ 3.29		\$0.00
Rate G-1 (Non-Residential)	\$ 11.04		\$0.00
Rate G-2	\$46.98	1–15,000 Mcf	\$0.0826
		Over 15,000 Mcf	\$0.0622
Rate T-3	\$45.75	1–15,000 Mcf	\$0.1083
		Over 15,000 Mcf	\$0.0816
Rate T-4	\$46.91	1–300 Mcf	\$0.2046
		301–15,000 Mcf	\$0.1267
		Over 15,000 Mcf	\$0.0987

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