JOHN N. HUGHES
ATTORNEY AT LAW
PROFESSIONAL SERVICE CORPORATION
124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

TELEPHONE: (502) 227-7270 JNHUGHES@fewpb.net

December 4, 2014

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation
Case No. 2014-00275

Dear Mr. Derouen:

Atmos Energy Corporation submits the attached responses to the Staff's data requests made at the conference on November 13, 2014.

If you have any questions about this filing, please contact me.

Submitted By:

Mark R. Hutchinson
Wilson, Hutchinson and Poteat
611 Frederica St.
Owensboro, KY 42301
270 926 5011
270-926-9394 fax
randy@whplawfirm.com

And

John N. Hughes
124 West Todd St.
Frankfort, KY 40601
Phone: 502 227 7270
jnhughes@fewpb.net

Attorneys for Atmos Energy Corporation

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY CORPORATION	)
FOR AN ORDER APPROVING SYSTEM	) CASE
DEVELOPMENT RIDER	) NO. 2014-00275

RESPONSES TO CONFERENCE DATA REQUESTS

Submitted by:

Mark R. Hutchinson
Wilson, Hutchinson, Poteat & Littlepage
611 Frederica St.
Owensboro, KY 42303
270 926 5011
Fax: 270-926-9394
Randy@whplawfirm.com

And

John N. Hughes
John N. Hughes
124 West Todd Street
Frankfort, KY 40601
502 227 7270
Fax: none
jnhughes@fewpb.net

Attorneys for Atmos Energy Corporation

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY CORPORATION FOR AN ORDER APPROVING SYSTEM DEVELOPMENT RIDER	)))	Case No. 2014-00275

AFFIDAVIT

The Affiant, Mark A. Martin, being duly sworn, deposes and states that the attached responses to Commission Staff's request for information from the Informal Conference are true and correct to the best of his knowledge and belief.

Mark A. Martin

Mark A. Martin

STATE OF Tennessee

COUNTY OF Williamson

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 3rd day of December, 2014.

Pamela Pleasant

Notary Public

My Commission Expires: May 3, 2016

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

Case No. 2014-00275

Questions for Telephonic Informal Conference Request for Information

1. Refer to the Atmos Mississippi Supplemental Growth Rider ("SGR") Tariff and Summary and the Virginia NEED legislation filed with Atmos's response to Hearing DR Set No. 1, Item 11, in Case No. 2013-00148.

a. Confirm that the Atmos Mississippi SGR tariff's General Provision 1 provides for the Mississippi Development Authority, the Commission, and Commission Staff to be consulted in the selection process for projects subject to investment recovery through the SGR tariff. Explain why such a provision was not included in Atmos Kentucky's proposed tariff.

RESPONSE: That is correct. The MS program was the result of a collaborative effort between many parties. It is our understanding that potential sites are typically identified by the Mississippi Development Authority and then brought to the parties. The SGR allows recovery of announced sites as well as those that are more speculative in nature. While the Company is amenable to working with multiple parties, the intent of the program is to encourage economic development and job growth with the expansion and/or improvement of the Company's infrastructure to existing and/or new service areas identified by, but not limited to, cities, local or regional Economic Development Authorities and or State Economic Development Officials. When the Company filed for SDR rates, it would itemize the projects and their respective costs with the Commission. The Commission and its Staff would then have an opportunity to review before issuing an order approving new rates.

b. Confirm that General Provision 3 of the Atmos Mississippi SGR tariff includes a requirement that actual project revenues generated from the SGR investment over the prior 12 months be used to offset the SGR revenue requirement. Confirm also that the Virginia NEED statute requires that eligible infrastructure development costs for a qualifying project be reduced by the non-gas base revenue received from providing sales or transportation service to the customer occupying the qualifying project and from any other customer served directly from the eligible infrastructure. Explain why such a provision was not included in Atmos Kentucky's proposed tariff.

RESPONSE: That is correct. The MS SGR and VA NEED programs were developed under different circumstances. The Company designed its SDR just like its PRP program and any approved SDR rates would zero out at the conclusion of a subsequent rate case.

The Company has a Stable Rate Filing (SRF) Mechanism in MS. The SRF is a form of annual rate stabilization. The SGR, due to its higher ROE, is tracked and accounted for separately from SRF. This separation creates unique challenges and adds a level of complexity related to accounting for both programs separately. The Company also has the means in Virginia to have its Annual Information Filing (AIF) turned into an expedited rate case.

c. Confirm that General Provision 9 of the SGR Tariff requires Atmos Mississippi to "include all support and documentation necessary to evaluate each of the previous year's projects, including but not limited to a description of each project (its genesis, scope, potential customers, economic impact, MDA evaluation, etc.) and a consistently applied and appropriate model of economic evaluation (e.g. Net Present Value analysis)...supporting documentation for all projections, where applicable, and for all revenues, investments and expenses included in the calculation of its actual revenue requirement...also...the most current approved ROE's for Atmos' other Divisions." Explain why such a provision was not included in Atmos Kentucky's proposed tariff.

RESPONSE: That is correct. The Company's proposed SDR would mimic the filing requirements of the Company's approved PRP. The Company believes that it would provide all relevant information justifying any rates at the time of filing.

d. Confirm that, according to the Summary of the SGR Tariff, the SGR is a five-year pilot tariff.

RESPONSE: That is correct. Please note that investments already included in the SGR remain in effect for 10 years. After the 10 years, the investments roll into the SRF. An elevated return is also a component of the SGR which the Company did not seek in the proposed SDR.

Attached is an expansion compendium from the American Gas Association (AGA). The attached compendium covers a wide range of expansion mechanisms; however, there are several states which appear to have mechanisms similar to the Company's proposed SDR. Those states include Georgia, Indiana, Maine, Minnesota, Nebraska, North Carolina, Pennsylvania, and Tennessee. Also, Michigan, Ohio and Washington all considered legislation that was similar our proposed SDR.

e. Confirm that the Virginia NEED statute requires that the gas utility receive a binding commitment, prior to the initiation of service, for a level of service of at least 50 percent of the capacity of the proposed facilities for a period of at least five years, or for a financial guaranty of at least 50 percent of the gas utility's estimated investment in the proposed project. Explain why such a provision was not included in Atmos Kentucky's proposed tariff.

