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PUBLIC SERVICE COMMISSION

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OVERNIGHT DELIVERY

September 12, 2014

Jeff R. Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, Kentucky 40602

RE: Case No. 2014-00187- Atmos Energy Corporation Response to Staff's Third Data Request

Dear Mr. Derouen:

Atmos Energy Corporation (Company) submits an original and ten (10) copies of the Company's responses to Commission Staff's Third Request for Information, in the above referenced case.

On a personal note, I appreciate the additional ten (10) days we were given by the Commission for filing these responses.

Very truly yours,

Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY		
CORPORATION FOR APPROVAL OF	)	
A SPECIAL CONTRACT PURSUANT	)	Case No. 2014-00187
TO ITS ECONOMIC DEVELOPMENT	)	
RIDER		

AFFIDAVIT

The Affiant, Daniel P. Bertotti, being duly sworn, deposes and states that the attached responses to the Kentucky Public Service Commission Staff's third request for information are true and correct to the best of his knowledge and belief.

Daniel P Bertotti

Daniel P. Bertotti

STATE OF Tennessee

COUNTY OF Williamson

SUBSCRIBED AND SWORN to before me by Daniel P. Bertotti on this the 3rd day of September, 2014.

Pamela Pleasant

Notary Public

My Commission Expires: May 3, 2016

PAMELA PLEASANT STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY, TENN.

REQUEST:

Refer to the response to Item 2 of Commission Staff's Second Request for Information ("Staff's Second Request").

a. The response states that links to a few Kobe Aluminum Automotive Products, LLC ("Kobe") announcements are provided; however no links were included in the information provided. Provide Kobe's announcements and press releases regarding the expansion.

b. Attachment 1 to the response includes a May 7, 2013 message from Frank Sadler indicating a cost of $111,429 to relocate a "4" steel main and a large part" of Kobe's service line. State whether this main and service line relocation and the associated cost are due to the expansion that is the subject of this application. If so, explain Atmos's response to Item 1.a. of Commission Staff's First Request for Information ("Staff's First Request") indicating that it does not anticipate incurring any fixed costs with regard to the provision of additional volumes to Kobe.

c. Attachment 2 to the response includes a March 6, 2014 message from Gregory Head at the bottom of the first page of the attachment. The message indicates that a 25 percent increase in gas usage was expected in April 2014 as a result of a new meter and service line provided by Atmos in July of 2013.

(1) State whether the July 2013 meter set and service line referenced in this message is the same, service line and new meter set discussed in Frank Sandler's May 7, 2013 message that is referenced in part b. of this request.

(2) In Attachment 1 to the response to Item 2 of Staff's First Request, the 242,404 Mcf volumes shown for the 12 months ended May of 2014 are 27,000 (12.4 percent) Mcf greater than the volumes for the 12 months ended May of 2013. State whether the anticipated 25 percent increase in gas usage referenced in Mr. Head's March 6, 2014 message is reflected in the volumes for the 12 months ended May 2014. Include in the response a schedule of Kobe usage by month for the three years portrayed in Attachment 1 to the response to Item 2 of Staffs First Request.

(3) Provide Kobe's monthly usage for June, July, and August of 2014.

(4) If the 25 percent increase in gas usage occurred in April 2014 as contemplated in Mr. Head's message, provide Kobe's expected annualized usage resulting from the July 2013 meter set and service line provided by Atmos.

(5) Clarify whether the July 2013 meter set and service line referenced in the message occurred as a result of the expansion that is the subject of this application or as a result of a previous expansion.

(6) The message from Mr. Head also includes a sentence that refers to adding two billet furnaces and concludes with the phrase ". . . and should see a 25%-30% increase in usage." Clarify whether this increase in usage is attributable to the expansion referenced in the question to which Mr. Head was responding (the one for which Atmos set a new service line and meter in July of 2013).

RESPONSE:

a) Links provided below:

http://www.kobelco.co.jp/english/releases/2013/1188340_13522.html

http://www.manufacturing.net/news/2013/05/kobe-aluminum-to-expand-in-bowling-green-ky-create-100-jobs

b) When initially discussing expansion, Kobe believed that part of their expansion would result in a relocation of the road in which the 4" Steel Main and part of Kobe's service line were located. As a result, Atmos Energy planned for the potential relocation of the 4" Steel Main and service line should the road be relocated, and this estimate was the $111,429 referenced in Mr. Sadler's email. Kobe's finalized expansion plans do not necessitate a relocation of the road, and therefore the relocation of the 4" Steel Main was not necessary. The service line connected to Kobe was relocated as a result of the expansion, but this relocation was done entirely at Kobe's expense.

c)

(1) Yes. The meter set and service line were only moved once for Kobe.

(2) Atmos Energy does not know if the anticipated 25% increase is reflected in the volumes for the 12 months ended May 2014. Kobe Aluminum had a previous expansion February 2013 that may have attributed to the 12% increase. For volumes attributable to either expansion, Atmos Energy would require more information from Kobe Aluminum. A schedule of Kobe usage by month for the three years portrayed in Attachment 1 to the Company's response of Item 2 of Staff's First Request is attached as Attachment 1 to this response.

(3) Please see Attachment 2.

(4) The July 2013 meter set and service line had to be relocated so that the facility could be expanded for the expected increase in gas usage. For expected annualized usage resulting from the July 2013 meter set and service line please see the attachment provided by Atmos Energy as Attachment 2 to the response of Item 2 of Staff's First Request.

(5) The July 2013 meter set and service line occurred as a result of the current expansion.

(6) The increase in usage in Forging is attributable to the expansion.

