

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC REQUEST OF ATMOS ENERGY CORPORATION FOR MODIFICATION AND EXTENSION OF ITS GAS COST ADJUSTMENT PERFORMANCE BASED RATEMAKING MECHANISM)))))	CASE NO. 2020-00289
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COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO ATMOS ENERGY CORPORATION

Atmos Energy Corporation (Atmos), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on December 18, 2020. The Commission directs Atmos to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Atmos shall make timely amendment to any prior response if Atmos obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Atmos fails or refuses to furnish all or part of the requested information, Atmos shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Atmos shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Atmos's response to Commission Staff's First Request for Information (Staff's First Request), Item 1. Provide the responses to subparts 1.b. and 1.c. electronically in Excel spreadsheet format with all formulas intact and all cells accessible and unprotected.

2. Refer to Atmos's response to Staff's First Request, Item 1.b.

a. Confirm that the total monthly savings range from 8.23 percent to 11.21 percent of gas costs in each of the four program years shown. If confirmed, state whether a threshold of 2 percent of gas costs would provide a meaningful incentive, and explain each basis for your response.

b. Refer also to Case No. 2019-00437,² wherein the Commission found it reasonable for Louisville Gas and Electric Company's Performance-Based Rate (PBR) mechanism "to increase the range for initial sharing so that the upper end of the band reflects historical achieved savings." Confirm that Atmos achieved average savings of 9.1 percent of gas costs for the period June 2016 through May 2020. If this cannot be confirmed, provide Atmos's calculation of the average savings percentage for the same period.

3. Refer to Atmos's response to Staff's First Request, Item 2.a.

a. Explain how the discount rate Atmos in Mississippi has received previously for released capacity from unaffiliated entities compares to half the base contract rate that has been paid by Atmos Kentucky for the released capacity described in this response.

b. Explain whether Atmos in Mississippi is contracting for more capacity than it needs in order to make capacity available to Atmos Kentucky in response to this opportunity identified by Atmos.

² Case No. 2019-00437, *Electronic Application of Louisville Gas and Electric Company for Renewal and Proposed Modification of Its Performance-Based Ratemaking Mechanism* (Ky. PSC Oct. 26, 2020), Final Order at 7.

c. Explain whether the relatively recent form of capacity utilization described in this response is a result of the pipeline capacity contracting performed by Atmos's asset manager.

d. Explain when the described segmentation began, and what percentage of annual Transportation Cost savings has been represented each year by segmentation.

4. Refer to Atmos's response to Staff's First Request, Item 3.

a. Explain the following statement in detail: "However, with the use of a segmented contract, the Company must rely on nontraditional receipt points with less liquidity and potentially more price risk."

b. Confirm Atmos's statement that its experience with the PBR mechanism enables it to better manage supply risk.

5. Refer to Atmos's response to Staff's First Request, Item 11.

a. Confirm that the PBR mechanism of Atmos in Kansas involves only transportation service demand charges and that customers retain 78 percent of savings, with no sharing bands.

b. Confirm that the PBR mechanism of Atmos in Mississippi involves only transportation service demand charges and capacity release, and that customers retain 50 percent of savings, with no sharing bands.

c. Explain the Mississippi Public Service Commission's 2012 Order requirement on page 4 that "Atmos will present subsequent projects to the Commission for approval."

d. Confirm that the PBR mechanism of Atmos in Tennessee involves sharing of gas commodity cost savings with customers on a 75/25 basis in favor of customers; sharing of capacity release revenues on the same 75/25 basis, as well as sharing asset management fees 90/10 in favor of customers; sharing of transportation cost savings on an 85/15 basis in favor of the customer; and off system sales sharing on a 75/25 basis in favor of the customers.

e. Explain how the treatment of asset management fees is different in Tennessee from that of Atmos in Kentucky.

f. Provide a detailed explanation of the Atmos Tennessee Avoided Cost Incentive Mechanism, along with a comparison to the treatment of transportation cost savings in Atmos Kentucky's PBR mechanism.

g. Explain whether Atmos Kentucky would have continued to calculate demand cost savings attributable to segmentation of \$95,000 per month in Kentucky if its PBR mechanism included an Avoided Cost Incentive Mechanism similar to that of Atmos in Tennessee. If not, explain how it would have been calculated using the Avoided Cost Incentive Mechanism as described in Atmos's tariff in Tennessee.

h. Provide a detailed description of Atmos's current PBR mechanism in Louisiana.

i. Provide a summary table showing a comparison of all Atmos divisions' PBR mechanisms in all states with that of the PBR mechanism of Atmos Kentucky.



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DATED DEC 03 2020

cc: Parties of Record

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