

JUL 29 2019

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY 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 ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST
PUBLIC VERSION

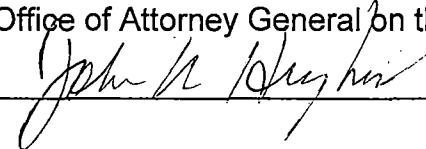
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Certificate of Service: I certify that a copy of this response was mailed and emailed to the Office of Attorney General on the 29TH day of July, 2019.



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 the Office of the Attorney General's second request for information are true and correct to the best of his knowledge and belief.



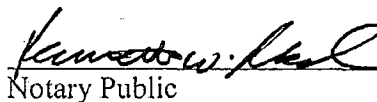
Mark A. Martin

STATE OF Kentucky
COUNTY OF Daviess

SUBSCRIBED AND SWORN to before me by Mark A. Martin on this the 29th day of July, 2019.



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



Notary Public

My Commission Expires: March 16, 2022

Case No. 2019-00145
Atmos Energy Corporation, Kentucky Division
AG DR Set No. 2
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REQUEST:

Reference Atmos' response to PSC 1-9, for which the Company is seeking confidential protection.

a. Reference the [REDACTED] dated [REDACTED] from [REDACTED] of Atmos to [REDACTED] [REDACTED]. On page 1, in the third bullet point, the following statement is made:
"[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- i. What is meant by the term "[REDACTED]"?
- ii. Describe how the sum of [REDACTED] was determined. Was this amount eventually included as part of the agreement? Is the same sum used for all EDR contracts?
- iii. Does the [REDACTED] payment come from Atmos? If so, identify the source of those funds, including whether they represent shareholder sums. If not, do ratepayers pay that sum? If Atmos borrowed the sums involved, did it pay any interest or carrying charges, and if so, who will pay those costs?
- iv. Is the [REDACTED] amount [REDACTED] the 25% Tariff Margin Discount provided by Atmos' EDR tariff?
- v. Describe in full what the term "[REDACTED]" means.

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- vi. In the sentence that begins with the phrase, "[REDACTED]", identify the party or entity that would be [REDACTED].
 - vii. Identify the party and amount paid by said party for each phase of construction associated with the Diageo expansion subject to the Tariff EDR rate.
 - viii. Given that the sums identified in this attachment were only estimates, provide the actual sums paid under the agreement eventually executed.
 - ix. Provide the total amount Atmos spent for any extensions or expansions of its facilities in order to provide service under the EDR contract.
 - x. Explain whether a "[REDACTED]" is another way of referring to the term "[REDACTED]." If not, explain in full all differences between the two. Explain also what type(s) of [REDACTED], if any, the final contract has, and if more than one, the differences between them.
 - xi. Confirm that the possible [REDACTED] were preliminary, and not included in the actual filed contract [REDACTED].
- b. Reference the [REDACTED] dated [REDACTED].
- i. At the end of the first paragraph on page 2, the following sentence appears:
"[REDACTED]"
[REDACTED]
[REDACTED]

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- (1) Describe what the phrase "[REDACTED]
[REDACTED]
[REDACTED]" means.
 - (2) Include in your response whether it is Atmos or Diageo that under this scenario would be making a [REDACTED].
 - (3) State whether any estimates of such a [REDACTED]
[REDACTED] have been derived, and if so, provide the figure.
- ii. Have the parties obtained the referenced permission from either [REDACTED]
[REDACTED] and/ or [REDACTED]?
 - iii. Confirm that under the actual final contract, Atmos will not be making any contribution toward construction costs, and that Diageo paid all such costs. If not so confirmed, provide a supplemental response to AG 1-4, which stated in pertinent part, "Atmos did not pay for the expansion."
- c. Reference the email from [REDACTED]
[REDACTED].
- i. In numerical paragraph 1, Describe what the term "[REDACTED]" refers to.
 - ii. In numerical paragraph 5, describe what the term "[REDACTED]" refers to. Explain why the [REDACTED] can only be used for [REDACTED]
[REDACTED].
 - iii. Describe whether the [REDACTED] concept was utilized in any manner for the actual filed contract, and if so, how.

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- d. State whether Atmos, Diageo, or both companies were in charge of overseeing construction of the facilities necessary to provide service under the actual filed EDR agreement.
- e. Provide a description of how all funds utilized during construction were derived. For example, did Diageo front all sums? If not: (i) describe how Atmos obtained the funds used for the project; and (ii) describe the ratepayer impact for all such costs.

RESPONSE:

- a.
 - i. The Company objects on the grounds that it is not relevant what the term "[REDACTED]" means because the "[REDACTED]" is not part of the final contract that is the subject of this proceeding.
 - ii. The Company objects on the grounds that it is not relevant how the sum of [REDACTED] was determined because the sum of [REDACTED] is not part of the final contract that is subject of this proceeding.
 - iii. The Company objects on the grounds that it is not relevant where the [REDACTED] because the "[REDACTED]" is not part of the final contract nor is it the subject of this proceeding.

