COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS ENERGY CORPORATION TO ESTABLISH PRP RIDER RATES FOR THE TWELVE MONTH PERIOD BEGINNING OCTOBER 1, 2026	))))	CASE NO. 2026-00200

O R D E R

On July 31, 2026, Atmos Energy Corporation (Atmos) filed an application and tariff to revise its Pipeline Replacement Program (PRP) rates for a forecasted 12-month period beginning October 1, 2026, and ending September 30, 2027.[1] Atmos responded to one round of discovery from Commission Staff in this matter.[2] No intervenors were joined in this proceeding. This matter now stands submitted for a decision based upon the evidentiary record.

LEGAL STANDARD

KRS 278.030(1) states that "[e]very utility may demand, collect and receive fair, just and reasonable rates" for utility service. Pursuant to KRS 278.509, the Commission may allow a utility to recover costs for investment in natural gas pipeline replacement programs that are not recovered in existing rates through a rider if the costs are fair, just

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[1] Application (filed July 31, 2026) at 1.

[2] Atmos's Response to Commission Staff's First Request of Information (Staff's First Request) (filed Aug. 21, 2026).

and reasonable. The burden of proof to show that an increased rate or charge is just and reasonable shall be upon the utility.[3]

FINDINGS AND DISCUSSION

Revenue Requirement

In Atmos's most recent rate case, Case No. 2024-00276,[4] the Commission established a new authorized Return on Equity (ROE) of 9.65 percent for Atmos's natural gas capital riders (which includes the PRP).[5] Pursuant to the final Order in that proceeding, Atmos is required to utilize the newly approved ROE and capital structure in calculating the revenue requirement for its PRP rider rates in the current filing.[6]

In Case No. 2024-00276, Atmos also requested that it be permitted to include the replacement cost of Aldyl-A pipelines, which had previously been subject to a case-by-case review in its PRP mechanism and requested that a $30 million annual cap previously imposed on PRP projects be removed or increased.[7] In the final Order in that case, the Commission authorized Atmos to include the replacement cost of Aldyl-A projects in the PRP and increased the annual cap on PRP projects to $40 million,[8] to keep up with cost increases and to expedite the replacement of both bare steel and Aldyl-A pipe. However, in doing so, the Commission expressed its expectation that Atmos would prioritize

[3] KRS 278.190(3).

[4] Case No. 2024-00276, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates; Approval of Tariff Revisions; and Other General Relief* (Ky. PSC Aug. 11, 2025).

[5] Case No. 2024-00276, Aug. 11, 2025 Order at 38.

[6] Atmos's Response to Staff's First Request, Item 1, Excel Spreadsheet, Exhibit G.

[7] Case No. 2024-00276, Aug. 11, 2025 Order at 57.

[8] Case No. 2024-00276, Aug. 11, 2025 Order at 60.

replacement projects based on potential safety risks and follow its federal Distribution Integrity Management Program (DIMP) and Transmission Integrity Management Program (TIMP) guidelines.[9]

Atmos's PRP focused on two materials: bare steel and Aldyl-A plastic. Bare steel pipelines, primarily installed from the 1930s through the 1950s, are uncoated and particularly susceptible to age-related corrosion and leaks.[10] Their replacement has been prioritized based on factors such as maximum allowable operating pressure (MAOP), leak history, and proximity to densely populated or critical areas.[11] Aldyl-A, an early-generation thermoplastic installed primarily from the 1960s through the 1980s, is susceptible to brittle-like cracking, fitting failures particularly service tees, and leak detection challenges.[12] While the bare steel replacement program is nearing completion, with the vast majority of the targeted mileage already modernized, according to Atmos, the replacement of Aldyl-A represents the next long-term phase of its infrastructure modernization program and is expected to continue through 2036.[13]

Pipeline Material	Original Total Mileage	Replaced Mileage to Date	Remaining Mileage	% Completed	Estimated Completion Date
Bare Steel	345	309	36	89.60%	Sep. 30, 2027
Aldyl-A	205	7	198	3.40%	2036
Total / Overall	550	316	234	57.50%	

Atmos filed its proposed revenue requirement calculations showing a PRP revenue

[9] Case No. 2024-00276, Aug. 11, 2025 Order at 59-60.

