

COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED

JUL 01 2019

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL OF A)
SPECIAL CONTRACT PURSUANT TO ITS) CASE NO. 2019-00145
ECONOMIC DEVELOPMENT RIDER)

RESPONSE TO COMMISSION'S FIRST DATA REQUEST

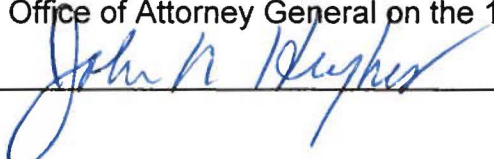
Submitted by:

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Attorneys for Atmos Energy Corporation

Certificate of Service: I certify that a copy of this response was mailed and emailed to the Office of Attorney General on the 1st day of July, 2019.



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY CORPORATION)
FOR APPROVAL OF SPECIAL CONTRACT PURSUANT) Case No.
TO ITS ECONOMIC DEVELOPMENT RIDER) 2019-00145

AFFIDAVIT

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

Mark A. Martin

Mark A. Martin

STATE OF KY.
COUNTY OF Daviess

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 1st day of July, 2019.



Kenneth W. Nash
Notary Public
State at Large, Kentucky
ID # 597444
My Commission Expires
March 16, 2022

Kenneth W. Nash
Notary Public

My Commission Expires: 3-16-2022

COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
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IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION FOR)
APPROVAL OF A SPECIAL CONTRACT PURSUANT TO ITS) Case No. 2019-00145
ECONOMIC DEVELOPMENT RIDER)

APPLICATION AND PETITION FOR CONFIDENTIALITY

Atmos Energy Corporation ("Atmos Energy" or "Company"), by counsel, pursuant to KRS 61.878 and 807 KAR 5:001(13) petitions the Commission for confidential protection of the cost analysis submitted in response to Staff DR 1-01, attachment 2 AND Staff DR 1-09.

BACKGROUND

Atmos Energy has entered into a special contract with one of its industrial customers. Pursuant to the Staff's data request 1-01, Atmos Energy performed a cost analysis related to this special contract to determine whether the anticipated revenue from this customer will cover all variable costs incurred in serving this customer and contribute toward the Company's fixed costs. That cost analysis is attached. Staff 1-09 requested all correspondence among Atmos and Diageo. That correspondence contains discussion of the terms and conditions of the negotiations and includes details of the analysis of the proposed contract.

The Company requests the Commission to grant confidential protection to the analysis and the related correspondence, pursuant to 807 KAR 5:001(13).

CONFIDENTIAL PROTECTION

The information contained in the cost analysis is commercial information that if disclosed could cause substantial competitive harm to Atmos Energy. This information is not publicly available. It would be difficult or impossible for someone to discover this information from other sources. If this information were available to competitors in this form, they could use it to the competitive detriment of Atmos Energy. This information is not generally disclosed to non-management employees of Atmos Energy and is protected internally by the Company as proprietary information. The disclosure of this proprietary information would result in significant or irreparable competitive harm to Atmos Energy by providing its competitors with non-reciprocal competitive advantage. No public purpose is served by the disclosure of such information.

The information in the correspondence provided in PSC 1-09 among Atmos and Diageo contains preliminary discussions and confirmation of terms of the agreement which could allow a competitor to determine the scope of Atmos's negotiation options as well as specific conditions for obtaining the specific contract terms.

KRS 61.878 (1)(c) provides that "records confidentially disclosed to an agency or required by any agency to be disclosed to it, generally recognized as confidential or proprietary, which is openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records "shall remain confidential unless otherwise ordered by a court of competent jurisdiction." The natural gas industry is very competitive. Atmos Energy has

active competitors, who could use this information to their advantage and to the direct disadvantage of Atmos. Atmos would be at a competitive threat of loss of business due to the ability of its competitors to leverage the information to their advantage. The public disclosure of the customer name, customer identifiable information, monetary terms negotiated with each customer and critical monetary terms would permit an unfair advantage to those competitors. With the identity of the customer and the knowledge of the contract terms, competitors would have inside information to target these customers. For these reasons, the customer name, customer identifiable information, and monetary terms in the contracts are exempt from public disclosure pursuant to KRS 61.878(c)(1). The Commission has also previously ruled that the cost analysis submitted with a special contract filing is entitled to confidential protection. See, e.g. In Re: Application of Atmos Energy Corporation for Adjustment of Rate 2013-00148.

Atmos Energy requests that the attached information be held confidentially indefinitely. The statutes cited above do not allow for disclosure at any time. Given the competitive nature of the natural gas business and the efforts of non-regulated competitors to encroach upon traditional markets, it is imperative that regulated information remain protected and that the integrity of the information remain secure.

For those reasons, Atmos Energy requests that the attached cost analysis be treated as confidential.