Notwithstanding its objection, the Company states that the [REDACTED] would come from [REDACTED] that was contemplated [REDACTED] by the customer [REDACTED].

- iv. The Company objects on the grounds that it is not relevant since the [REDACTED] is not part of the final contract that is the subject of this proceeding.

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- v. The Company objects on the grounds that it is not relevant since the [REDACTED] is not part of the final contract that is the subject of this proceeding.

Notwithstanding its objection, the Company considers "[REDACTED] [REDACTED]" to mean Atmos Energy is responsible for overseeing/contracting [REDACTED]
[REDACTED]
[REDACTED].

- vi. The Company objects on the grounds that it is not relevant since the [REDACTED] is not part of the final contract that is the subject of this proceeding.

- vii. Phase 1 - [REDACTED]

Phase 2 - not installed.

- viii. [REDACTED]

- ix. Atmos Energy's only costs were the meter and meter set, which it would typically provide for any customer.

- x. Yes, in this context, "[REDACTED]" was another way of referring to the term "[REDACTED]." The final contract reflects the Tariff EDR rate.

- xi. Yes, the potential [REDACTED] set forth [REDACTED] were preliminary, and not included or reflected in any way in the actual filed contract with [REDACTED].

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- b.
- i. The Company objects to this question on the grounds that it is not relevant. The [REDACTED] referenced is not part of the final contract that is the subject of this proceeding.
 - 1. See response to b.i.
 - 2. See response to b.i.
 - 3. See response to b.i.
 - ii. No, the route was revised and no [REDACTED] were needed.
 - iii. [REDACTED] made no contribution towards [REDACTED].
- c.
- i. The Company objects on the grounds that it is not relevant what the term "[REDACTED]" refers to because the "[REDACTED]" concept is not part of the final contract that is the subject of this proceeding.
 - ii. The Company objects on the grounds that it is not relevant what the term "[REDACTED]" refers to or can be used for because the "[REDACTED]" concept is not part of the final contract that is the subject of this proceeding.
 - iii. No, the "[REDACTED]" concept was not utilized in the actual filed contract.
- d. Atmos Energy and its contractors were in charge of overseeing construction of the facilities necessary to provide service under the actual filed EDR agreement.
- e. [REDACTED] provided [REDACTED] used for [REDACTED]. The Company believes that there were no ratepayer impacts from the [REDACTED].

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Question No. 2-02
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REQUEST:

Refer to Atmos' response to Staff DR 1-3, wherein Mr. Martin states, "the Company agrees that a marginal COSS is probably a better guide."

- a. Confirm that the Commission's September 24, 1990 order in Administrative Case No. 327 *requires* the utility to "submit, with each EDR contract, a current marginal cost-of-service study. A current study is one conducted no more than one year prior to the date of the contract."

RESPONSE:

Confirmed. The Company provided a marginal COSS in response to Staff DR No. 1-07.

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Question No. 2-03
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REQUEST:

Refer to Atmos' Response to Staff DR 1-3, wherein it indicates it has filed "prior EDR contracts."

- a. Provide the Attorney General the last five (5) annual reports for each of Atmos' other active EDRs, of if none are active, the last three (3) EDRs, detailing revenues received from individual EDR customers and the marginal costs associated with serving those individual customers, in accordance with findings paragraph number 7 in the Commission's September 24, 1990 order in Administrative Case No. 327.
- b. Provide citations to the portion of Atmos' Applications in its past three (3) rate cases whereby Atmos "demonstrate[d] through detailed cost-of-service analysis that nonparticipating ratepayers are not adversely affected by [the active EDR] customers.

RESPONSE:

- a. The Company objects on the grounds of relevance. Each EDR contract is evaluated on its own merits, thus the other referenced EDR contracts are not relevant to contract filed in this proceeding.
- b. Atmos Energy filed a fully allocated COSS in its most recent rate case, which was completed in April 2019. The Attorney General participated in that case and had the opportunity to evaluate the impact of all industrial contracts on the class cost of service. He raised no issues or objections to the study, allocations or rate design. The COSS includes detailed analysis of all class revenue allocations, which the Attorney General could have reviewed as part of his preparation for submitting this data request. Had he made such a review, he would have discovered the lack of adverse effect on ratepayers.

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Question No. 2-04
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REQUEST:

Refer to Exhibit A to the Application, page 1, the Large Volume Natural Gas Service Agreement.

- a. The agreement's recitation states that, "Atmos Energy does not anticipate any customer-specific fixed costs." Nevertheless, should fixed costs be identified, identify the provision of the EDR contract that provides for the recovery of EDR customer-specific fixed costs over the life of the contract.

RESPONSE:

Part 4 of the Service Agreement provides that the Service Agreement may be amended "if Customer's needs or qualifications change."