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SEP 21 2015

The Law Offices of

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COMMISSION

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September 18, 2015

Virginia Gregg
Staff Attorney
Kentucky Public Service Commission

Via Email

Re: Case No. 2015-00272
APPLICATION OF ATMOS ENERGY
CORPORATION TO ESTABLISH PRP RIDER
RATES FOR THE TWELVE MONTH PERIOD
BEGINNING OCTOBER 1, 2015

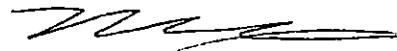
Dear Virginia:

Attached are the Responses of Atmos Energy Corporation to the requests for additional information from Staff during the telephonic informal conference held on September 14, 2015.

Please file these responses in the record of this proceeding. I will also be forwarding you hard copies of these responses today.

Thank you for your assistance in this matter.

Very truly yours,



Mark R. Hutchinson

MRH/dgp
Attachments

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SEP 21 2015

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF ATMOS ENERGY)
CORPORATION TO ESTABLISH PRP RIDER) Case No. 2015-00272
RATES FOR THE 12-MONTH PERIOD)
BEGINNING OCTOBER 1, 2015)

AFFIDAVIT

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

Mark A. Martin
Mark A. Martin

STATE OF Kentucky
COUNTY OF Daviess

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 18TH day of September, 2015.

PEARL ANN SIMON
NOTARY PUBLIC
KENTUCKY, STATE AT LARGE
MY COMMISSION EXPIRES 09-26-17
NOTARY ID 496385

Pearl Ann Simon
Notary Public - State of Ky. at Large
My Commission Expires: Sept 26, 2017
Notary ID: 496385

Atmos Energy Corporation (Company) and the Staff held an Informal Conference (IC) related to Case No. 2015-00272 which covers the Company's annual Pipe Replacement Program (PRP). During the IC, the Company agreed to provide the following information to complete the record:

1. Provide maps of the initial and final routes for the Shelbyville project. Provide a description of any changes between the initial and final routes.

RESPONSE: Attached are the requested maps. The map dated July 31, 2014 reflects the route we originally planned – which was prepared prior to acquiring the necessary rights of way from landowners. The map dated March 16, 2015 reflects the final route which is currently under construction. Three route changes were necessitated primarily for safety reasons (e.g. moving further away from existing structures) and ease in obtaining necessary rights of way while minimizing impact to the public.. Each of the three route changes are described below:

a. Please refer to page 4 of the 2015 map. The existing pipeline was located within 20 feet of a residence at 710 Flat Rock Rd (#15) and also within 15 feet of 708 Flat Rock Rd (#17) residence. For safety reasons we did not want to replace the pipeline with the new line along the same route as it was too close to these residences. Therefore, we purchase ROW along the drive of the property labeled as #16. Although this route change did add approximately 425' of additional pipe installation along Flat Rock Rd (approximately \$137,000), this cost was offset by avoiding easement acquisition costs with three separate land owners, as well as localized reroutes to add separation between our new facilities and these residential structures.

b. Please refer to page 9 of the 2015 map. We altered the route along Highway 60 and Whitney Young Road. Had we not made this route change, our new line would have crossed the front yards of the residences of ten separate landowners. By re-routing the line, we were able to install it through undeveloped land all owned by a single property owner who owns property on both the north and south sides of CSX Railroad. It also had the added benefit of better positioning for our crossing of the CSX railroad. This reroute resulted in an additional 250' of pipeline construction (approximately \$81,000). But, again this cost was offset by avoiding easement acquisition costs with multiple landowners and localized reroutes to add separation between our facilities and these residential structures.

c. Please refer to Page 10 of the 2015 map. The Company's existing pipeline runs across the property where the Cardinal Club golf course was constructed. The Company had extensive and ongoing negotiations with the golf course on both the timing of construction and alternate routing of the line along the outside of the course to minimize impact and not require the course to suspend operations. This alteration and re-route required an additional 1100' of pipeline to be installed (approximately \$355,000). Additionally, the new route of the high pressure line required abandonment of a regulator station near the Clubhouse Entrance which provides natural gas service to residential houses within Cardinal Club Estates. We are constructing a new regulator station on the east side of the Cardinal Club property and installing an additional 3000' of 4" polyethylene along Cardinal Club Boulevard which requires a 500' rock directional bore. The additional regulator station and polyethylene installation costs are approximately \$393,000.