Submitted by:

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Wilson, Hutchinson & Littlepage

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Randy@whplawfirm.com


John N. Hughes

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(502) 227-7270

Fax: None

inhughes@johnnhughespsc.com

Attorneys for Atmos Energy Corporation

Case No. 2019-00145
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
WITNESS FOR ALL RESPONSES: MARK MARTIN
Question No. 1-01
Page 1 of 1

REQUEST:

Refer to the application at page 1 and Exhibit A at page 1.

- a. Confirm that Diageo Americas Supply, Inc. (Diageo), is an existing customer currently served by Atmos that is constructing new, additional facilities that are the subject of this special contract. If confirmed, describe the additional facilities that are being constructed and the location of those facilities, provide when the construction will be completed, and state whether the 31 jobs created by this project are incremental to an existing workforce. If this cannot be confirmed, state when Diageo's facility was constructed and when Atmos began providing service to the facility.
- b. Refer to Atmos's Economic Development Rider (EDR) tariff attached as Exhibit B to the application. The EDA tariff states that "[t]his Rider is available for load associated with initial permanent service to new establishments, expansion of existing establishments or new customers in existing establishments. This Rider may also be available for existing customers that are experiencing financial hardship, if certain conditions can be met." Identify the category that Diageo falls under to qualify it for the EDR discount and fully explain how Diageo's situation permits it to qualify for the EDR discount.

RESPONSE:

(a) Diageo Americas Supply, Inc. ("Diageo") is a new facility, which has taken nearly 2.5 years to build out. Gas service was initiated in June 2016 with the official facility opening in March 2017. During the period of March 2017 through January 2019, Diageo continued to add capacity each month as warehousing facilities and byproduct removal processes were put into place. The dry house became operational January 2019, completing the operation. Once the full operation was complete, Atmos Energy and Diageo filed for the Economic Development Rider ("EDR") tariff. The thirty-one jobs are the initial workforce.

(b) Initial Permanent Service. Diageo is a new customer with an expected demand of at least 9,000 Mcf per year. The EDR allowed the Company to offer incentive or discount type rates designed to enhance the Company's system utilization while encouraging industrial development and job growth. Please also see Company's response to subpart (a).

Case No. 2019-00145
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-02
Page 1 of 1

REQUEST:

Refer to the application, Exhibit A at page 1.

- a. Provide a copy of the Large Volume Natural Gas Service Agreement No. WKG-1676 by and between Atmos Energy and Diageo, effective as of June 1, 2017 (2017 Agreement).
- b. If not otherwise included in the 2017 Agreement, provide Diageo's current rate schedule and maximum daily receipt and delivery.
- c. State whether the 2017 Agreement is a special contract and, if so, state the date and manner of its filing with the Commission pursuant to 807 KAR 5:011, Section 13.

RESPONSE:

(a) Please see Attachment 1.

(b) Diageo's current rate schedule is included in the 2017 agreement. Please see the attachment provided in response to subpart(a).

(c) The 2017 agreement is not a special contract.

LARGE VOLUME NATURAL GAS SERVICE AGREEMENT

~~THIS LARGE VOLUME NATURAL GAS SERVICE AGREEMENT~~ ("Service Agreement") is made and entered into as of the 1st day of June, 2017, by and between ATMOS ENERGY CORPORATION, a Texas and Virginia Corporation, ("Atmos Energy") and DIAGEO AMERICAS SUPPLY, INC., a New York Corporation, ("Customer"). Atmos Energy and Customer may also be referred to herein as a Party and collectively as the "Parties."

WITNESSETH:

WHEREAS, Atmos Energy desires to provide to Customer, and Customer desires to obtain natural gas service in accordance with the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the Parties hereto agree as follows:

1. Natural Gas Service Type and Volume Levels. Customer agrees to purchase from Atmos Energy or deliver to Atmos Energy for transportation, such service type being specified below, all of Customer's natural gas service requirements ~~for Customer's facility located at or near Shelbyville, Kentucky ("Customer's Facility")~~. Atmos Energy agrees to provide service to Customer of the type specified below, subject to the provisions of Atmos Energy's then current tariff as approved by the Kentucky Public Service Commission ("Tariff"), referenced rate schedules there under and the related Rules and Regulations governing natural gas service as set forth in the Tariff and this Service Agreement, including the attached General Terms and Conditions and Exhibit "A," Receipt Point(s) and Delivery Point(s) which are made a part hereof.

Atmos Energy shall have no obligation to provide for deliveries in excess of the maximum daily and hourly volumes hereinafter specified, or to provide sales gas to Customer in the event Customer chooses a transportation service only. Atmos Energy shall not receive volumes for transportation service in excess of the daily volume hereinafter specified (MDQ):

Service	Type	Maximum Mcf/Day Delivery	Maximum Mcf/Hr. Delivery	Maximum Mcf/Day Receipt (MDQ)
Transportation	T-4	550	45	550

During any billing period, volumes delivered to Customer shall, regardless of nominations, be deemed to first satisfy the T-4 volumes, if any; and then the T-3 volumes, if any.