RESPONSE: That is correct. The Company did not propose the VA NEED statute. It did not propose a similar component because there may be a situation(s) in which the 50% threshold may not be met. The Company does not believe the spirit of the SDR is to withhold service until a minimum level is reached. The intent of the SDR program is to encourage economic development and job growth with the expansion and/or improvement of the Company's infrastructure to existing and/or new service areas. These areas may or may not have a "binding commitment". Please see the Kentucky Cabinet for Economic Development "Build Ready" program.

2. Refer to the proposed System Development Rider ("SDR") Tariffs filed in Atmos's July 31, 2014 Application and in its October 1, 2014 Amended Application. The First Revised Sheet No. 42, Purpose section contains an additional sentence in the Amended Application: "The Company can only use this Rider for announced projects and those projects must be accompanied by an increase in jobs." Explain the addition of this sentence to Atmos's tariff, and how it is expected to impact Atmos's use of the SDR.

RESPONSE: The Company inadvertently filed a prior version of Sheet No. 42. The version that was filed on July 31st contained the appropriate language. The Company apologizes for the oversight and for any confusion that resulted. Attached is a corrected Sheet No. 42.

3. Confirm that First Revised Sheet No. 43 is missing from the Amended Application, and state whether Atmos proposes any change in that tariff sheet from that filed in the original Application.

RESPONSE: The Company believes that Sheet No. 43 was included in the Amended Application and that this issue is resolved.

4. Refer to First Revised Sheet No. 43 filed in the original Application, and to page 8, lines 10 through 12 of the Testimony of Mark Martin ("Martin Testimony") filed in the amended Application. Explain why it is reasonable to allocate the SDR revenue requirement to the customer classes based on relative revenue share of the most recent general rate case, thus assigning the greatest assumed benefit to residential customers.

RESPONSE: The Company's proposed SDR mimics the Company's approved PRP program. The Company proposed the same allocation to be consistent.

5. Refer to Atmos's updated response to Item 3 of Staff's First Request, filed November 10, 2014.

a. Explain whether Atmos is still proposing the rates included in its application, or any rates. If so, state what rates Atmos is now proposing and the basis of those rates.

RESPONSE: The proposed rates were the result of the projects outlined in the Mayor's June 4th letter. The Mayor's letter also requested a written explanation of our decision within 60 days. The projects outlined in the Mayor's letter now appear to be projects the HWEA will complete; however, HWEA's phase two is dependent on interconnecting with the Company's distribution system as a source of supply, and there may be costs associate with HWEA's phase two that the Company is not currently aware of. Attached is a revised Sheet No. 44 which zeros out the proposed rates.

As stated in Question #2, the Company's current SDR proposal consisted of two primary components. First, the Company seeks approval of a SDR mechanism. Second, the Company proposed SDR rates to capture the costs of the projects outlined in the Mayor's Letter. Even though the second primary component is not needed at this time, the Company continues to believe that the SDR mechanism itself will add economic development value to the communities that it serves. Having the SDR mechanism available and ready for qualifying projects would position the Company to act quickly with potential solutions in the future.

b. Explain whether Atmos is familiar with Columbia Gas of Kentucky's Intrastate Utility Service, pursuant to which Columbia provides sales and transportation services to local distribution companies ("LDC") connected to its system, for re-sale to those LDCs' customers.

RESPONSE: As stated in the Company's updated response, "The Company…had no knowledge of the Commission's views on sale for resale service or if any other

local distribution company in Kentucky offered such service." The Company is now aware of Columbia's Intrastate Utility Service.

6. Refer to Atmos' response to Item 2 of Staff's First Request for information. Based on Atmos' meeting with the Mayor of Hopkinsville on October 29, 2014, please identify, if any, the areas over which Atmos' project, described in Appendix B of its Application, are not covered by the HWEA project.

RESPONSE: Per Appendix B, the HWEA project only seemed to run north from Fort Campbell to South Park Industrial Park (South Park) which only covered a portion of the SDR project that the Company filed to include in rates. Based on the meeting on October 29th, the Company is now aware of two HWEA projects with the second project running north from South Park and connecting to the Company's distribution system. It would appear that the projects that the Company proposed to recover through the SDR are similar to the projects that HWEA now plans on constructing. Please refer to the Company's response to Question 5(b) and the Company's submittal of an updated tariff Sheet No. 44 which zeros out the proposed rates at this time.

System Development Rider (N)

SDR

Applicable: (T)
Applicable to all customers receiving service under the Company's Rate Schedules G-1, G-2, T-3, and T-4.

Purpose: (T)
This Rider is intended to encourage economic development and job growth by allowing the Company to recover operational expenses, capital investment or both associated with the expansion and/or improvement of infrastructure to existing and/or new service areas.

Summary: (T)
The Company may invest up to $5,000,000 in such projects on an annual basis pursuant to this tariff. In the event the Company determines such investments may exceed $5,000,000 during any given year for such projects, advance approval for the incremental investment shall be subject to approval by the Kentucky Public Service Commission.

Calculation of System Development Rider Revenue Requirement: (T)
The SDR revenue requirement includes the following:

1. SDR-related Plant In-Service not included in base gas rates minus the associated SDR-related accumulated depreciation and accumulated deferred income taxes;
2. Retirement and removal of plant related to SDR construction;
3. The rate of return on the net rate base will be the overall rate of return on capital authorized for the Company's Pipe Replacement Program Rider.
4. Depreciation expense on the SDR related Plant In-Service less retirements and removals.
5. Adjustment for ad valorem taxes.