It is important to note that our existing line runs across five fairways and three greens. Had we not re-routed the new line, significant portions of the golf course would have been damaged and unplayable. The Cardinal Club would not agree to any right of way that crossed their course. Even if the Club had been agreeable, the cost of repairing and restoring fairways, T-boxes and greens would have been excessive.

2. Of the four bids that were itemized in response to Staff 2a, which bid was selected by the Company?

RESPONSE: The Company selected the lowest bid which was received by Company A.

3. The Company cited in the footnote on the last page of its PRP filing dated July 31, 2015 that the lowest bid was considerably higher than the original estimate. What did the Company expect the bid to be when it initially estimated the Shelbyville project?

RESPONSE: The Company had experienced similarly sized PRP projects in other areas and those actual PRP projects led the Company to anticipate awarding a bid below \$5m. The lowest bid for the Shelbyville project wound up being awarded at \$6.8m.

4. Please reconcile the lowest bid for the Shelbyville project which was approximately \$6.8m compared to the current projection for the category labeled Pipeline Contractor Installation per the email that was an Appendix to Staff's initial request for information which was approximately \$13.1m.

RESPONSE: The current projections that were supplied to the Staff on June 26, 2015 are still valid and the Company is not aware of nor does it anticipate any changes to those numbers. The contract bid of \$6.8m was one component of the total \$13.1m that was listed for Pipeline Contractor Installation. Other items that are included in the Pipeline Contractor Installation category are direct charges, contingencies and overheads. Direct charges would include, but not be limited to, such items as additional boring, X-ray and welding related expenses. Please refer to the table below in response to #5 which itemizes the initial estimate and current projection for Pipeline Contractor Installation

5. Please describe the \$5m variance between the Company's initial estimate and its current projection for Pipeline Contractor Installation per the email that was an Appendix to Staff's initial request for information.

RESPONSE: The Company initially estimated the components included for Pipeline Contractor Installation at \$8.1m and revised that number to \$13.1m based on known factors. Below is an itemized list outlining the components of each cost category of the initial estimate and current

projection for Pipeline Contractor Installation:

	<u>Initial Estimate</u>	<u>Current Projection</u>
General Contractor Labor Bid	\$ 4,695,289	\$ 6,870,125
<i>Main Installation/Retirement</i>	\$ 3,004,125	\$ 4,768,600
<i>Valve Setting</i>	\$ 109,000	\$ 364,700
<i>Boring</i>	\$ 1,512,500	\$ 1,551,000
<i>Other</i>	\$ 69,664	\$ 185,825
	\$ 4,695,289	\$ 6,870,125
Additional Direct Charges		
<i>X-Ray and Visual Welding Inspection (ITI)</i>	\$ 346,000	\$ 384,000
<i>Install 12" Pipe</i>		\$ 814,200
<i>12" Uncased Bores</i>		\$ 522,500
<i>Install New Pipeline Station</i>		\$ 150,000
<i>Install Floyds Fork Tie-in</i>		\$ 25,000
<i>Extra Work / Overages Allowed</i>		\$ 45,000
<i>X-Ray and Visual Welding Inspection (ITI)</i>		\$ 192,000
<i>Extra Work / Overages Allowed</i>		\$ 45,000
<i>PE Contractor Labor - 2" and 4" PE Lines</i>	\$ -	\$ 250,000
	\$ 346,000	\$ 2,427,700
Total Direct Contractor Labor	\$ 5,041,289	\$ 9,297,825
<i>Contingency</i>	\$ 755,868.75	\$ 552,326.25
<i>SSU OH</i>	\$ 593,986.86	\$ 914,094.04
<i>BU OH</i>	\$ 644,982.80	\$ 1,096,321.83
<i>State OH</i>	\$ 1,077,289.34	\$ 1,253,924.25
Total Contingencies & OHs	\$ 3,072,128	\$ 3,816,666
Grand Total	\$ 8,113,417	\$ 13,114,491