2. Price. The price to be paid by Customer shall be in accordance with the rate schedule under which the service is rendered. Such rates, including gas cost adjustments, shall be subject to change as permitted by law. Any federal, state or other legal taxes, other than those based upon or measured by Atmos Energy's income which apply now or may hereafter be imposed with respect to the service delivered to Customer, shall be paid by the

Th
5/16/17

Customer, in addition to the rates as specified.

3. Term. This Service Agreement shall become effective on May 1, 2017, and shall continue in full force and effect for three (3) years (the "Primary Term"), and for a three year renewal term thereafter (the "Renewal Term") and shall continue for successive five year terms following the Renewal Term (each a "Rollover Term") provided that either Party may terminate this Service Agreement at the end of the Primary Term, or at the end of the Renewal Term or at the end of any subsequent Rollover Term upon providing ninety (90) days prior written notice to the other Party. The Primary Term, the Renewal Term and subsequent Rollover Terms may be referred to collectively as the "Term". Customer agrees that while this Service Agreement is in effect, all natural gas consumed by Customer at Customer's Facility shall be delivered by Atmos Energy.

In the event Customer plans to make a filing, or direct another party to make such filing on its behalf with the Federal Energy Regulatory Commission or any other regulatory body, seeking authority to receive direct gas service following the termination of this Service Agreement, Customer agrees to notify Atmos Energy of such plans not less than 30 days prior to the date of such filing.

During the Term, Atmos Energy and Customer may mutually agree to amend this Agreement to change the type of service provided for under this Agreement, i.e. sales, transportation, firm or interruptible, if Customer's needs or qualifications change. Any amendment changing the type of service must be in writing and will not, unless mutually agreed by the Parties in such amendment, change the Term of this Agreement.

4. Parking. Subject to the terms of the Tariff, Customer may "park" positive monthly imbalance volumes, up to 10% of the T-3 and T-4 volumes delivered by Atmos Energy into Customer's facilities. The cost to Customer of parking such imbalance volumes shall be as set forth in the Tariff. Unless otherwise provided in the Tariff, Atmos Energy shall provide the parking service on a "best efforts" basis, and the parked volumes shall be deemed "first through the meter" delivered to Customer in the month following delivery to Atmos Energy on Customer's account.

5. Electronic Flow Measurement and Communications Equipment. Under the Tariff, it will be the responsibility of Customer to pay all costs for additional facilities and/or equipment which will be required as a result of receiving Interruptible (Rate T-3) and/or Firm (Rate T-4) service including installation, repair, maintenance and replacement of such additional facilities and/or equipment. The additional facilities and/or equipment include electronic flow measurement ("EFM") equipment and cellular communications support services which shall be installed, maintained, operated, and owned by Atmos Energy. Customer is responsible for providing and maintaining the electric support services related to the EFM equipment. A new Customer that is not renewing an existing service agreement will pay a monthly charge of \$75.00 to cover all initial EFM costs and all ongoing EFM maintenance, repair and replacement costs (the "\$75.00 Monthly Facilities Charge") and a monthly charge of \$25.00 covering the cost of cellular communication support services (the "\$25.00 Monthly Cellular Charge"). Customers that are renewing an existing service agreement ("Existing Customers") and who paid the initial cost of EFM in full by one-time payment will not be required to pay the \$75.00 Monthly Facilities Charge until such time as the EFM requires replacement. Existing Customers who are providing and maintaining a land line for communication support may continue to utilize such land line until such time as

Atmos Energy determines that such land line is no longer providing reliable communication service, at which time the Existing Customer shall begin paying the \$25.00 Monthly Cellular Charge to cover the cost of cellular communications support service.

6. Notices. Any notice required to be given under this Agreement, or any notice that either Party hereto may desire to give the other Party, shall be in writing and shall be considered duly delivered when deposited in the United States mail, postage prepaid, registered or certified, or sent by facsimile and addressed as follows:

If to Atmos Energy: ATMOS ENERGY CORPORATION
 (Kentucky/Mid-States Division)
 5430 LBJ Freeway, Suite 160
 Dallas, Texas 75240-2601
 Attention: Contract Administration
 Telephone: (214) 206-2574
 Facsimile: (214) 214-206-2101

If to Customer: DIAGEO AMERICAS SUPPLY, INC.
 3900 Benson Pike
 Shelbyville, Kentucky 40065

Attention: Mr. Kirk Davidson

or such other address as Atmos Energy, Customer or their respective successors or permitted assigns shall designate by written notice given in the manner described above. Routine communications, including monthly invoices, may be mailed by ordinary mail, postage prepaid, and addressed to the above-designated name and address.

