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March 12, 2020

Kent Chandler
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602-0615

RECEIVED

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PUBLIC SERVICE
COMMISSION

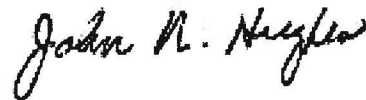
RE: Atmos Energy: Case 2020-00023

Dear Mr. Chandler:

Atmos Energy Corporation submits its responses to the Commission's First Data Request. Included with the response is a petition for confidentiality.

If there are any questions about this matter, please contact me.

Sincerely,



John N. Hughes
Attorney for Atmos
Energy Corporation

COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION FOR)
APPROVAL AND CONFIDENTIAL TREATMENT OF A)
SPECIAL CONTRACT AND COST ANALYSIS INFORMATION) CASE NO. 2020-00023
SUBMITTED TO THE KENTUCKY PUBLIC SERVICE)
COMMISSION)

**PETITION FOR CONFIDENTIALITY
FOR CERTAIN
RESPONSES TO STAFF'S FIRST DATA REQUEST**

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 certain information contained in the Company's Responses to Staff DR 1-01 (a), (c) & (d); Staff DR 1-05(a); Staff DR 1-06; and, Staff DR 1-07.

BACKGROUND

Atmos Energy has entered into a special contract with one of its industrial customers, subject to approval by the Commission, a copy of which was filed in this proceeding under a Petition For Confidentiality. This contract replaces an existing contract that was previously approved by the Commission. Pursuant to 807 KAR 5:011, Atmos Energy submitted the new special contract for approval by the Commission. Consistent with prior orders of the Commission relating to special contracts, 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 also contribute toward the Company's fixed costs. The results of that cost analysis were filed with the Application under a Petition for Confidentiality.

The Staff has filed its First Requests For Information.

CONFIDENTIAL PROTECTION

The information contained in the Company's responses to Staff DR 1-01 (a), (c) & (d), Staff DR 1-05(a); Staff DR 1-06; and, Staff DR 1-07, relate to the rates currently being charged to this industrial customer under a special contract that has been granted confidential protection previously by this Commission or rates which the Company will charge under the proposed special contract. Certain of the information requested in DR 1-6 contain information from which the identity of this special contract customer can be determined. Staff DR 1-07 requests copies of all correspondence between Atmos and this industrial customer. That correspondence contains a discussion of the terms and conditions of the negotiations and includes details of the analysis of the proposed contract.

The information for which confidential protection is sought is commercial information that if disclosed could cause substantial competitive harm to Atmos Energy. This information is not publicly available. The contract contains a specific covenant that the customer will keep the provisions of the contract confidential, which would include the proposed rates and terms of service. 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.

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).

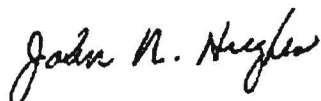
Atmos Energy requests that the information mailed Confidential be held confidentially indefinitely. The statutes cited above do not allow for disclosure at any time. Given the competitive nature of the natural gas business and the efforts of non-regulated competitors to

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 information contained in the Responses that are marked confidential be treated as confidential.

Submitted by:

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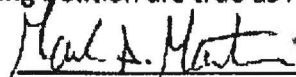


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Attorneys for Atmos Energy Corporation

VERIFICATION

I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 13th day of March, 2020, the original of this Petition, with the Confidential Information, for which confidential treatment is sought, together with one (1) copy of the Petition, without the confidential information, was filed with the Kentucky Public Service Commission, 211 Sower Blvd., PO Box 615, Frankfort, Kentucky 40602, and a copy served on the Office of the Attorney General, John Howe, Justin M. McNeil and Larry Cook, 700 Capitol Avenue, Suite 20, Frankfort, KY 40601-8204.

John M. Neufel

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL AND)
CONFIDENTIAL TREATMENT OF A SPECIAL) CASE NO.
CONTRACT AND COST ANALYSIS) 2020-00023
INFORMATION SUBMITTED TO THE KENTUCKY)
PUBLIC SERVICE COMMISSION)

AFFIDAVIT

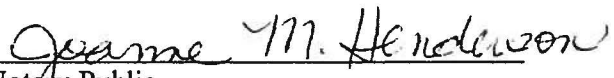
The Affiant, Mark A. Martin, being duly sworn, deposes and states that the attached responses to Commission Staff's first request for information are true and correct to the best of his knowledge and belief.



Mark A. Martin

STATE OF Kentucky
COUNTY OF Daviess

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 11th day of March, 2020.



Notary Public

My Commission Expires: _____
Joanne M. Henderson
NOTARY PUBLIC
State at Large, Kentucky
ID # 596005
My Commission Expires 3/22/2022

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-01
Page 1 of 2

REQUEST:

Refer to the application, page 1. Atmos states that it has entered into a special contract with one of its industrial customers, and that the contract replaces an existing contract previously approved by the Commission.

- a. Provide copies of all prior contracts that Atmos has entered into with the above-referenced industrial customer.
- b. Provide the dates when each prior contract with this industrial customer was in effect.
- c. Provide a detailed explanation of any modification between the most recent special contract and the proposed special contract with this industrial customer.
- d. Provide a comparison of the existing contract rates and the proposed contract rates for the industrial customer.
- e. State how long Atmos has provided utility service to this industrial customer.
- f. Confirm that Atmos will be providing service to the industrial customer at an existing facility. If not, explain in detail.
- g. Explain whether Atmos will have to install any new facilities or make upgrades to any of its existing facilities to accommodate the industrial customer.

