

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC REQUEST OF ATMOS)	
ENERGY CORPORATION FOR)	CASE NO.
MODIFICATION AND EXTENSION OF ITS)	2020-00289
GAS COST ADJUSTMENT PERFORMANCE)	
BASED RATEMAKING MECHANISM)	

COMMISSION STAFF'S FIRST 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 within 21 days of the date of this request. 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 August 31, 2020 motion to modify and extend its Performance-Based Ratemaking (PBR) mechanism (Motion), Report on Performance-Based Ratemaking (Report), pages 3 and 4, which describes the Requests for Proposal (RFP) for potential asset managers to provide single-source contracts for its distribution systems served by Texas Gas Transmission/Trunkline Pipeline/ANR Pipeline Company (Texas Gas/Trunkline/ANR) and Tennessee Gas Pipeline (Tennessee Gas).

a. Provide a summary of the contract terms of each of the successful bidders for the Texas Gas/Trunkline/ANR and Tennessee Gas specific contracts, along with a detailed explanation of why each was chosen over competing bidders.

b. Provide a breakdown of the annual gas commodity and transportation cost savings achieved in each of the two Texas Gas/Trunkline/ANR and Tennessee Gas distribution systems for each year of the four years covered by the Report.

c. Provide a comparison of the annual gas commodity and transportation cost savings achieved in each of the two distribution systems with commodity and transportation costs savings achieved in the two systems for each year of the ten years ending June 2016.

2. Refer to the Report, page 6.

a. Explain in detail how the Transportation Cost Component of Atmos's PBR mechanism produced approximately half of the total \$28 million PBR savings achieved over the last four years and approximately 42 percent of the \$32.6 million transportation cost savings achieved over the 22 years of the program.

b. Explain why Atmos proposes to retain the Off-System Sales and Capacity Release components if they are inactive. Explain any barriers to implementing those components in the future if they are removed for inactivity.

3. Refer to the Report, page 7. Explain in detail the additional risk taken by Atmos due to the PBR mechanism, giving particular attention to risks undertaken over the last four years in comparison to the previous 18 years of the program.

4. Refer to the Report, page 1, which describes the inception of Atmos's PRP program in 1998.

a. Explain the concerns for the cost of natural gas and reliability of supply that existed in the late 1990s and early 2000s.

b. Explain whether the concerns for the cost of natural gas and reliability of supply that existed in the late 1990s and early 2000s still exist.

c. Compare and contrast the cost and volatility of natural gas and concerns regarding the reliability of supply from the late 1990s over the intervening years to the present.

d. Since Atmos's PBR mechanism was established, provide the percentage of total gas cost for which Atmos's purchase price was above the benchmark for that purchase.

e. Explain whether Atmos believes a PBR mechanism is still necessary in the current low-cost natural gas environment for Kentucky local distribution companies generally and Atmos specifically.

5. Explain whether Atmos has any incentive to optimize its gas supply portfolio absent a PBR mechanism. If so, describe the incentives. If not, explain why not.

6. Explain whether the "least cost acquisition" standard in purchasing natural gas supplies and pipeline transportation services exists absent Atmos's PBR mechanism.

7. State whether Atmos would decrease its efforts to maintain service reliability for the benefit of its customers if Atmos's PBR mechanism was discontinued.

8. Explain whether Atmos seeks to purchase the lowest cost natural gas to provide to its customers regardless of whether it has a PBR mechanism.