7. Customer Partnering with Supplier Standards. Partnering with Suppliers, Atmos Energy hereby agrees to comply with Customer's Partnering with Suppliers Standards (available at www.diageo.com). Atmos Energy further agrees that it shall not, and shall procure that its affiliates or their respective agents or employees shall not, make, cause to be made, or promise or offer or agree to make, in connection with this Agreement or any associated contracts, any payment, loan, gift or transfer of anything of value, directly or indirectly: (i) to or for the use or benefit of any government official or government employee (including employees of government-owned entities or corporations); or (ii) to any political party, official of a political party or candidate; or (iii) any employee of Customer or any of its affiliates or (iv) to an intermediary for payment to any of the foregoing, in order to obtain or retain business or to secure any improper advantage or as an inducement or reward for showing or not showing favour to any person in connection with this Agreement.

8. Attachments. General Terms and Conditions and Exhibit "A," Receipt Point(s) and Delivery Point(s), attached hereto are expressly incorporated herein and made a part of this Service Agreement for all purposes, and all references herein and therein to "this Service Agreement" include the same and their respective terms and provisions.

IN WITNESS WHEREOF, the Parties hereto have executed this Service Agreement as of the date first above written.

TW 5/16/12

DIAGEO AMERICAS SUPPLY, INC.

ATMOS ENERGY CORPORATION

~~Tom Nizwinski~~
By: [Signature]

By: [Signature]

Title: Sales - Kentucky, Indiana, Ohio, Pa, W. Va
05/16/17

Bill Greer
Vice President, Marketing
Kentucky/Mid-States Division

[Handwritten signature]

**GENERAL TERMS AND CONDITIONS
TO
LARGE VOLUME NATURAL GAS SERVICE AGREEMENT**

1. This Service Agreement is subject to all applicable and valid statutes, ordinances, and the rules, regulations and orders of the Kentucky Public Service Commission.

2. If not presently installed, the necessary regulating and metering equipment constructed to Atmos Energy' specifications shall be installed for delivery of the gas as specified herein, and the Customer shall install or cause to be installed additional regulating equipment to provide suitable operating pressure at the various points of utilization. A suitable location for the regulating and metering equipment shall be provided by the Customer without charge, and Atmos Energy shall have the right to operate, maintain and alter this equipment as is necessary or desirable. Each Party hereto agrees to maintain any equipment owned by it and used in the performance of its obligations herein in good, safe and efficient operating condition and repair.

3. Title to sales gas shall pass from Atmos Energy to Customer, upon the delivery thereof, at the Customer's service address. The title to all gas transported hereunder shall remain with the Customer while such gas is on Atmos Energy's local distribution facilities. The Receipt Point(s) at which the Customer will deliver transportation gas to Atmos Energy and the Delivery Point(s) at which Atmos Energy will redeliver transportation gas to Customer are designated on Exhibit "A" attached hereto.

4. As between the Parties hereto solely, for transportation services, Atmos Energy shall be deemed in exclusive control and possession of the gas after the delivery thereof at the Receipt Point(s) and prior to the redelivery thereof, to or for the account of Customer at the Delivery Point(s). At all other times, as between the Parties hereto solely, Customer shall be deemed in exclusive control and possession of the gas and responsible for any damages, losses or injuries caused by Customer's handling, delivery or receipt thereof. For sales services, Atmos Energy shall be deemed in exclusive control and possession of the gas prior to the delivery thereof, to or for the account of Customer at the Customer's service address. Upon delivery thereof, as between the Parties hereto solely, Customer shall be deemed in exclusive control and possession of the gas and responsible for any damages, losses or injuries caused by Customer's handling, delivery or receipt thereof. Each Party agrees to indemnify, defend and hold harmless the other Party from and against any and all claims, liabilities, damages, losses, costs and expenses incurred by such other Party arising from or relating to any damages, losses or injuries for which the indemnifying Party is responsible pursuant to the provisions of this paragraph, except to the extent such damages, losses or expenses shall have been caused by the negligence of the indemnified Party.

5. In the event that either Atmos Energy or Customer is rendered unable, wholly or in part, by reason of an event of force majeure, to perform its obligations under this Service Agreement, other than to make payment due hereunder, and such Party has given notice and full particulars of such force majeure in writing to the other Party as soon as possible after the occurrence of the cause relied on, then the obligations of the Parties,

Insofar as they are affected by such force majeure, shall be suspended during the continuance of such inability, but for no longer period, and such cause shall, insofar as possible, be remedied with all reasonable dispatch; provided, however, that the settlement of strikes or lock-outs shall be entirely within the discretion of the Party having such difficulty, ~~and the above requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes or lock-outs by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the Party having the difficulty.~~

The term "force majeure" as used herein shall mean any cause not reasonably within the control of the Party claiming suspension and includes, but is not limited to, acts of God; strikes; lock-outs; wars; acts of terrorism; riots; orders or decrees of any lawfully constituted federal, state or local body; fires; storms; floods; wash-outs; explosions; breakage or accident to machinery or lines of pipe; inability to obtain or delay in obtaining rights-of-way, materials, supplies or labor permits; temporary or permanent failure of gas supply or transportation services; capacity constraints; repair, maintenance or replacement of facilities used in the performance of the obligations contained in this Service Agreement; or any other cause of a similar nature whether of the kind herein enumerated or otherwise.