[10] Atmos's Responses to Staff's First Request, Item 2.

[11] Atmos's Responses to Staff's First Request, Item 2.

[12] Atmos's Responses to Staff's First Request, Item 2.

[13] Atmos's Responses to Staff's First Request, Item 2.

requirement of $17,459,620[14] based on its ROE, components in the last rate case, Case No. 2024-00276,[15] utilizing a weighted average cost of capital (WACC) of 7.10 percent.[16] Consistent with the Commission's Order in Atmos Energy's 2025 PRP Application, Case No. 2025-00246,[17] Atmos did not include a Net Operating Loss Carryforward Deferred Tax Asset in its PRP rate base calculation.[18] Atmos amended its revenue requirement based on the updated calculations to $17,058,667 with two changes (cumulative O&M Savings and Ad Valorem Tax) that resulted in the reduction to total revenue requirement of $400,953.[19] Atmos calculated the net change in rate base for the forecasted period based on projected gross plant additions of $153,184,399.[20] The rate base calculation used a 13-month average of monthly plant and investment balances from October 31, 2026, through September 30, 2027, which captures the progressive, month-by-month changes in plant investment during the recovery period.[21] Based on this methodology, Atmos estimated an $38,825,955 increase in rate base, which is less than the $40 million annual investment cap established by the Commission in last rate case.[22] To determine the net change in gross plant, Atmos then deducted projected plant retirements of

[14] Application, Exhibit I, Line 37.

[15] Case No. 2024-00276, Aug. 11, 2025 Order at 38.

[16] Application, Exhibit B, Line 15 and Exhibit G, Line 4.

[17] Case No. 2025-00246, Dec. 17, 2025 Order.

[18] Application at unnumbered PDF 5, paragraph 10.

[19] Atmos's Responses to Staff's First Request, Item 3.

[20] Application, Exhibit B-1, Line 1.

[21] Application, Exhibit B-1, Line 1.

[22] Application, Exhibit B, Exhibit B-1 and Exhibit C.

$30,960,331 from the projected gross plant additions of $153,184,399, resulting in a net increase in gross plant of $122,224,068.[23] Atmos then added the $33,282,455 net change in accumulated depreciation, resulting in net plant of $155,506,523.[24] Finally, Atmos deducted the $8,545,006 net change in accumulated deferred income taxes (ADIT). After these adjustments, Atmos calculated a PRP net rate base of $146,961,517.[25]

Atmos's revenue requirement calculations include the balancing adjustments required by the Commission-approved PRP tariff to reconcile projected and actual investment and revenue recovery from the applicable prior period.[26] The true-up consists of two components: (1) a Revenue Recovery True-up of $539,642[27], resulting from the under-recovery of the approved recovery amount compared to actual collections during the period from October 1, 2024, through September 30, 2025; and (2) a Project Cost True-up of $114,653,[28] resulting from the difference between the forecasted and actual project costs incurred during the same period in Case No. 2024-00226.[29]

The Commission finds that Atmos's PRP net rate base is $146,961,517 and its PRP revenue requirement of $17,058,667 is reasonable and consistent with its PRP tariff as shown in Appendix A.

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[23] Application, Exhibit B-1, Line 3.

[24] Application, Exhibit B, Line 10.

[25] Application, Exhibit B-1, Line 22.

[26] Direct Testimony of Mark Martin at 4.

[27] Application, Exhibit B-2.

[28] Application, Exhibit B-3.

[29] Case No. 2024-00226, May 29, 2025 Order.

Rate Design

Atmos's most recent base rate case was approved by the Commission in Case No. 2024-00276.[30] Pursuant to Atmos's PRP Rider tariff, the rate class allocation of the PRP revenue requirement will be in proportion to the relative base revenue share approved in Atmos's most recently concluded base rate case.[31]

Atmos provided updated rates in response to Staff's First Request based on the amended PRP revenue requirement of $17,058,667. Those rates allocate the revenue requirement in proportion to the relative base revenue share approved in Atmos's most recently concluded rate case. Additionally, those rates, which are reflected in Appendix B to this Order, produce the PRP revenue requirement of $17,058,667, and are consistent with Atmos's PRP tariff. Thus, the Commission finds that those rates are fair, just and reasonable, and should be approved for service rendered on or after October 1, 2026.