DATE OF ISSUE August 1, 2014
MONTH / DATE / YEAR

DATE EFFECTIVE November 1, 2014
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO.__________ DATED__________

FOR ENTIRE SERVICE AREA

PSC KY NO. 2

FIRST REVISED SHEET NO. 44

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

CANCELLING PSC KY NO. 2

ORIGINAL SHEET NO. 44

System Development Rider (N)

SDR

System Development Rider Rates: (T)

The charges for the respective gas service schedules for the revenue month beginning October 1, 2014 per billing period are:

	Monthly Base Charge		Distribution Charge per Mcf	
Rate G-1 (Residential)	$ 0.00		$0.00	(N)
Rate G-1 (Non-Residential)	$ 0.00		$0.00	(N)
Rate G-2	$ 0.00	1-15,000	$0.0000 per 1000 cubic feet	(N)
		Over 15,000	$0.0000 per 1000 cubic feet	(N)
Rate T-3	$ 0.00	1-15,000	$0.0000 per 1000 cubic feet	(N)
		Over 15,000	$0.0000 per 1000 cubic feet	(N)
Rate T-4	$ 0.00	1-300	$0.0000 per 1000 cubic feet	(N)
		301-15,000	$0.0000 per 1000 cubic feet	(N)
		Over 15,000	$0.0000 per 1000 cubic feet	(N)

DATE OF ISSUE August 1, 2014
MONTH / DATE / YEAR

DATE EFFECTIVE November 1, 2014
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO.__________ DATED__________

AGA American Gas Association

11/12/2014

State Infrastructure Expansion Activity

State	Activity	Relevant Documents
Arkansas	SourceGas offers extensions at no cost to the customer of 100 feet or less from its existing main. For Main extensions exceeding 100 feet, the company offers a Main Extension Surcharge ("MES"). Once a customer elects to receive the MES, a monthly charge will be applied to the premises at which the customer will receive gas service in order that the customer at that premises repay the cost of the Extension, The amount of the MES available and the corresponding monthly payment are as follows: • Up to $2,066 for Customers selecting a $20 per month MES, • Up to $3,102 for Customers selecting a $30 per month MES, • Up to $4,136 for Customers selecting a $40 per month MES, • Up to $5,169 for Customers selecting a $50 per month MES In order to qualify for the MES: • The total cost of the Extension must exceed the cost or 100 feet of Extension per customer; • The homes or structures to receive gas service must have primary gas heat and gas water heating or have gas appliance(s) with comparable annual load; • The customer must pay any costs (including Installation) in excess of those that are economically feasible, less the amount to be paid through the MES, before construction begins; and • The customer requesting the MES must be the property owner at the address of the premises for which the service is requested,	Docket No. 13-079-U
Colorado	• The Colorado Public Utilities Commission approved the Extra Construction Allowance in August 2008, with an effective date of September 1, 2008 in SourceGas Distribution's rate case in Docket No. 08S-108G. Since the time of its adoption, the Extra Construction Allowance has helped new customers bear the cost of main extensions and service line installations made on their behalf. Expanded in 2013, The current Extra Construction Allowance works by advancing to participants up to $4,805 of costs over the amount that is provided to eligible customers through the Company's Regular Construction Allowance and Additional Regular Construction Allowance and spreading the repayment obligation associated with that advance for up to 15 years through a $50 per month payment added to their natural gas bill. SourceGas is also able to offer on bill financing of gas appliances.	

Connecticut	• Governor Malloy's Comprehensive Energy Plan called for regulatory changes to enable potential gas customers to have their connections financed by the state's utilities and repaid through added revenues of new customers. • The plan also provided for the establishment of incentives for utilities to ramp up required infrastructure quickly. • The Governor submitted two pieces of enabling legislation which aided in the implementation of these policies which passed the legislature in late May 2013. • In response to that legislation, Connecticut Natural Gas, Southern Connecticut Natural Gas and Yankee Gas filed a joint proposal with the Connecticut PURA outlining a new rate plan to finance the tens of millions of dollars they have proposed to spend to connect 280,000 customers to natural gas pipelines over the course of the next 10 years. Under the proposal, new rates would spread the costs of hookups over 25 years, eliminate a required contribution toward construction for customers connected to gas pipelines that are 150ft or closer to gas mains and make other rate changes to encourage a large-scale switch to natural gas. • In addition, Spectra Energy is pursuing plans to upgrade and expand its system in the state. At this point Spectra's plan includes replacing 33 miles of older transmission lines with newer pipe in various segments along the Algonquin transmission line. That upgrade will allow the pipeline to handle greater volumes of natural gas. In addition, the company plans to add 19 miles of new pipeline to the spurs that go into various parts of eastern Connecticut. • On November 22nd PURA issued final approval of the states' utilities' natural gas expansion plan. The final decision contains several key differences from the Nov 6th draft including: o Simplification of the new rate and cost recovery mechanisms associated with expansion; Effective Jan 1, all new customers who live near existing mains, but do not currently use gas, will pay a 10 percent premium over existing distribution rates for a 10-year period. Customers who live in areas without mains will pay a 30 percent premium on distribution rates (the draft had included other, higher premiums); Premiums will cease after 10 years and are to be paid only on the distribution portion of rates which account for 40-60% of a customer's bill o Requires utilities to get firm commitments from 60 percent of customers it needs to make the expansion into any given neighborhood economically viable o Requires utilities to develop a conversion cost calculator to help consumers get "ready access to the tools necessary to decide whether gas conversion is the best solution to their individual needs" o Standards that would trigger a re-evaluation of	2013 Comprehensive Energy Strategy for Connecticut Governor's Bill No. 6360 (Enrolled as Public Act 13-298 on 06/21/2013) Governor's Bill No. 843 (Enrolled as Public Act 13-298 on 06/21/2013) CT Utilities Joint Proposal (Connecticut Natural Gas, Southern Connecticut Gas, Yankee Gas) PURA Decision on LDC Expansion Proposal Docket No13-06-08