6. During each billing period involving transportation services, Customer agrees to maintain its deliveries of gas to Atmos Energy and its receipt of gas from Atmos Energy in continuous balance or as near thereto as practicable on an Mcf or MMBtu basis, as designated by Atmos Energy. ~~Further, the Customer agrees to be liable to Atmos Energy for all cost, expense and liability incurred by Atmos Energy, which directly relates to the Customer's transportation activities on the interstate pipeline system. To the extent that imbalances owed to Customer by Atmos Energy occur, such "parked" volumes of the Customer shall be deemed, for billing purposes, to be the first volumes delivered to the Customer during the succeeding billing period. When the volume of gas taken by Customer during a billing period exceeds the aggregate of its T-3 and T-4 transportation nominations and its available "parked" volumes, Customer shall pay Atmos Energy for such overrun volumes at the applicable cash out rate.~~

7. In the event of default hereunder by either Party, in addition to all rights and remedies at law or in equity to which the non-defaulting Party may be entitled, the defaulting Party agrees to reimburse the non-defaulting Party for all court costs and other expenses incurred. Further, each Party agrees to indemnify and hold the other Party harmless with regard to any and all fees, costs and expenses incurred by the non-defaulting Party in relation to all claims, disputes and suits which arise under or are related to the defaulting Party's default under this Service Agreement, except to the extent such claims, disputes and suits shall have been caused by the negligence of the non-defaulting Party. In no event shall either Party be liable for indirect, special, consequential or punitive damages.

8. This Service Agreement shall be binding upon the Parties hereto and their respective successors and assigns.

9. This Service Agreement constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral and written, between the Parties hereto with respect to the subject matter hereof.

EXHIBIT "A"
RECEIPT POINT (S) AND
DELIVERY POINT (S)

Receipt Point(s)

A metering station located in Jefferson County, Kentucky at
Longitude 85 degrees, 29 minutes, and 15 seconds and Latitude
38 degrees, 16 minutes and 15 seconds approximately
2.0 miles East of Anchorage, Kentucky (meter No.1981)

Delivery Point(s)

3900 Benson Pike
Shelbyville, Kentucky 40065

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Case No. 2019-00145
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-03
Page 1 of 1

REQUEST:

Refer to the application, Exhibit A at page 1; Case No. 2017-00349,¹ Direct Testimony of Paul H. Raab; and Case No. 2012-00066,² Order dated August 27, 2012, at pages 2 and 3. The discussion of the cost-of-service study (COSS) produced in Case No. 2017-00349 indicates that Atmos's witness sponsored a class COSS to determine how revenue would be allocated to the various customer classes. Explain how this class COSS satisfies the requirement for a marginal COSS ordered in Case No. 2012-00066 and as stated in Atmos's EDR tariff.

RESPONSE:

We believe the Company has filed the Diageo EDR contract in the same fashion as prior EDR contracts with respect to the cost-of-service studies ("COSS"). However, the Company agrees that a marginal COSS is probably a better guide which the Company has produced and provided as an Attachment in its response to Staff 1-07 in further support of the EDR agreement.

¹ Case No 2017-00349, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications*, filed September 28, 2017.

² Case No. 2012-00066, *Application of Atmos Energy Corporation for an Order Approving Economic Development Riders* (KY PSC Aug. 27, 2012).

Case No. 2019-00145
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-04
Page 1 of 1

REQUEST:

Refer to the application, Exhibit A at page 1 and Administrative Case No. 327,³ final Order at 8, which states that a "current [marginal cost-of-service] study is one conducted no more than one year prior to the date of the contract." Explain why Atmos is proposing to utilize a COSS conducted before April 22, 2018, in support of the Diageo special contract.

RESPONSE:

Please refer to Company's response to Staff 1-03. Please also refer to Company's response to Staff 1-07 which applies current costs in its calculations.

³ Administrative Case No. 327, *An Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities* (Ky. PSC Sept. 24, 1990).

Case No. 2019-00145
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-05
Page 1 of 1

REQUEST:

Refer to the application , Exhibit A at page 2, Section 3.

- a. Explain how Diageo's normalized base load of 750 thousand cubic feet (Mcf) per month was determined.
- b. Confirm that the last sentence of the second paragraph should read, "Any volumes in excess of 750 Mcf per month will qualify for the Rider's 25% discount to the then current tariff rate for the first four (4) years of this Service Agreement, so long as the 9,000 Mcf expected demand threshold referenced above is met." If this cannot be confirmed, explain why the current value of 750 is correct.

