

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY)	
CORPORATION TO ESTABLISH PRP)	
RIDER RATES FOR THE TWELVE)	CASE NO.
MONTH PERIOD BEGINNING)	2015-00272
OCTOBER 1, 2015)	

ORDER

On July 31, 2015, Atmos Energy Corporation (“Atmos”) filed with this Commission its annual application to establish Pipeline Replacement Program (“PRP”) Rider rates for the 12-month period beginning October 1, 2015. Atmos responded to one request for information issued by Commission Staff (“Staff’s Data Request”). On September 21, 2015, following a September 14, 2015 telephonic informal conference (“IC”) between Atmos and Commission Staff (“Staff”), Atmos supplemented the record with additional information requested in the IC concerning costs and changes in the route of the pipeline replacement project, which is referred to as the Shelbyville Line. There are no intervenors in this proceeding. The case now stands submitted for decision.

Atmos proposes a current PRP adjustment of \$8,363,748. Atmos’s total PRP adjustment of \$8,167,417 includes a balancing adjustment to correct an over-recovery of its 2013 PRP adjustment in the amount of (\$196,331).¹ Atmos proposes \$65,857,096

¹ Application, Exhibit B.

in total additions to its rate base, and total retirements of \$7,200,094 from its rate base due to the PRP program.²

SHELBYVILLE LINE

In response to Staff's Data Request, Atmos answered clarifying questions regarding budget variances and bids for the replacement of the Shelbyville Line. The project, which was previously approved in Case No. 2014-00274,³ entails the replacement of approximately 8.66 miles of eight-inch distribution line with 12-inch steel distribution line. Prior to submitting its application in this matter, on June 16, 2015, a meeting with Commission Staff, and the Attorney General's Office of Rate Intervention was held at Atmos's request during which Atmos provided an update on the progress of the Shelbyville Line project.⁴ At that time, Atmos explained that the Shelbyville Line project's cost had risen above the \$14.1 million amount included in its 2014 PRP application by approximately \$7.4 million.⁵ In response to questions raised by Staff at the IC, Atmos provided additional information explaining various factors that led to the increase in cost of the Shelbyville Line. The largest increase is attributed to increased bids received from contractors. Expenses related to contractor labor increased by approximately \$5 million, primarily due to the need for more rock excavation than had been anticipated and to minor changes in the route of the proposed line. Due to the route changes, the cost of materials increased by approximately \$1.0 million and right-

² *Id.* at Exhibits C and D.

³ Case No. 2014-00274, *Application of Atmos Energy Corporation to Establish PRP Rider Rates for the Twelve Month Period Beginning October 1, 2014* (Ky. PSC Oct. 10, 2014).

⁴ Application, Exhibit K-2, page 6 of 6.

⁵ *Id.*

of-way costs increased by approximately \$200,000. Company labor increased by approximately \$1.1 to cover costs over Atmos's original estimate for additional on-site inspections and engineering work.

TARIFF RATE T-4

In response to Staff's Data Request, Atmos provided additional information on the calculation of its proposed \$40.09 Monthly Customer Charge for Tariff Rate T-4. A review of the rate revealed that the spreadsheet Atmos used to calculate its PRP Rider rates contained a formula error. In its response, Atmos stated, "The 0.03 was subtracted in the formula in the prior years PRP filing for rounding purposes. The Company agrees that the 0.03 may be removed from the formula in this year's filing."⁶ The Commission finds that, instead of \$40.09, the Monthly Customer Charge for Tariff Rate T-4 should be \$40.12 per month, based on the correction of the calculation.

The Commission further finds that the information contained in Atmos's application, along with its responses to Staff's Data Request, is sufficient to support the reasonableness of Atmos's proposed PRP Rider rates and that, except for the Monthly Customer Charge for Tariff Rate T-4, the rates should be approved.

IT IS HEREBY ORDERED that:

1. With the exception of the Monthly Customer Charge for Tariff Rate T-4, the PRP rates proposed by Atmos in its application are approved for service rendered by Atmos on and after October 1, 2015.
2. The Monthly Customer Charge for Tariff Rate T-4 proposed by Atmos is denied.

⁶ Atmos's response to Staff's Data Request, Item 1.a.

3. The Monthly Customer Charge for Tariff Rate T-4 shall be \$40.12 per month.

4. Within 20 days of the date of this Order, Atmos shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED
SEP 23 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00272 DATED **SEP 23 2015**

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

Pipe Replacement Program Rider Rates

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>
Rate G-1 (Residential)	\$ 2.65		\$0.00
Rate G-1 (Non-Residential)	\$ 8.44		\$0.00
Rate G-2	\$45.56	1-15,000 Mcf	\$0.0177
		Over 15,000 Mcf	\$0.0119
Rate T-3	\$38.79	1-15,000 Mcf	\$0.0870
		Over 15,000 Mcf	\$0.0584
Rate T-4	\$40.12	1-300 Mcf	\$0.1221
		301-15,000 Mcf	\$0.0815
		Over 15,000 Mcf	\$0.0574

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