

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS)	CASE NO.
ADJUSTMENT FILING OF ATMOS ENERGY)	2022-00033
CORPORATION)	

ORDER

On January 28, 2022, Atmos Energy Corporation (Atmos) filed an interim Gas Cost Adjustment (GCA) to be effective for the period of March 1, 2022, thru April 30, 2022. Atmos stated that due to the recent unexpected increases in the commodity cost of gas, the GCA rates submitted in the previous GCA will not be sufficient to adequately recover gas costs.¹ Atmos's previous GCA rate was approved on January 28, 2022 in Case No. 2021-00453.²

The Commission's standard of review for GCA rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are just and reasonable and the Commission may reduce the purchased gas component of the utility's rates or the

¹ See Cover Letter (filed Jan. 28, 2022).

² Case No. 2021-00453, *Electronic Purchased Gas Adjustment Filing of Atmos Energy Corporation* (Ky. PSC Jan. 28, 2022).

rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.³

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that Atmos has not met its burden to prove the requested interim increase in the GCA rate is just or reasonable. Additionally, Atmos should provide updated information concerning their gas procurement activities, cost mitigation measures, security of supply, and their efforts to ensure they are passing along just and reasonable gas cost to their customers. Atmos shall file responses to the requests for information set forth in the Appendix to this Order when it files its next GCA rate report on or about April 1, 2022, for rates effective for the May 2022 billing cycle.

The GCA rates in Case No. 2021-00453⁴ are still approved for final meter readings by Atmos on and after February 1, 2022. Should Atmos experience an under or over collection of gas cost related to the recent unexpected increases in the commodity cost of gas, it will be addressed in the Correction Factor calculation for the GCA rate report filing for rates effective August 1, 2022.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Atmos are denied.
2. The GCA rates approved by the Commission in Case No. 2021-00453⁵ are effective for final meter readings by Atmos on and after February 1, 2022.

³ KRS 278.274(2); KRS 278.274(3)(c), and KRS 278.274(3)(d).

⁴ Case No. 2021-00453, *Electronic Purchased Gas Adjustment Filing of Atmos Energy Corporation* (Ky. PSC Jan. 28, 2022).

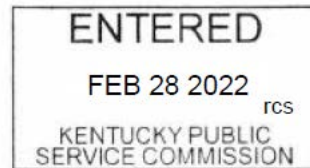
⁵ *Id.*

3. Atmos shall file responses to the Commission Staff's Requests for Information, attached to this Order as an Appendix along with its GCA rate report for rates effective with the May 2022 billing cycle.

4. This case is closed and removed from the Commission's docket.

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By the Commission



ATTEST:


Executive Director

Case No. 2022-00033

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00033 DATED FEB 28 2022

COMMISSION STAFF'S REQUEST FOR INFORMATION TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation (Atmos), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due with Atmos's GCA rate report for rates effective with the May 2022 billing cycle. The Commission directs Atmos to the Commission's July 22, 2021 Order in Case No. 2020-00085⁶ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made, and 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 the 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.

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

⁶ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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

Careful attention shall 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, Atmos shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide copies of all interstate pipeline transportation and storage contracts and tariffs utilized during the most recent year. Provide a comparison of the terms of these transportation arrangements with those that were utilized during the five previous calendar years. Explain all efforts to ensure that interstate pipeline transportation costs were and are as low as possible.

2. Provide copies of all current contracts for commodity supply. Provide a comparison of the terms of these commodity supply arrangements with those that were utilized during the five previous calendar years. Explain all efforts to ensure that commodity gas supply costs were and are the lowest possible cost, and consistent with security of supply.

3. Provide gas supply and capacity contract summaries showing significant contract terms, daily/monthly/annual entitlements, and pricing. Identify any capacity

changes (renegotiated and expired agreements, de-contracting, assignment, or long-term release) that took place during the most recent year.

4. Provide Atmos's storage arrangements; state the maximum daily injection and withdrawal rates; and the decline in deliverability that occurs as gas is withdrawn.

5. Provide the capacity of any peaking arrangements.

6. Provide a copy of any written procedures in use by Atmos for nominations and dispatching.

7. If Atmos has utilized gas marketing/trading organizations to obtain gas supplies over the last five years, indicate which organizations were so employed, gas volumes purchased, prices, terms, and current contractual arrangements between Atmos and these marketing firms.

8. Provide a summary of the bidding/Request for Proposal process for gas supply for the last five years, providing the original bid documents, a listing of the suppliers that were contacted, the responses to the request for bid, the evaluation process that led to the selection of a supplier, and any written procedures that exist for this activity.

9. Provide a copy of Atmos's most recent gas supply plan and a written description of its gas supply planning process.

10. Provide a narrative description of any supply-planning computer models currently being used by Atmos, or being considered for future use.

11. Provide copies of reports or internal audits or reviews of any aspect of the supply function conducted within the last five years. Include reports prepared by Atmos and outside auditors.

12. Provide a copy of Atmos's strategic plan with primary emphasis on gas procurement, transmission, delivery, expansion and inclusive of any significantly related capital expenditures.

13. Explain if Atmos currently has entered into any financial hedges for its customers in Kentucky. If not, state when Atmos last used hedging practices for its Kentucky customers.

14. Explain if Atmos utilizes storage as a natural hedge.

15. Explain if Atmos employs a formal hedging plan.

16. Refer to Atmos' interim GCA rate report for rates effective March 1, 2022. Also, refer to Atmos' GCA rate report in Case No. 2021-00453⁷ for rates effective February 1, 2022.

a. Explain what changes to the commodity cost of gas occurred between the GCA rate cases and why Atmos was not able to capture those changes in the Case No. 2021-00453⁸ GCA rate report filing.

b. Provide an explanation for the cost mitigation measures Atmos has in place to mitigate any unexpected increases to the cost of natural gas.

17. Refer to Atmos' interim GCA rate report, Exhibit C, page 2 of 2.

a. For each rate listed under March and April 2022 provide an explanation for how each rate was determined

⁷ Case No. 2021-00453, *Electronic Purchased Gas Adjustment Filing of Atmos Energy Corporation* (Ky. PSC Jan. 28, 2022).

⁸ *Id.*

b. Also refer to Atmos' GCA rate report in Case No. 2021-00453⁹ for rates effective February 1, 2022, Exhibit C, page 2 of 2. For each rate listed under March and April 2022, explain what caused the rate to change between the GCA rate filings.

⁹ *Id.*

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