RESPONSE:

- (a) As stated in the Company's EDR tariff, "For new industrial customers, an EDR should apply on to load which exceeds a minimum base level." The Company's EDR tariff also states that it "may apply to any customer with an expected demand of at least 9,000 Mcf per year." As a new customer, Atmos Energy divided the 9,000 Mcf/year requirement by 12 months to determine a 750 Mcf/month baseload.
- (b) Deny. The Company intended the last sentence to refer to 750 Mcf since the 750 Mcf per month equates to the 9,000 Mcf annual threshold.

Case No. 2019-00145
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-06
Page 1 of 1

REQUEST:

6. Refer to the application, Exhibit A at page 2, Section 3, and Exhibit B, and Atmos's Firm Transportation Service (Rate T-4) tariff.
- a. State whether the Pipeline Replacement Program Rider rates will apply to Diageo. If not, explain why not.
 - b. Provide a hypothetical bill illustrating the application of the EDR discount.
 - c. Provide Diageo's monthly volumes from June 2017 to present and the associated revenues related to Atmos's provision of service to Diageo.
 - d. Provide estimated volumes for Diageo for the first five years of the EDR contract, with associated estimated billings. The estimated billings should be in sufficient detail to show how the tariff rates and the EDA discounts will be applied to estimated volumes.
 - e. Refer also to the application, Exhibit A at page 3, Section 6. Provide cost support for the Monthly Facilities Charge and Monthly Cellular Charge and confirm that these are the "EFM Charge" and "Cellular fee" referenced on page 2, Section 3.

RESPONSE:

- (a) Yes, any applicable Pipeline Replacement Program rider rates will apply to Diageo since they are a Rate T-4 customer.
- (b) Please see Attachment 1 for Diageo's most recent bill. Applying the EDR would lead to a discount of approximately \$3,413.13 assuming a 750 Mcf base level.
- (c) Please see Attachment 2
- (d) Please see Attachment 1. Assuming consistent volumes since Diageo has now completed its facility, the estimated volumes and billings would be the hypothetical bill provided in Attachment 1 for each month of the five years.

(e) Please see Atmos Energy's approved tariff for its Rate T-4 customers. The cellular fee is part of the communications support related to EFM facilities.



ATMOS ENERGY INVOICE

BILL TO:

Diageo/Bulleit Distillery
 Attn: Diageo Americas Supply, Inc
 801 Main Avenue
 PO#4800241823 Attn:Klrk Davidson
 Norwalk, CT 06851

CHECK REMITTANCE TO:
 Atmos Energy
 P.O. Box 790311
 St. Louis, MO 63179-0311

ELECTRONIC REMITTANCE TO:
 Atmos Energy Corporation
 US Bank
 ABA# for ACH [REDACTED]
 ABA# for Wire [REDACTED]
 Account# [REDACTED]
 Location: St Louis, MO

Page: 1 of 1
 Invoice No: KY051901297
 Invoice Date: 13-Jun-19
 Customer No:
 Account No: [REDACTED]
 Contract No: [REDACTED]
 Payment Terms: Net22
 Due Date: 8-Jul-19
 Total Amount Due: \$33,758.33

For billing questions, please call: Robert Cook @ (270) [REDACTED]

LINE	PRODUCTION DATE	STATION	PREMISE	STATION NAME	DESCRIPTION	VOLUME	VOLUME UOM	ENERGY	ENERGY UOM	UNIT AMOUNT	NET AMOUNT
1	May-19	8000138458		DIAGEO	Customer Charge						\$435.00
2	May-19	8000138458		DIAGEO	Sales Tax						\$26.88
3	May-19	8000138458		DIAGEO	KY School Fee						\$13.05
4	May-19	8000138458		DIAGEO	Transportation Services-Firm - Tier 1	300	MCF*	318	DTH	1.3855	\$415.65
5	May-19	8000138458		DIAGEO	Transportation Services-Firm - Tier 2	14,700	MCF*	15,585	DTH	0.9578	\$14,079.66
6	May-19	8000138458		DIAGEO	Transportation Services-Firm - Tier 3	6	MCF*	6	DTH	0.7851	\$4.59
7	May-19	8000138458		DIAGEO	Sales Tax						\$896.09
8	May-19	8000138458		DIAGEO	KY School Fee						\$435.00
9	May-19	8000138458		DIAGEO	Transportation Admin Fee						\$50.00
10	May-19	8000138458		DIAGEO	Sales Tax						\$3.09
11	May-19	8000138458		DIAGEO	KY School Fee						\$1.50
12	May-19	8000138458		DIAGEO	KY Cellular Fee						\$25.00
Subtotal for Station 8000138458											\$16,385.51
Subtotal for Production Date May-19						15,006	MCF	15,909	DTH		\$16,385.51
Total Charges											\$16,385.51
Previous Balance											\$17,372.82
Total Amount Due											\$33,758.33