	its approval of the expansion plan including substantial failure to meet customer conversion forecasts, an increase in residential gas rates of 5 percent in any given year or 15 percent over the 10 year period, as well as spikes in price of gas compared to delivered heating oil • In a January 22, 2014 Order, the Public Utilities Regulatory Authority directed the Connecticut Natural Gas Corporation to track and report its actual revenue requirement and revenues for the gas pipeline expansion activities through a System Expansion Reconciliation Mechanism.	
Delaware	• Gas service expansion was included as part of the Governor's recommended state energy strategy. • In June of 2012, Chesapeake Utilities proposed a hybrid cost recovery mechanism for line extensions before the Delaware PSC; the proposal also includes the utility providing services that facilitate customer conversion to natural gas and offers loans and other financial contributions over a number of years. • On November 5, 2013, the DE PSC approved a revised version of Chesapeake's expansion proposal (originally submitted in June 2012). Originally, Chesapeake proposed a hybrid cost-recovery mechanism to finance line extensions. The mechanism contained two components: an infrastructure expansion service (IES) rate, which was to recover costs only from new customers, and a distribution expansion service (DES) rate, which was to recover certain costs from all ratepayers. As part of the settlement agreement that the DE PSC approved on 11/5, Chesapeake agreed to drop its request for the DES and received approval only for the IES—applicable to customers within proposed expansion areas and to remain in place for a period of time to ensure the appropriate level of rate and cost recovery related to distribution infrastructure in those defined expansion areas. The approved settlement agreement also modifies the company's line extension policy to apply the internal rate of return method (IRRM) for evaluating the economics of new line extensions. • Delmarva Gas proposed to change its tariff for residential extensions in existing subdivisions to, among other things, provide a 100 foot main extension per requesting customer at no charge. After the first 100 feet, the contribution from a new customer would be $40.23 per foot. This tariff change would have also applied to non-residential extensions. As part of the settlement, the parties to this docket have agreed to convene a working group in an attempt to reach a consensus on an appropriate tariff modification. Additionally, per the settlement agreement, the parties agreed on or before December 16, 2013 they will submit to the Commission for consideration either: (1) mutually-acceptable service extension language for inclusion in the gas tariff; or (2) any objections or modifications to Delmarva's proposed tariff language. These changes were approved on February 6, 2014.	Delaware Energy Plan 2009-2014 (To be updated every 5 years) PSC Docket No. 12-292 (November 5, 2013)

Florida	• Florida City Gas offers an Area Expansion Program (AEP) that allows the company to recover costs in excess of allowable investment over a 10 year period from customers served along the new route. Costs are borne by all customers served in the defined area. Rates can be adjusted after two years based on customer count and usage. Customers pay normal tariff charges for gas service in addition to the AEP charge.	
Georgia	• In October of 2009, the Georgia PSC approved the Strategic Infrastructure Development and Enhancement (STRIDE) Program for AGL Resources, Inc. • STRIDE provides for a rider on customer bills that allows AGL to recover costs associated with traditional infrastructure replacement, as well as infrastructure expansion relating to customer growth and economic development. • On December 12, 2013 AGL received unanimous approval from the Georgia PSC for the second phase of its STRIDE program. In its decision, the Georgia PSC noted that the decision was reached as part of its essential role in promoting economic development in the state. Under the terms of the agreement, AGL will install new pipelines and other facilities to improve capacity and pressure in several counties within its Georgia footprint. As well, the company received approval for $46 million for expansion of its load growth program to expand its distribution system into unserved and underserved areas within the state. During the first phase of STRIDE, AGL reported that its extension expenditures reached approximately $45 million. As a result of Phase 2 of the program, customers will see an additional 48 cents per month on their bills beginning in January 2015. That increase will be followed by a 48 cent increase in 2016 and a 47 cent increase in 2017.	Docket Nos. 8516 & 29950 Approving Georgia STRIDE Program
Idaho	• Idaho established the Idaho Energy Plan when it was formally adopted by the state legislature in March 2012. The plan includes the following key principle and recommended action relating to natural gas: ○ *It is Idaho policy to support responsible exploration and production of natural gas supplies and the expansion of the transmission, storage and distribution infrastructure.*	Idaho Energy Plan (2012)
Indiana	• In 2013, the state legislature passed a bill that allowed for gas utilities to apply for a cost recovery tracker for infrastructure upgrades and extensions; under the legislation, utilities may propose a 7 year infrastructure plan to the IURC, and, if considered reasonable, the utility may recover its investment in a timely manner through a tracker on the customer's bill. • NIPSCO filed a 7 year plan with the IURC on 10/3/2013. A portion of NIPSCO's plan will be dedicated to investments in extending natural gas service to rural areas Ind. Code § 8-1-39-2 provides that eligible	Indiana SB 560 (Became Public Law No. 133-2013 on 5/1/2013) Cause Number 44403 (NIPSCO) Cause number 44429 (Vectren)

	improvements include, among other things, projects that a public utility undertakes for purposes of economic development, including the extension of gas service to rural areas, and that were either: (1) designated in the public utility's approved 7-year plan, or (2) approved as a targeted economic development project under Ind. Code § 8-1-39-11. NIPSCO did not request approval of any specific targeted economic development project, but instead proposed to include in its Plan approximately $99 million for the extension of natural gas lines into currently unserved rural areas. (Any project that includes both rural and non-rural applicants will be considered a targeted economic development project. Rural areas were defined as 1) a territory within the state of Indiana that is outside the corporate limits of a municipality, or 2) any incorporated community of less than 2,000 as of the 2010 census. This plan was approved on April 30, 2014. • Vectren filed a 7 year plan with the IURC on 11/26/2013. A portion of the planned infrastructure investments include expanding gas delivery infrastructure to rural areas to promote economic and/or rural development and energy affordability. The Commission held that rural extensions shall be limited those areas within Vectren's service territories that are unincorporated. To the extent that Vectren believes a particular extension project to an area that includes an incorporated town should be considered a rural extension project because it could not otherwise receive natural gas service, then Vectren may propose such project for consideration in its annual update to its TDSIC Plans. In addition, consistent with prior decisions, the Commission further found that the approximate $14.2 million allocated for rural extensions is limited to the use of rural extensions identified in the TDSIC Plans and shall not be used to fund project cost increases or other improvement projects. The Plan included expanding gas infrastructure to rural areas served by propane and supporting economic development growth along the new I-69 corridor. The IURC approved this plan on August 27, 2014.	
Maine	• Competition among gas companies to serve new areas and high demand for gas in remote and other un-served areas on the state; Summit Natural Gas poised to begin new pipeline project and aims to serve 15,00 homes, using the Sappi Fine Paper mill as an anchor customer. • Maine enacted legislation in 2012 that authorized the Finance Authority of Maine to issue bonds for the development of the state's natural gas infrastructure. • In the 2013 session, legislators considered two bills relating to natural gas infrastructure expansion: o *HP 901, the Maine Energy Cost Reduction Act, gives the Finance Authority of Maine the authority to issue revenue obligation securities to finance an energy cost-reduction contract; It gives the Director of the Governor's Energy Office the authority to submit an energy cost-reduction contract to procure natural gas pipeline capacity that is reasonably likely to lead to the development or expansion of a natural*	Public Laws, Chapter 586- An Act to Expand The Availability of Natural Gas to Maine Residents HP 1128 (Maine Comprehensive Energy legislation; Vetoed by Governor LePage on 06/20/2013; House Veto Override 121-11 on 06/20/2013; S) Maine PUC Review of Natural Gas Capacity Options

