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NEWS RELEASE

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PSC Adjusts Atmos Energy Rates
New rates reflect federal tax changes

FRANKFORT, Ky. (May 3, 2018) – The Kentucky Public Service Commission (PSC) has reduced the annual revenue of Atmos Energy, thereby lowering the average monthly bill for residential customers.

In an order issued today, the PSC reset rates that were established on an interim basis in March to reflect reduced federal corporate income tax rates that took effect at the first of the year.

The reduction in the monthly residential bill includes a reduction to zero of a \$2.97 surcharge assessed to pay for an accelerated program to replace aging and potentially hazardous pipes in the Atmos distribution system. That surcharge was in addition to the interim \$16.52 base monthly service charge.

The base monthly service charge will return to \$17.50, which is the amount it was prior to the interim rates taking effect. The delivery charge for gas will rise from the interim \$1.45 per 1,000 cubic feet to \$1.73 per 1,000 cubic feet. A typical Atmos residential customer uses an average of 5,300 cubic feet per month.

When all of the changes are taken into account, the average monthly base residential bill will decline by 53 cents from its current level, and \$2.28 from the rates in effect prior to the interim adjustment. The changes are detailed below:

	Rates 1/1/2018	Interim Rates	New Rates
Monthly charge	\$17.50	\$16.52	\$17.50
Delivery charge (for 5,300 cubic feet)	\$ 8.13	\$ 7.68	\$ 9.14
Pipeline replacement surcharge	\$ 3.29	\$ 2.97	0
TOTAL BASE BILL	\$28.92	\$27.17	\$26.64

The base rates do not include the cost of the gas itself, which accounts for about half the average total bill. The gas cost is adjusted every three months to reflect – on a dollar-for-dollar basis – the actual amount Atmos pays for gas on the wholesale market.

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Atmos serves nearly 175,000 customers in central and western Kentucky.

Atmos filed a rate increase request in September 2017, seeking an additional \$10.4 million in annual revenue from gas distribution operations, an increase of about 6.1 percent. Following the passage of federal corporate income tax reductions, Atmos revised the requested increase to about \$1.76 million.

In determining an appropriate revenue level for Atmos, the PSC made a number of adjustments to the original request. The largest was a total reduction of \$8.8 million to reflect the federal tax changes. A lower target rate of return on investment for shareholders reduced required revenue by \$1.8 million and the disallowance of certain retirement expenses led to a further \$579,000 reduction.

Taken together, those and other, smaller adjustments resulted in the PSC calculating an annual revenue for Atmos that is \$1.89 million less than the current amount. The revenue figure includes what customers pay in both base rates and pipeline replacement surcharges.

The PSC also changed the way Atmos will recover pipeline replacement costs in the future. Rather than basing the surcharge on future estimated costs, Atmos will be required to base it on actual costs, with no more than \$28 million recovered for a 12-month period ending in September of each year. A recalculated surcharge will take effect every March.

Finally, the PSC rejected a request by Atmos to institute an annual rate adjustment mechanism that would allow the company to change its rates based on changes to its costs, including the pipeline replacement program. The PSC found that the current process of adjusting rates is fair to Atmos and its shareholders and serves the public interest, and that an adjustment mechanism is unwarranted.

The PSC conducted an evidentiary hearing in the case on March 22. A public comment meeting was held in Owensboro on February 22.

The Kentucky Office of Attorney General was the only other party to the case.

Today's order, a video of the hearing, and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2017-00349.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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