	Customer Charge S's	Transportation Tier I Mcf	Transportation Tier II Mcf	Transportation S's	Transportation Admin Fee S's	EFM S's	Callular S's	PRP S's	Total S's
Jun '17	375	300	4,183	4,434.05	50	0	25	258.11	5,142.16
Jul '17	375	300	350	792.7	50	0	0	46.15	1,263.85
Aug '17	375	300	4,705	4,929.95	50	75	25	286.98	5,741.93
Sep '17	375	300	5,415	5,604.45	50	0	25	326.24	6,380.69
Oct '17	375	300	6,113	6,267.55	50	0	25	364.84	7,082.39
Nov '17	375	300	8,330	8,373.70	50	0	25	1,116.79	9,940.49
Dec '17	375	300	9,471.00	9,457.65	50	0	25	1,261.36	11,169.01
Jan '18	375	300	10,509	10,443.75	50	0	25	1,392.87	12,286.62
Feb '18	375	300	8204	8,254.00	50	0	25	1,100.83	9,804.83
Mar '18	354.06	300	9,676	9,112.89	50	0	25	1,162.37	10,704.32
Apr '18	354.06	300	9,174	8,662.65	50	0	25	1,104.95	10,196.66
May '18	375	300	8,971	9,129.66	50	0	25	0	9,579.66
Jun '18	375	300	7,936	8,136.06	50	0	25	0	8,586.06
Jul '18	375	300	3,673	4,043.58	50	0	25	0	4,493.58
Aug '18	375	300	7,958	8,157.18	50	0	25	0	8,607.18
Sep '18	375	300	7,952	8,151.42	50	0	25	0	8,601.42
Oct '18	375	300	10,066	10,180.86	50	0	25	0	10,630.86
Nov '18	375	300	9,493	9,630.78	50	0	25	0	10,080.78
Dec '18	375	300	10,189	10,298.94	50	0	25	0	10,748.94
Jan '19	375	300	14,321	14,265.66	50	0	25	0	14,715.66
Feb '19	375	300	14,700	14,690.50	50	0	25	0	15,140.50
Mar '19	375	300	14,700	14,776.57	50	0	25	0	15,226.57
Apr '19	375	300	14,700	15,464.18	50	0	25	0	15,914.18
May '19	435	300	14,700	14,499.90	50	0	25	0	15,009.90

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REQUEST:

Provide any analysis Atmos has performed to demonstrate that this special contract will generate revenue sufficient to cover the variable costs related to serving Diageo and make contributions to fixed costs.

RESPONSE:

As stated in its response to Staff 1-03, the Company has included a Marginal COSS as Attachment 1.

ATTACHMENT:

Staff Response 1-07

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Analysis of Contribution to Fixed Cost
Applying EDR

Annual Mcf {1} [REDACTED] (in excess of 9,000 Mcfy Base)

Annual Revenue {1}:

Monthly Base Charges, @ Tariff	12 mo. X \$ [REDACTED] /mo. =		\$ [REDACTED]	
Transportation Adm. Fee, @ Tariff	12 mo. X \$ [REDACTED] /mo. =		[REDACTED]	
Commodity Gas Cost, @ Tariff			-	*
Non-Commodity Charges, @ Tariff			-	*
Simple Margin, special contract rates applied to annual deliveries:				
[REDACTED] @ \$ [REDACTED] per Mcf				
[REDACTED] @ \$ [REDACTED] per Mcf				
		TOTAL	[REDACTED]	

* - Excluding non-commodity charges and gas costs as noted.

Less Variable/Avoidable Costs:

Lost & Unaccounted For {2}		-	
Odorant {3}		276	
KPSC Assessment {3}		[REDACTED]	
Measurement/Regulation Station {3}		[REDACTED]	
Meter Reading, Maintenance and Billing		-	
Contribution to Fixed Cost:		[REDACTED]	

Notes: {1} - Projected 12-month values based on most recent bill. Annual Revenue applying rate structures and service mix in pending special contract.
 {2} - In accordance with tariffs, Company retains a portion of Customers supplies to compensate for the L&U experienced in Atmos' distribution system. Thus, the variable cost of L&U is, in effect, recovered through gas-in-kind retention.
 {3} - Calculations shown on Page 2 of this Exhibit.

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Analysis of Contribution to Fixed Cost

Odorant:

Odorant injection rate, lb./MMcf					
Annual MMcf		x	[REDACTED]		
Odorant Cost per lb., current		x	[REDACTED]	=	[REDACTED]
				\$	

KPSC Assessment:

Annual Revenue	\$				
Percentage		0.	[REDACTED]	%	

Measurement/Regulation Station:

Standard Measurement/Regulation Station Cost- Regulators, valves, piping, etc. & Labor Total					
Annual Depreciation Rate -		x	[REDACTED]		
Annual Depreciation Expense			[REDACTED]		
Capital Cost {1}			[REDACTED]		
Income Tax {2}			[REDACTED]	=	[REDACTED]
					[REDACTED]
			TOTAL		[REDACTED]

Notes: {1} - Investment in Measurement/Regulation Station times [REDACTED] rate of return on investment.
 {2} - Composite State and Federal income tax rate [REDACTED] times equity portion of return on investment ([REDACTED] times investment in Measurement/Regulation Station).