	gas transmission pipeline; It gives the PUC authority to direct an investor-owned transmission and distribution utility, a natural gas utility and a natural gas pipeline utility to assess ratepayers for the cost of an energy cost-reduction contract, the bonds associated with an energy cost-reduction contract and the administration of an energy-cost reduction contract o *HP 831 establishes the Maine Energy Cost Reduction Authority for the purpose of entering into contracts to procure and resell natural gas pipeline capacity and electric energy and capacity, to identify and designate corridors for the construction of natural gas transmission pipelines to enter into long-term contracts for the use of natural gas pipeline corridors through the development of natural gas pipelines* • In May of 2013, HP 831 and HP 901 were incorporated into a larger, multifaceted energy bill (incorporating proposals from 13 pending bills, in total) that aims to expand the state's natural gas infrastructure as well as boost energy efficiency funding, directly lower electricity costs for homes and businesses and make fuel switching from oil more affordable for consumers. The bill was voted out of committee 12-1, with enactment votes of 131-7 in the House and 29-6 in the Senate. The bill became law on July 2, 2013, after the Governor's veto was overridden in the House 121-11 and a 35-0 vote to override in the Senate. • In May of 2014, Maine passed Legislative Directive 1621, which aims to include natural gas expansion in the State Energy Plan. Beginning in 2015, the State Energy Plan must include a description of the State's activities relating to the expansion of natural gas service, any actions taken by the office to expand access to natural gas in the State and any recommendations for actions by the Legislature to expand access to natural gas in the State.	
Massachusetts	• The Massachusetts Department of Energy Resources (DOER) has explored various energy policies and strategies to meet the Commonwealth's key economic, social, and environmental goals. Since, consumers and businesses want greater choice of heating and processing fuels, DOER is examining the benefits, costs and challenges for policies, strategies and the appropriate regulatory and ratemaking models regarding natural gas expansion at the gas distribution company level within Massachusetts. In order to assist DOER to investigate these 5 RFR for Gas Expansion Study matters, DOER is issuing this Request for Response ("RFR") to solicit and hire a consultant(s) to: o perform energy, economic and environmental analyses, as described below, o schedule and facilitate stakeholder meetings in order to gather ideas, put forth proposals, and solicit feedback, regarding gas expansion, o write a final report that outlines approaches (regulatory and market based options) for state	

	government and gas utilities to proceed with gas expansion, and o Discuss regulatory models including appropriate ratemaking mechanisms to advance gas expansion and propose an appropriate regulatory model for Massachusetts that may be used to advance gas expansion. • Governor Deval Patrick signed H. 4164 into law on June 26, 2014. This bill features an expansion component which permits the DPU to authorize gas utilities to design and offer programs to customers which will increase the availability, affordability and feasibility of natural gas service for new customers.	
Michigan	• In May of 2014, State Representative Aric Nesbitt (R-MI) introduced an infrastructure expansion bill meant to facilitate natural gas service to underserved and unserved areas in the state of Michigan. • Specifically, HB 5555 would have allowed natural gas utilities to file an Infrastructure Expansion Investment Plan with the Michigan Public Service Commission to provide the natural gas infrastructure necessary to serve unserved or underserved areas in the state. Proposed expansion plans must include each of the following: (a) a 1-year plan that projects investment related to expansion (b) a proposed recovery mechanism that provides for the recovery of the incremental revenue requirement associated with expansion investments (c) all expected costs and benefits associated with the proposed investments (d) an investment projection up to 5 years in duration proposed to be recovered in future expansion recovery mechanisms. The legislation would have required the PSC to review and approve or amend propose plans within 180 days. This bill died at the close of the legislative session.	House Bill 5555 (died at end of session)
Minnesota	• During the 1990s the Minnesota PUC investigated the problems in funding new extension lines in remote areas. • In 2012, the PUC approved a New Area Surcharge (NAS) rider for MERC which is designed to permit the utility to extend service into a new area that would be uneconomic to serve at tariffed rates, by permitting that utility to collect the surcharge on tip of the tariffed rate. In the late 1990s, the MN PUC approved NAS riders for CenterPoint (CNP) and Xcel. In 2014, the MN PUC extended the maximum time frame from 15 years to 30 years for CNP and MERC.	Minnesota PUC Order Approving New Area Surcharge (Minnesota Energy Resource Corporation) 7/26/2012
Mississippi	• On February 3, 2013, Atmos Energy Corporation proposed a Supplemental Growth Rider (SGR) to support economic development and job creation by providing the incentive to extend gas service to projects previously viewed as economically infeasible. • Atmos proposed to invest $5,000,000 annually in such projects in return for being allowed to earn a supplemental return on equity (ROE) of 3% on this investment, in addition to the ROE provided for in Atmos' annual Stable Rate Evaluation. This program was	Atmos Order CenterPoint Order