IT IS THEREFORE ORDERED that:

1. The PRP rates proposed by Atmos's amended calculations are approved.

2. The PRP rates in Appendix B to this Order are approved for service rendered by Atmos on and after October 1, 2026.

3. Within 20 days of the date of entry of this Order, Atmos shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

4. This case is closed and removed from the Commission's docket.

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[30] Case No. 2024-00276, Aug. 11, 2025 Order at 68.

[31] PSC KY No. 2, Sixth Revised Sheet No. 38 (issued Aug. 27, 2025), effective Aug. 11, 2025.

Entered on this 11th day of September, 2026.

PUBLIC SERVICE COMMISSION

Signed w/ permission

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00200 DATED SEP 11 2026

Line Number	Description		Total
1	Project Additions	$	153,184,399
2	Project Retirements	$	(30,960,331)
3	**Net Change to Gross Plant**	$	122,224,068
4			
5	Cost of Removal to Accumulated Depr.	$	6,753,621
6	Retirements from Accumulated Depr.		30,960,331
7	Depreciation Accrual to Accumulated Depr.		(4,431,497)
8	**Net Change to Accumulated Depreciation**		33,282,455
9			
10	**Net Change to Net Plant**	$	155,506,523
11			
12	Accumulated Deferred Income Taxes		(8,545,006)
13	**Net Change to Rate Base**	$	146,961,517
14			
15	Rate of Return		7.10%
16	**Required Operating Income**	$	10,434,993
17			
18	Depreciation & Amortization Expense		2,062,625
19	O&M Savings		(26,449)
20	Ad Valorem Tax Increase		1,222,241
21	Income Taxes on Cost of Service Items		(812,975)
22	Income Taxes on Adjusted Interest Expense		(710,510)
23	**Operating Income at Present Rates**	$	1,734,931
24			
25	Deficiency	$	12,169,924
26	Tax Factor		74.19%
27	**Total Rate Adjustment**	$	16,404,372
28			
29	Project Cost True-up	$	114,653
30	Revenue Recovery True-up		539,642
31	**Total True-up**	$	654,295
32			
33	**Total Rate Adjustment**	$	17,058,667
34			
35	Prior Approved Rate Adjustment*	$	12,410,760
36			
37	Increase in Rate Adjustment from Previous Year (Line 33 - Line 35)	$	4,647,907
38			
39	Note: This is the 2026 PRP Rate Adjustment as approved in Case No. 2025-00246		

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00200 DATED SEP 11 2026

The following rates and charges are prescribed for the customers in the area served by Atmos Energy Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Pipeline Replacement Program Rider Rates

		Prior Distribution Charge per Mcf	**As filed** Distribution Charge per Mcf	**Amended** Distribution Charge per
Rate G-1	1-300 Mcf	$ 0.6796	0.9963	0.9734
(Residential)	301-15,000 Mcf	$ 0.6796	0.9963	0.9734
	Over 15,000 Mcf	$ 0.6796	0.9963	0.9734
Rate G-1	1-300 Mcf	$ 0.4817	0.6669	0.6516
(Non-Residential)	301-15,000 Mcf	$ 0.3348	0.4635	0.4529
	Over 15,000 Mcf	$ 0.3348	0.4635	0.4529
Rate G-2	1-15,000 Mcf	$ 0.1306	0.1788	0.1747
	Over 15,000 Mcf	$ 0.1071	0.1466	0.1433
Rate T-3	1-15,000 Mcf	$ 0.1393	0.1863	0.1820
	Over 15,000 Mcf	$ 0.1142	0.1527	0.1492
Rate T-4	1-300 Mcf	$ 0.2308	0.3286	0.3211
	301-15,000 Mcf	$ 0.1604	0.2284	0.2232
	Over 15,000 Mcf	$ 0.1325	0.1886	0.1843

Service List for Case 2026-00200

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