

BEFORE THE PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY

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PUBLIC SERVICE
COMMISSION

APPLICATION OF ATMOS ENERGY)
)
CORPORATION FOR APPROVAL OF A)
)
SYSTEM DEVELOPMENT RIDER)

Case No. 2014-00275

SUPPLEMENTAL TESTIMONY OF MARK A. MARTIN

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

3 A. My name is Mark A. Martin. I am Vice President – Rates and Regulatory Affairs
4 for the Kentucky/Mid-States Division of Atmos Energy Corporation (“Atmos
5 Energy” or the “Company”). My business address is 3275 Highland Pointe Drive,
6 Owensboro, Kentucky, 42303.

7 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

8 A. Yes. Included with our amended application filed on September 30, 2014 was my
9 direct testimony.

10
11 II. PURPOSE AND SUMMARY OF TESTIMONY

12 Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?

13 A. My supplemental testimony has one primary purpose which is to assist in giving
14 the Commission a complete record for their consideration in this case. Additional
15 facts and circumstances have surfaced since the Company’s application for
16 approval of a System Development Rider (SDR).

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III. PRINCIPAL FACTORS FOR THIS SUPPLEMENTAL TESTIMONY

Q. WHY DOES THE COMPANY NEED TO FILE SUPPLEMENTAL TESTIMONY?

A. As stated earlier, the Company has become aware of certain facts and circumstances since filing its amended application in this Case.

Q. PLEASE DESCRIBE THOSE FACTS AND CIRCUMSTANCES.

A. As stated in our December 5th responses to requests received during an informal conference with Staff, the Hopkinsville projects are now moot as those projects will be completed by the Hopkinsville Water Environment Authority (HWEA). As such the Company filed amended revised tariff pages which zeroed out the proposed rates associated with the Hopkinsville projects. More importantly, the Company noted that its initial application contained two primary purposes. The first being the approval of the SDR mechanism, and the second being the approval of rates for potential projects. The first purpose still remains and even though the Company is not currently seeking approval of rates for specific projects at this time, the Company fully expects to file for rates if the SDR mechanism is approved. As stated in the previous cases in which the Company has proposed the SDR, the Company has viewed the SDR mechanism as an important tool in encouraging industrial growth. Historically, the SDR has not been proposed due to past lost opportunities, but has been proposed for future opportunities that may present themselves. Having the SDR mechanism available and ready for

1 qualifying projects would position the Company to act quickly with potential
2 solutions as future opportunities present themselves.

3 As referenced in the informal conference responses, the Kentucky Cabinet for
4 Economic Development (State Cabinet) unveiled their Build Ready program at
5 the end of September. The spirit and intent of the Company's proposed SDR
6 mechanism appear to be in line with the State Cabinet's Build Ready program.
7 The Build Ready program is intended to give Kentucky communities an
8 advantage in attracting new industry and in creating additional jobs. As part of
9 the Build Ready program, requirements exist to having the necessary utility
10 infrastructure in place to assist those investigating potential industrial sites in their
11 decision making process.

12 Finally, in at least two of the communities that the Company serves, the potential
13 exists where the SDR would be extremely beneficial. The first area is Bowling
14 Green and the second area is Shelbyville. The Company works with all of the
15 local economic development agencies within its service areas to assist in their
16 efforts to attract additional development opportunities. The Company has
17 specifically met with the local economic development agencies in Bowling Green
18 and Shelbyville as well as the State Cabinet and all have stated the importance of
19 existing gas service when recruiting new industry to Kentucky.

20 **Q. PLEASE DESCRIBE THE SITUATION IN BOWLING GREEN.**

21 A. Bowling Green is blessed to be situated along I65. As such, Bowling Green has
22 grown tremendously and now ranks as Kentucky's third largest city. Bowling
23 Green has several industrial park sites, but the one with the most potential for

1 future growth is called the Kentucky Transpark. The land associated with the
2 Kentucky Transpark has already been announced as an industrial park and the
3 local economic development agency is aggressively marketing the area. Two of
4 the sites included in the Kentucky Transpark are only the second and third sites
5 state-wide that met the Cabinet's Build Ready requirement. Please note that the
6 SDR is designed to assist with the expansion and/or improvement of
7 infrastructure to existing and/or new service areas. Besides assisting new industry
8 to locate to Kentucky, the SDR is just as important in supporting the expansion of
9 existing industry that has already made a significant investment in Kentucky and
10 that is contemplating an expansion. The Company's proposed SDR mechanism
11 will help facilitate development as well as assist in removing potential barriers for
12 companies to locate and/or expand in a particular area. The competition for
13 customers that will bring new jobs and capital investment into Kentucky is more
14 competitive than ever. The fewer barriers that exist (i.e. cost of infrastructure,
15 timing of infrastructure installation, etc.), the greater the probability of assisting
16 economic growth in Kentucky.