	approved on July 11, 2013. • On July 26, 2013, CenterPoint filed a Notice of Intent to establish a Supplemental Growth Rider ("Rider SG"). Rider SG is designed to encourage economic development and job creation in Mississippi by providing an incentive for CenterPoint to extend gas service for major commercial, industrial and manufacturing sites that are not otherwise economically feasible for CenterPoint to fund. • CenterPoint is authorized to invest up to $5,000,000.00 annually in Mississippi, without prior Mississippi Public Service Commission ("Commission") approval, to extend gas service for major commercial, industrial and manufacturing projects deemed otherwise economically infeasible. These invested funds will be in addition to CenterPoint's normal capital budget for Mississippi. CenterPoint will select the projects based upon their potential for economic development. CenterPoint will consult with the Mississippi Development Authority ("MDA"), the Commission and the MPUS in selecting the projects for use of the supplemental growth funds, however, prior approval by MDA, the Commission, or the MPUS is not required. This filing was approved in October of 2013.	
Missouri	• In its 2014 rate filing, Liberty Utilities requested that a trial program be authorized between now and its next general rate case to extend the amount of free main offered to residential customer from 150 feet to 350 feet. At the time of the next rate case, the Company would be required to request from the Commission the ability to continue the program at 350 feet. Commission Staff and OPC would evaluate the Company's request and make a recommendation regarding the continuation of the program. If the Company fails to make a request to continue to the program, the tariff sheet would default back to 150 feet. The goal of the tariff update is to incent economic growth in the service territory via additional residential development. Increased free footage may spur additional residential homes to include natural gas and thus increase the number of growth.	Docket No. GR-2014-0152 (Liberty Utilities)
Nebraska	• The Nebraska Public Service Commission approved an Extra Construction Allowance for SourceGas in Docket No. NG-0067, which was later expanded in 2011. The current Extra Construction Allowance works by advancing to participants up to $5,000 of costs over the amount and is provided to eligible customers by spreading the repayment obligation associated with that advance for up to 15 years through a $50 per month payment added to their natural gas bill. SourceGas is also able to offer on bill financing of gas appliances. • In 2012, the Nebraska legislature passed legislation to provide for a streamlined process to implement a plan to construct rural natural gas infrastructure in order to provide natural gas to unserved or underserved areas in the state. • The law streamlines the regulatory review process and allows utilities to spread costs to all ratepayers.	Slip Law Text of LB 1115 (As Approved by the Governor on 4/10/2012)

	• It requires stakeholders (utilities, municipalities, local businesses, investors) to put together a plan for infrastructure expansion to be approved by the Nebraska PSC.	
New Jersey	• Promoting the expansion of the natural gas pipeline system is included in Governor Chris Christie's 2011 Energy Master Plan; Specifically, the plan encourages New Jersey's gas utilities to evaluate the economic and environmental merit of distribution system expansions to areas where natural gas is not presently available or where there is a relatively high saturation of oil-fired hit; The plan also includes a recommendation to establish a Transportation Infrastructure Bank to explore the potential of establishing a funding source that can assist in financing the development of needed infrastructure to support the increased use of AFVs (including NGVs).	2011 Energy Master Plan
New York	• In 2012, St. Lawrence Gas broke ground on an expansion project that will connect as many as 4,000 new customers. The project consists of 48 miles of high pressure transmission lines that connect Norfolk to Chateaugay. This project is funded with grants from Franklin County, an appropriation from Senator Betty Little, a grant from the Empire State Development Corporation's Regional Blueprint fund, as well as PILOT agreements with both St. Lawrence and Franklin counties. • In early 2013, the New York PSC initiated a technical conference on policies pertaining to expansion of natural gas service pursuant to the recommendation for fuel switching to natural gas in Governor Andrew Cuomo's Energy Highway Blueprint. • The New York legislature is currently considering legislation that will enact provisions to provide for and assist in the expansion of natural gas service in the state for environmental and economic benefit; Specifically the legislation attempts to do the following: o Streamlines the permitting process for distribution infrastructure by requiring the PSC to facilitate contacts with state agencies and local governments with respect to the review of permit applications. o Require 25% of the revenue generated by the SEC surcharge (system benefit charge collected by utilities from heating customers) be dedicated to a revolving loan fund for conversions. o Mandates the Commissioner of General Services undertake a study on conversion to natural gas heating when a public building requires installation or retrofit of a boiler for heating. o Establishes a natural gas expansion mitigation fund to be comprised of RGGI monies to be	New York Energy Highway Blueprint New York Public Service Commission Natural Gas Expansion New York SB 5536B (Amended and committed to rules on 6/20/2014) Draft 2014 New York State Energy Plan

	used for a revolving loan fund for consumers converting to natural gas. o Provides taxpayer credit for purchase and installation of a natural gas service system; Credit is 50% of the cost of purchase and installation, capped at $52,750. • In January of 2014, the New York State Energy Planning Board released a draft 2014 New York State Energy Plan. Initiative 9 of this draft plan provides for the following: o The state aims to reduce reliance on petroleum products for heating buildings by supporting the use of clean alternatives to heating oil and expanding access to natural gas in the near term while pursuing strategies to reduce natural gas leakage. o Instructs the DPS to encourage and support oil-to-gas conversions by collaborating with other State agencies and regulated gas utilities to accelerate investments in natural gas distribution. o Instructs DEC to evaluate regulations to limit methane emissions from natural gas compressor stations on intrastate pipelines. o Instructs NYSERDA to support economic and efficient clean heat options as alternatives to fossil fuel consumption, including solar thermal, geothermal, and the use of sustainably harvested biomass and advanced heating systems. o Instructs DEC, DOH, and NYSERDA to support research to enable the quantification of public health benefits to be incorporated into energy planning and policies.	
Nevada	• A bill is expected to be pre-filed in the upcoming session.	
North Carolina	• In 1998, the NC legislature passed the North Carolina Clean Water and Natural Gas Critical Needs Bond Act of 1998 which authorizes natural gas bonds for uneconomic line extensions. • The General Assembly enacted legislation for the creation of expansion funds for uneconomic line extensions; Gas utilities may only apply those funds to economically infeasible expansions or to expansion estimated to produce a negative net present value. These funds can come from a surcharge imposed on existing ratepayers, supplier refunds and other sources approved by the NC PUC.	North Carolina Clean Water and Natural Gas Critical Needs Bond Act of 1998—SL 1998-132
Ohio	• The Ohio General Assembly considered legislation to make it easier for utilities to expand natural gas infrastructure in the state. Specifically, HB 319 would have amended and enacted certain sections of the Ohio Revised Code to allow natural gas companies to apply for an infrastructure development rider to cover the costs of certain economic projects. Under the bill, a natural gas company would have been able to file an application with the PUCO or approval of an infrastructure development rider to cover prudently incurred costs for	HB 319 (died at end of session)