9. Refer to Atmos's responses to Commission Staff's (Staff) requests for information regarding Atmos's gas procurement methodology (Staff's gas procurement methodology request) included in its Gas Cost Adjustment (GCA) report in Case No. 2018-00337.² Provide all updates available to the natural gas procurement practices of Atmos as requested below.

a. Provide copies of all interstate pipeline transportation and storage contracts and tariffs utilized during the most recent year. Further, provide a comparison of the terms of these transportation arrangements with those that have been utilized since Staff's gas procurement methodology request. Provide an explanation of all efforts to ensure that interstate pipeline transportation costs were and remain at the lowest possible cost.

b. Provide all updated copies of all current contracts for commodity supply, updated to reflect any changes made subsequent to Staff's request regarding gas procurement methodology. Provide a comparison of the terms of these commodity supply arrangements with those that were utilized during the five previous calendar years. Provide an explanation of all efforts to ensure that commodity gas supply costs were and remain at the lowest possible cost, consistent with security of supply.

c. Provide updated gas supply and capacity contract summaries showing significant contract terms; daily, monthly, and annual entitlements; and pricing. Identify any capacity changes (renegotiated and expired agreements, de-contracting, assignment, or long-term release) since Staff's gas procurement methodology request.

² Case No. 2018-00337, *Purchased Gas Adjustment Filing of Atmos Energy Corporation* (filed Oct. 3, 2018), Atmos's Responses to Commission Staff's Requests for Information.

d. Provide an update of Atmos's storage arrangements, and state the maximum daily injection and withdrawal rates and the decline in deliverability that occurs as gas is withdrawn, updated to reflect any changes occurring subsequent to Staff's request regarding gas procurement methodology.

e. Provide an update of the capacity of all peaking arrangements made since Staff's gas procurement methodology request.

f. Provide an updated copy of all written procedures in use by Atmos for nominations and dispatching since Staff's gas procurement methodology request.

g. If Atmos has changed gas marketing/trading organizations to obtain gas supplies subsequent to Staff's gas procurement methodology request, indicate which organizations were employed, gas volumes purchased, prices, terms, and current contractual arrangements between Atmos and these marketing firms.

h. Provide a summary of the Request for Proposal bidding process for gas supply since Staff's gas procurement methodology request that provides the original bid documents, a listing of the suppliers that were contacted, the responses to the request for bid, the evaluation process that led to the selection of a supplier, and any written procedures that exist for this activity.

i. Provide an updated copy of Atmos's most recent gas supply plan and a written description of its gas supply planning process since Staff's gas procurement methodology request.

j. Provide an updated narrative description of any supply-planning computer models currently being used by Atmos, or being considered for future use, since Staff's gas procurement methodology request.

k. Provide updated organization charts of the overall corporate organization and of the gas planning, gas purchasing, and gas operations functions subsequent to Staff's gas procurement methodology request. Describe any changes that have occurred in the corporate, gas planning and purchasing, and gas operations organizations since Staff's gas procurement methodology request, and any changes that are underway or contemplated within the next five years.

l. Provide job descriptions of the personnel working in the gas planning, gas purchasing, and gas operating functions.

m. Provide updated copies of reports or internal audits or reviews of any aspect of the supply function conducted since Staff's gas procurement methodology request. Include reports prepared by Atmos and outside auditors.

n. Provide an updated copy of Atmos's strategic plan with primary emphasis on gas procurement, transmission, delivery, and expansion, including all significant related capital expenditures since Staff's gas procurement methodology request.

10. Provide the administrative costs and any additional cost associated with the PBR mechanism that is incurred by Atmos on a yearly basis.

11. State whether any Atmos affiliate local distribution company now operates, or has ever operated, under a gas procurement PBR mechanism. If so, provide details of the mechanism.

12. Provide a detailed list of any other states that have approved natural gas procurement PBR mechanisms. Further, explain how Atmos's PBR mechanism

compares to active mechanisms in the other states. For any discontinued mechanisms, provide all available details regarding their discontinuance. Provide a cost-benefit analysis of the costs associated with Atmos's negotiation of the discounted rate and the savings created from the PBR mechanism for ratepayers.

13. Provide the costs incurred to achieve savings under Atmos's PBR, and explain how those costs are recovered (i.e., through the GCA, netted against savings in the PBR, etc.).



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cc: Parties of Record

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