17 **Q. PLEASE DESCRIBE THE SITUATION IN SHELBYVILLE.**

18 A. Shelbyville is also blessed with interstate access along I64. Shelbyville is also
19 located in close proximity to Louisville. Shelbyville has experienced two
20 industrial announcements in the past couple of years and the local economic
21 development agency continues to field significant interest. The Shelby County
22 Industrial and Development Foundation, Inc. are in the process of marketing a
23 new industrial area in Shelbyville. The Company's proposed SDR mechanism

1 will help facilitate development as well as assist in removing potential barriers for
2 companies to locate and/or expand in a particular area. The competition for
3 customers that will bring new jobs and capital investment into Kentucky is more
4 competitive than ever. The fewer barriers that exist (i.e. cost of infrastructure,
5 timing of infrastructure installation, etc.), the greater the probability of assisting
6 economic growth in Kentucky.

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8 **VI. SDR OVERVIEW**

9 **Q. PLEASE EXPLAIN THE PURPOSE OF THE COMPANY'S PROPOSED**
10 **SYSTEM DEVELOPMENT RIDER.**

11 A. As mentioned earlier as well as in my direct testimony, the SDR mechanism is
12 intended to encourage economic development and job growth by allowing the
13 Company to recover operational expenses, capital investment or both associated
14 with the expansion and/or improvement of infrastructure to existing and/or new
15 service areas not otherwise feasible. The Company is requesting that the
16 Commission issue an order which establishes an SDR mechanism to help
17 encourage industrial development and job growth in our communities.

18 **Q. DOES THE COMPANY HAVE SIMILAR PROGRAMS IN OTHER**
19 **STATES?**

20 A. Yes, the Company has similar programs in Mississippi and Virginia. The
21 Company answered questions related to both states' programs in the
22 aforementioned informal conference responses including the fact that both states

1 have annual rate review mechanisms and that the Mississippi SDR-like program
2 contains an elevated return which the Company is not proposing in Kentucky.

3 **Q. IS THE COMPANY AWARE OF MECHANISMS SIMILAR TO THE SDR**
4 **IN OTHER PARTS OF THE COUNTRY?**

5 A. Yes, the Company is aware of several states which appear to have mechanisms
6 similar to the Company's proposed SDR mechanism. In addition to Mississippi
7 and Virginia, Georgia, Indiana, Maine, Minnesota, Nebraska, North Carolina,
8 Pennsylvania, and Tennessee all appear to have mechanisms similar to the
9 Company's proposed SDR mechanism. The Company attached a compendium
10 from the American Gas Association which covered a wide range of expansion
11 mechanisms in the aforementioned informal conference responses.

12

13 **VII. CONCLUSION**

14 **Q. WHY SHOULD THE COMMISSION APPROVE THE COMPANY'S**
15 **PROPOSED SDR RIDER?**

16 A. This is the Company's third attempt at seeking approval for a SDR mechanism.
17 After reading the Final Order in Case No. 2013-00148, the Company would like
18 to emphasize that its prior SDR applications were never proposed due to lost
19 opportunities. While the Company has more specific opportunities tied with its
20 current SDR application, all SDR applications have been proposed for future
21 opportunities to promote economic development within the communities that the
22 Company serves. As stated in prior SDR applications, the Company believes that
23 its proposed SDR mechanism would help delay the time and cost associated with

1 a general rate proceeding. Also, the competition for customers that will bring
2 new jobs and capital investment into Kentucky is more competitive than ever.
3 The Company believes that all customers will share in the benefits of increased
4 industrial development and job creation and as a result should not be considered
5 as being adversely affected by the SDR rider. Finally, there are at least ten (10)
6 states that have mechanisms similar to the Company's proposed SDR. If the
7 Commission prefers an alternative to the SDR rider, the Company would be open
8 to an annual review of rates similar to programs in Louisiana, Mississippi,
9 Tennessee and Virginia in which the Company is a participant.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes.

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CORPORATION FOR AN ORDER
APPROVING SYSTEM DEVELOPMENT RIDER

Case No. 2014-00275

Commonwealth of Kentucky

County of Daviess

AFFIDAVIT

The Affiant, Mark A. Martin, being duly sworn, deposes and states that the attached testimony is true and correct to the best of his knowledge and belief.


Mark A. Martin

Subscribed and sworn before me on the 12th day of February, 2015 by Mark A. Martin.


Notary Public

My Commission expires: 3-15-2016

Registration Number: 461456