		economic development projects. The rider would have been a fixed monthly charge for all customers of the natural gas company as determined by the PUCO. This bill died at the close of the legislative session.	
Pennsylvania		• In March of 2013, the state legislature adopted a resolution directing the Center for Rural Pennsylvania to study the potential for increased residential, commercial and industrial natural gas distribution infrastructure by the state's public utilities to unserved and underserved areas in the state. • The legislature is currently considering two bills which will foster the extension and expansion of natural gas distribution systems to un-served and under-served residential, commercial and industrial sites: o SB 738, the Natural Gas Consumer Access Act, would require every natural gas distribution utility operating in PA to submit a 3-year plan to the PUC outlining the utility's plans for extension/expansion projects; The first plan would be due by 01/01/2014, with additional plans required every two years thereafter; The PUC would have the option to reject, revise or order the utility to submit a revised plan for adequacy and completeness; The legislation would also create a system providing for expedited extension or expansion projects if an economic development agency or large number of residential, commercial or industrial entities want to obtain natural gas service. o SB 739 would amend the Alternative Energy Investment Act to provide for $15 million in grants to schools, hospitals and small businesses to obtain access to natural gas service; the funding will come from existing under-utilized programs, and grants made under the legislation may provide for up to half of the cost of a project. • In May of 2013, under its authority to approve Leatherstocking Gas' (LGC) initial tariff, the Commission authorized the collection of a Construction Build-out Fee (CBF) in accord with the following conditions: o LGC shall treat all CBF collections as contributions in aid of construction for accounting, ratemaking, and tax purposes. o The CBF rate shall apply on a Municipality-by-Municipality basis in a manner similar to the tariff divisions employed by regulated water utilities. o LGC tariff shall define a Municipality as a recognized political subdivision i.e., a township, borough, city, or village. o The LGC tariff shall establish the CBF rate as separately applicable to each Municipality such that all customers within the Municipality pay a non-discriminatory identical CBF rate for an identical time. o The CBF shall apply for no longer than a 10-	Senate Resolution No. 29 (Adopted 03/11/2013) Memo outlining expansion legislation to be introduced by Senators Gene Yaw and Dominic Pileggi SB 738 (Passed Senate 06/12/203; Referred to House Committee on Environmental Resources and Energy 06/13/2013) SB 739 (Passed Senate; Referred to House Committee on Environmental Resources and Energy 06/12/2013) A-2011-2275595 (Leatherstocking Gas) UGI GET Gas Proposal HB 2393 (removed from the table on 9/24/2014) R-2014-2407345 (Columbia Rider NAS) P-2014-2451772 (PECO proposal)

year period (120 months) in any Municipality.

  - The CBF shall commence and terminate upon permanently fixed dates certain (set by tariff) for each Municipality. LGC shall establish the fixed dates certain by filing a tariff supplement with the Commission concurrent with the initiation of gas delivery service within each Municipality served.
  - The CBF shall not exceed $3/Mcf for any customer or customer class, and all customers and classes within each Municipality shall be subject to an identical CBF rate.
  - The CBF shall appear as a separate rate for each customer class identified in the LGC tariff service classifications, and shall similarly appear as a separate line item on each customer bill.

- UGI proposed a Growth Extension Tariff (GET Gas) program that would allow it to spread the cost burden of new main extensions to the group of new customers connecting to a new main. The program allows for a payment surcharge over time for new customers, avoiding the significant upfront costs that often deter customers from connecting to a natural gas system. New customers would be able to use a portion of savings generated from converting to natural gas to offset the GET Gas surcharge amount. UGI will fund the program at $15 million per year for five years. This Program was approved on February 20, 2014.

- On April 23, 2014, the Commission voted 5-0 to investigate Columbia Gas' proposal for a Pilot Rider New Area Service (Rider NAS). The rider would allow the costs to consumers for new natural gas service to be paid over 20 years through a monthly surcharge that would not exceed $35. Currently, consumers seeking new natural gas service from Columbia are required to pay all of the costs upfront. Columbia proposes that Rider NAS continue for a period of four years, and the company will spend no more than $1 million per year on the rider. The Commission unanimously approved this program on October 23, 2014.

- In July of 2014, Peoples Natural Gas submitted a rider to the Pennsylvania Public Utility Commission that would allow it to add an extra charge to customers' bills in exchange for connecting them to a natural gas pipeline. The surcharge, a flat fee that would cost an average of $50 to $100 per month, would replace the current model where Peoples would charge unconnected homes thousands of dollars in upfront costs.

- In June of 2014, the Pennsylvania House introduced HB 2393. This bill provides that no later than January 1, 2015, or 60 days after the effective date of this chapter, whichever is later, each natural gas distribution company shall file a petition with the commission proposing a pilot or permanent program, including any necessary tariffs, to extend natural gas distribution service to unserved or underserved areas within its certificated service territory.

- The major difference between this bill and SB 738 is that this bill mandates that these programs shall provide for