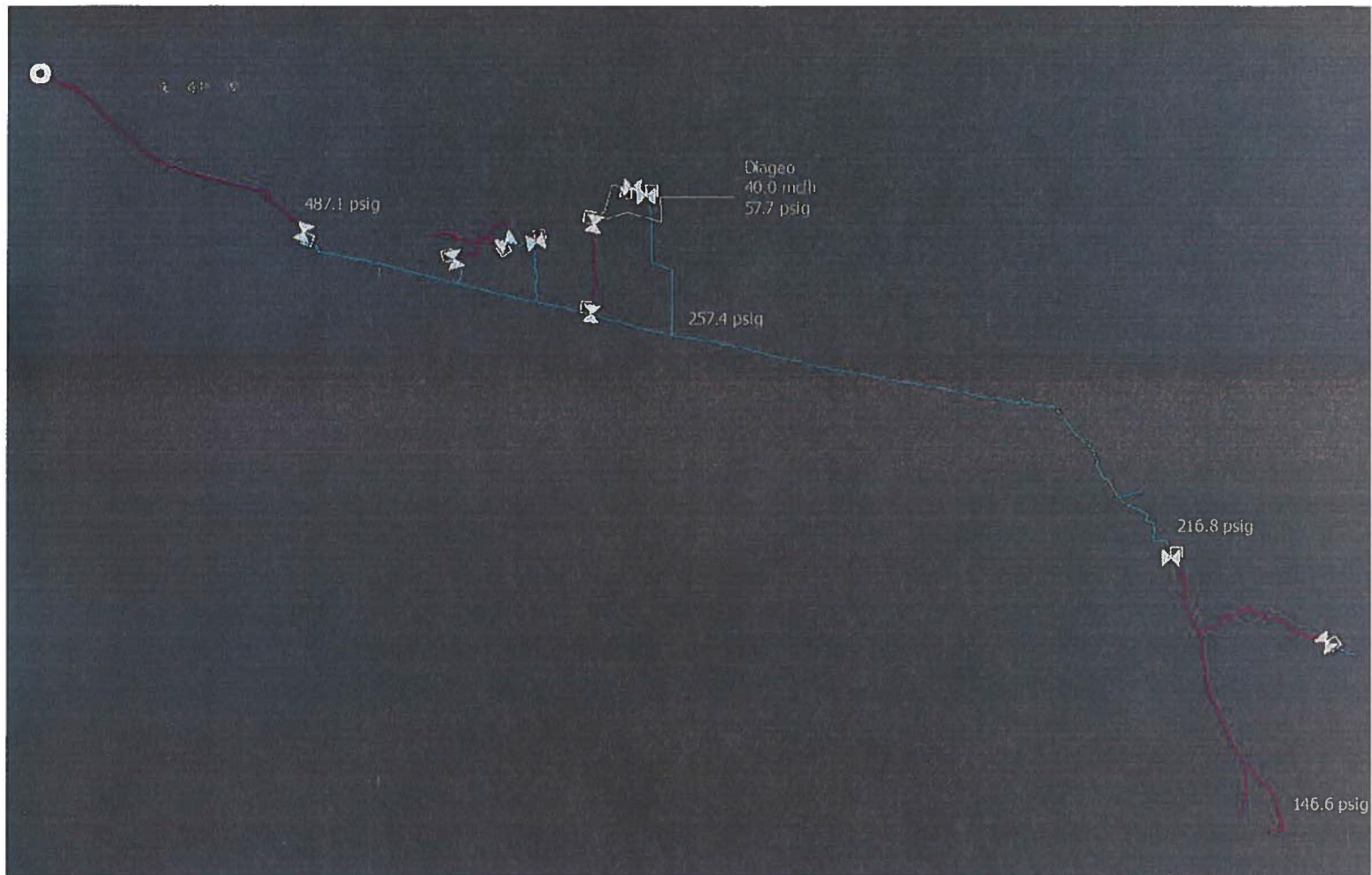
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REQUEST:

State whether Atmos has adequate capacity to serve Diageo and provide any analysis that Atmos conducted to determine that it has adequate capacity, with a reserve margin for system reliability, to serve Diageo.

RESPONSE:

Yes, the Company has adequate capacity. As a T-4 customer, be aware that Atmos Energy does not provide for interstate pipeline capacity or supply, and therefore the capacity in question applies only to Atmos Energy's distribution system. Attachment 1 is a flow analysis to show that the existing capacity can serve the incremental demand on Atmos Energy's distribution system.



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REQUEST:

Provide copies of all correspondences between Atmos and Diageo regarding the EDA, including electronic mail messages and notes of telephone conversations.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

Staff 1-09

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