RESPONSE:

- a. Please see Confidential Attachment 1 and Confidential Attachment 2.
- b. Contract dated January 1, 2000, effective January 1, 2000 through November 1, 2016 and contract dated October 1, 2015, effective November 1, 2016 to present.
- c. Please see Confidential Attachment 3.
- d. Please see Confidential Attachment 3.
- e. It appears Atmos Energy and its predecessors have been providing service in some capacity dating back to 1956.

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-01
Page 2 of 2

- f. Confirmed.
- g. Atmos Energy will not have to install any new facilities nor make upgrades to any of its existing facilities to accommodate the industrial customer.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-01_Att1 - Special Contract 2000 (CONFIDENTIAL).pdf, 9 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_1-01_Att2 - Special Contract 2015 (CONFIDENTIAL).pdf, 6 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, Staff_1-01_Att3 - Special Contract Comparison (CONFIDENTIAL).pdf, 1 Page.

Respondent: Mark Martin

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-02
Page 1 of 1

REQUEST:

Refer to the application, Analysis of Contribution to Fixed Cost, page 1 of 2.

- a. Explain why Atmos used a 10 percent increase in volumes compared to "Pro-forma Test Year Volumes" in Case No. 2015-00343¹ to calculate the industrial customer's annual usage.
- b. Explain the amount included for "Meter Reading, Maintenance and Billing."

RESPONSE:

- a. At the time Atmos Energy began negotiations with the customer, the customer's annual volume was approximately 10% higher than the volumes used in the "Pro-forma Test Year Volumes" in Case No. 2015-00343.
- b. The amount of \$0 was included for Meter Reading, Maintenance and Billing because it is minimal. The customer pays the Transportation Admin Fee of \$50/month, as shown in the analysis, to cover billing and the customer pays \$75/month for Electronic Flow Measurement (EFM), as shown in Section 5 of the agreement, to cover maintenance and meter reading expenses.

Respondent: Mark Martin

¹ Case No. 2015-00343, *Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (KY. PSC Aug. 4, 2016).

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-03
Page 1 of 1

REQUEST:

Refer to the application, Analysis of Contribution to Fixed Cost, page 2 of 2.

- a. Explain whether the "Measurement/Regulation Station" is an existing or new facility.
- b. Explain whether the Measurement/Regulation Station's costs are based on representative projects or the actual costs of this industrial customer's facilities.
- c. Provide the origin of the depreciation rates, cost of capital, and capital structure.

RESPONSE:

- a. The Measurement/Regulator Station is an existing facility. No new facilities are required due to the new contract.
- b. The Measurement/Regulation Station's costs are based on representative projects.
- c. The origin of the depreciation rates, cost of capital, and capital structure is the Company's last completed rate case (Case No. 2018-00281) that was effective May 7, 2019.

Respondent: Mark Martin

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-04
Page 1 of 1

REQUEST:

Confirm that the special contract with the industrial customer will generate sufficient revenue to cover Atmos's variable costs and contribute to fixed costs.

RESPONSE:

Confirmed.

Respondent: Mark Martin

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-05
Page 1 of 1

REQUEST:

Refer to the application, Large Volume Natural Gas Service Agreement.

- a. Provide a direct comparison of the price that Atmos intends to charge the industrial customer under the special contract versus what price the industrial customer would be charged under the tariff rate.
- b. Explain whether Atmos required in the contract for the industrial customer to be responsible for any additional investment that would be necessary for Atmos to serve the customer in the future. If not, explain why not in full detail.

RESPONSE:

- a. Please see Confidential Attachment 1.
- b. Atmos Energy did not require the customer to be responsible for any additional investment that would be necessary in the future. Per the contract, Atmos Energy is not obligated to provide deliveries in excess of 5,160 Mcf/day, which Atmos Energy can serve with existing facilities.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-05_Att1 - Pricing (CONFIDENTIAL).pdf, 1 Pages.

Respondent: Mark Martin

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-06
Page 1 of 1

REQUEST:

Refer to the application in general. Explain in full detail why Atmos cannot provide service to the industrial customer under Atmos's filed tariffs, but instead must enter into a special contract for service. Be sure to include a discussion of any specific threat of bypass posed by the industrial customer, and provide a detailed map demonstrating the distance that the industrial customer is from a transmission pipeline.

RESPONSE:

Please see Confidential Attachment 1 and Confidential Attachment 2.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-06_Att1 – Special Contract Basis (CONFIDENTIAL).pdf, 1 Page.

ATTACHMENT 2 – Atmos Energy Corporation, Staff_1-06_Att2 - Calvert City Bypass Map (CONFIDENTIAL).pdf, 1 Page.

Respondent: Mark Martin

Case No. 2020-00023
Atmos Energy Corporation, Kentucky Division
Staff DR Set No. 1
Question No. 1-07
Page 1 of 1

REQUEST:

Provide a copy of all correspondence, emails, internal reports, notes, etc. concerning contract negotiations for the negotiated rates for the proposed special contract.

RESPONSE:

Please see Confidential Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-07_Att1 - Customer Correspondence (CONFIDENTIAL).pdf, 7 Pages.

Respondent: Mark Martin