	on-bill financing for a term of no less than five years. A customer shall be able to pay a required customer contribution in full at any time, without incurring penalties or fees. The form of financing may include a surcharge, third-party financing or any other method of recovery approved by the commission. This bill was removed from the table on September 24, 2014. • In November of 2014, UGI Utilities became the first Pennsylvania utility to connect its distribution route with the Utica Shale Wells. The direct connection runs between a Utica Shale well, two Marcellus Shale wells in northern Tioga County and a UGI pipeline. The interconnection required that the company construct a new meter and regulator station system. The system expanded the supply of natural gas available to customers in Tioga and Potter counties. This connection can run approximately 14,000 dekatherms of natural gas into UGI's pipelines daily. • In November of 2014, PECO filed an application with the Pennsylvania PUC for a pilot project to reduce the cost that customers are asked to pay to extend gas mains. PECO proposed to allow customers to finance the costs of extending gas mains over 20 years. The company stated that it can justify recalculating the payback period due to the abundance of supply from the Marcellus Shale. • PECO's application includes 3 separate proposals. The first proposal applies to all PECO firm gas customers and would change the way customer contributions in aid of construction (CIAC) are calculated for main extensions and service lines by applicants for new service. • The second proposal would implement a Neighborhood Gas Pilot Program, which is designed to study to coordinated strategies to increase access to natural gas service by : (1) allowing a customer to pay its CIAC for a main extension through a fixed monthly surcharge, instead of requiring an upfront, lump-sum payment; and (2) calculating the required CIAC by taking into account the revenue, including the fixed monthly CIAC payment, expected from the applicant or applicants requesting service and from prospective customers located along the proposed main extension that that are expected to connect to the main in the future. • The final proposal would create a Critical Facilities Pilot Program that would dedicate an annual fixed amount of PECO-funded investment to construct main extensions in PECO's natural gas service territory in Bucks, Chester, Delaware and Montgomery Counties to allow owners of critical public facilities to install natural gas-fired emergency generation to ensure continued operation when electric service is disrupted.	
Rhode Island	• On May 3, 2013 (pursuant to a March 21, 2013 Bench Order) the Rhode Island Public Utilities Commission issued a Written Order approving the National Grid's annual Gas Infrastructure Safety and Reliability Plan, which included an Expansion Pilot Program. Through the Pilot Program, the Company will identify areas in Rhode Island where the distribution system could be	Docket No. 4380 Order Approving National Grid Expansion Pilot Program

	expanded efficiently in terms of the number of potential customers and cost considerations. The Company offers and incentive to offset the first 75% of the project for customers in a particular area so that the customer only bears the cost of the remaining 25% of the cost to provide service.	
Tennessee	• In April 2013, Tennessee enacted legislation which provides for alternative regulatory methods to allow for public utility rate reviews and cost recovery for investments in infrastructure replacement and expansion in lieu of a general rate case. In particular, the bill allows the Tennessee Regulatory Authority (TRA) to authorize the recovery of costs related to infrastructure expansion for the purpose of economic development, if such costs are found to be in the public interest. Expansion of economic development infrastructure may include that associated with alternative motor vehicle transportation fuel, combined heat and power installations in industrial or commercial sites, or that which will provide opportunities for economic development benefits in the area to be directly served by that infrastructure.	Public Chapter No. 245 (HB 191)
Texas	• In 2003, the Texas Legislature passed SB 1271 which established the Texas Gas Reliability Infrastructure Program (GRIP). • GRIP allows a gas utility that has filed a rate case within the previous two years to file a tariff or rate schedule that provides for an interim adjustment in its monthly customer charge or initial block rate in order to recover the cost of investment changes, which could include the replacement of aging infrastructure or expansion of infrastructure.	Senate Bill 1271, Establishing the Gas Reliability Infrastructure Program
Vermont	• In September 2011, the Vermont Public Service Board allowed Vermont Gas Systems to use ratepayer monies to plan for future line extensions, reasoning that it will result in increased economic development and a reduction in greenhouse gas emissions.	Vermont Public Service Board Docket No. 7712—To establish a System Expansion and Reliability Fund with funds provided by reductions in the quarterly Purchase Gas Adjustment rate under the Alternative Regulation Plan
Virginia	• In 2012, Virginia's Governor signed legislation that will facilitate the recovery of costs for eligible gas-line extensions that promote economic development. The law creates a deferral that preserves the cost of service associated with the facility for recovery in a future rate proceeding. • In October 2014, Governor Terry McAuliffe released an "all of the above" quadrennial energy plan at the direction of the Virginia Genera Assembly. The plan provides the following recommendation relating to the expansion of natural gas infrastructure: o *Expand, Improve and Increase the Reliability of Virginia's Energy Infrastructure* o *Support legislative and regulatory policy, such as special utility rates, to allow Virginia's natural*	Virginia Chapter 51 2014 Virginia Energy Plan

	gas utilities to more proactively approach expansion of intrastate infrastructure into unserved and underserved areas; and support improvements and expansion of interstate natural gas pipeline infrastructure to increase capacity in currently restricted market areas, such as Central and Tidewater Virginia to improve the ability to attract new businesses and stimulate economic development in these regions	
Washington	• In January 2014, two pieces of legislation were introduced with the goal of expanding access to natural gas to more Washington homes and businesses. • HB 2177 would direct the Washington Utilities and Transportation Commission (UTC) to grant recovery and authorize mechanisms or adjustments as are necessary for a natural gas utility to recover capital costs associated with investments in natural gas infrastructure, if those investments will promote the security or convenience of the public. Under the terms of the bill, security or convenience of the public includes but is not limited to infrastructure in rural or underserved areas of the state that: promote economic development, improve environmental conditions or enhance public health. • HB 2101 would create a rural Washington natural gas access and investment account to provide a funding source for eligible infrastructure projects. • These bills died at the end of the legislative session. • On October 6, 2014, The UTC opened an Investigation into natural gas distribution infrastructure expansion. The UTC has scheduled a workshop as a recessed open meeting on Monday, November 3, 2014 to discuss the need for natural gas distribution infrastructure expansion, and investigate the options available to implement such expansion.	HB 2177 (died at end of session) HB 2101 (died at end of session) Docket UG-143616 (Expansion Investigation)
Wyoming	• In March of 2008, SourceGas submitted an application to the Wyoming PSC for approval of an Extra Incentive Allowance in Docket No. 30022-106-GT-07. SourceGas stated that the Regular Incentive Allowance, standing alone, was frequently inadequate to enable rural customers to connect to the system, because the cost of the attachment substantially exceeded the Regular Incentive Allowance. In response to this circumstance, SourceGas proposed an Extra Incentive Allowance, which is available to customers over and above the Regular Incentive Allowance. Under SourceGas' program, a customer is free to accept or reject the Extra Incentive Allowance. SourceGas is also able to offer on bill financing of gas appliances. • The Extra Incentive Allowance is available in instances where the overall service connection cost exceeds the Regular Incentive Allowance. Under the Company's program, the Extra Incentive Allowance is paid back over time via an additional charge on the customer's monthly bill until it is recouped This program was approved originally on May 21, 2008 and has since been expanded to allow for a maximum incentive of up to $5000.	