<u>ATTACHMENTS:</u>

ATTACHMENT 1 - Atmos Energy Corporation, Staff_3-01_Att1 - Kobe Monthly Volumes.xlsx, 2 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_3-01_Att2 - Kobe Monthly Volumes.xls, 1 Page.

Witness: Danny Bertotti

Atmos Energy Corporation
Kobe Monthly Volumes

T-4 Firm	2011									2012											
STATIONNAME	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
KOBE ALUMINUM	12030	13486	13651	11000	16133	14453	17674	17359	15519	18449	18120	18641	18512	18607	17335	14423	18135	18779	19824	19008	17154

Atmos Energy Corpo
Kobe Monthly Volun

T-4 Firm	2013												2014							
STATIONNAME	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8
KOBE ALUMINUM	18086	17145	19392	19464	19698	18738	16384	20110	19926	20584	19583	18419	22005	21346	22853	22758	23865	23143	25599	29245

CASE NC 4-00187
ATTACHMENT 2
TO STAFF DR NO. 3-01

Atmos Energy Corporation
Kobe Monthly Volumes

Business Partner		Fiscal year/period	Accting Mo.	Production Mo.	Vol@MCF
1001071053	KOBE ALUMINIUM	Period 08 2013	May-13	Apr-13	19,464
		Period 09 2013	Jun-13	May-13	19,698
		Period 10 2013	Jul-13	Jun-13	18,738
		Period 11 2013	Aug-13	Jul-13	16,384
		Period 12 2013	Sep-13	Aug-13	20,110
		Period 01 2014	Oct-13	Sep-13	19,926
		Period 02 2014	Nov-13	Oct-13	20,584
		Period 03 2014	Dec-13	Nov-13	19,583
		Period 04 2014	Jan-14	Dec-13	18,419
		Period 05 2014	Feb-14	Jan-14	22,005
		Period 06 2014	Mar-14	Feb-14	21,346
		Period 07 2014	Apr-14	Mar-14	22,853
		Period 08 2014	May-14	Apr-14	22,758
		Period 09 2014	Jun-14	May-14	23,865
		Period 10 2014	Jul-14	Jun-14	23,143
		Period 11 2014	Aug-14	Jul-14	25,599
			Sep-14	Aug-14	29,245

REQUEST:

Refer to Attachment 2 to the response to Item 2 of Staff's First Request.

a. The total for the 12 months included in the column headed "Current Mcf" is 227,529 Mcf. Identify the 12-month period reflected in this column.

b. The monthly volumes for the first 12 months in the column headed "Estimated Mcf" are equal to 125 percent of the monthly volumes in the "Current Mcf" column. Explain whether those volumes are intended to reflect the expected 25 percent usage increase referenced in the aforementioned March 6 message from Mr. Head.

c. The volumes for months 13-24 in the "Estimated Mcf" column are equal to 110 percent of the volumes in months 1-12 of that column; the volumes for months 25-36 are equal to 110 percent of the volumes in months 13-24 of that column; and volumes for months 37-48 are equal to 110 percent of the volumes in months 25-36 of that column. Explain how this 10 percent annual growth rate was developed.

RESPONSE:

a) The 12 month period is January 2013 through December 2013.

b) Yes. The volumes are intended to reflect the expected 25 percent usage increase.

c) This 10 percent annual growth rate was an estimate based on Mr. Head's comment that in 2015 Kobe will see an increase across the board in equipment capacity utilization due to increased demand.

Witness: Danny Bertotti

REQUEST:

Page 14 of the Commission's Order in Administrative Case No. 327 ("Admin. 327")1 addresses the free rider issue:

> On the other hand, however, the Commission realizes that customers do not require identical incentives in order to locate a new facility in a particular area or to expand existing operations. In fact, for some customers, utility rate incentives may not even be a factor in their locational or expansionary decision-making process. Customers who would have decided to locate in Kentucky or expand existing operations even in the absence of rate discounts, but who would take advantage of EDRs that are offered to all new or expanding customers, in effect, become "free riders" on the utility system at the expense of all other ratepayers.

Within the context expressed above by the Commission, explain whether a free rider problem will be created by offering an EDR discount to Kobe for an expansion that appears will have occurred without an EDR discount.

RESPONSE:

The Company does not see the EDR discount to Kobe as creating a free rider problem. As is evident in the press releases, a combination of financial incentives was a key consideration in Kobe's decision to initially locate in Kentucky, and also to continue their expansion at their Bowling Green facility. This filing for an EDR for Kobe was made in compliance with the Company's approved tariff and Kobe has met all qualifications that are listed within the tariff.

Although the Company's approved EDR tariff provides that job creation and capital investment are major objectives, job creation and capital investment requirements are not to be imposed on EDR customers. Moreover, the Company's EDR tariff does not require that a quid pro quo showing be made between the EDR discount and a company's decision to locate to, or expand in, Kentucky. If that is the standard to be met, very few EDR special contracts would qualify because a discount in natural gas rates will rarely, if ever, be the sole reason a company locates to, or expands in, Kentucky. To the contrary, the EDR is likely to be just one of many factors influencing a company's decision to locate or expand. The EDR may be a significant factor in some cases and significantly less so in others.

The critical point is that the EDR tariff be available, along with other state and local incentives to companies who are locating or expanding in Kentucky or who are considering doing so. A primary reason for the existence of an EDR should be to help foster a climate in Kentucky that encourages and facilitates job creation and capital investments. An EDR is but one tool, among many, that should be available not only to the Company's sales representatives, but also to local and state economic development agencies who can include the EDR as one of many incentives available to companies locating to, or expanding in, Kentucky.

To limit the availability of the EDR to companies who seek out Atmos Energy and specifically condition their locating or expanding in Kentucky on a rate discount, would severely limit the availability of, or the need for, the EDR.

Witness: Danny Bertotti